NE PROPERTY B.V.

(incorporated as a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) under the laws of The Netherlands, registration number 34285470)

EUR1,500,000,000

Guaranteed Euro Medium Term Note Programme

guaranteed by

NEPI ROCKCASTLE PLC

(incorporated with limited liability under the laws of the Isle of Man, registration number 014178V)

Under the Guaranteed Euro Medium Term Note Programme described in this Base Prospectus (the "**Programme**"), NE Property B.V. (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes guaranteed by NEPI Rockcastle plc (the "**Guarantee**" and the "**Guarantor**", respectively) (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR1,500,000,000 (or the equivalent in other currencies).

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU and/or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for Notes (other than Exempt Notes (as defined below)) issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Market**"). This base prospectus constitutes a "**Base Prospectus**" for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"). References in this Base Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial institutions (as amended, "**MiFID II**"). The Programme also permits Notes to be issued on the basis that they may be admitted to listing, trading and/or quotation by the Bucharest Stock Exchange as may be agreed with the Issuer.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published for any purpose under the Prospectus Directive. Exempt Notes do not form part of this Base Prospectus for the purposes of the Prospectus Directive and the Central Bank of Ireland has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes. The information in relation to Exempt Notes contained herein may not include the type, level and detail of disclosure as required by the Prospectus Directive or other legislation and any investor who acquires Exempt Notes will not have any recourse to the Issuer pursuant to any Prospectus Directive related liability regime. Exempt Notes may be admitted to listing, trading or quotation by any relevant authority, stock exchange and/or quotation system or be admitted to listing, trading and/or quotation by such other or further relevant authorities, stock exchanges and/or quotation systems, as may be agreed with the Issuer. The Issuer may also issue unlisted Exempt Notes and/or Exempt Notes not admitted to trading on any market.

In the case of Exempt Notes, the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined below) will be set out in a pricing supplement (the "**Pricing Supplement**"). In the case of Exempt Notes, references herein to "Final Terms" shall be deemed to be references to a "Pricing Supplement", so far as the context admits.

Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and each of the temporary Global Notes and permanent Global Notes, a "**Global Note**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**"). If a Global Certificate is held under the New Safekeeping Structure (the "**NSS**") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**").

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Programme has been rated BBB by both S&P's Global Ratings Europe Limited ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**"). S&P and Fitch are each established in the European Union and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Base Prospectus.

IMPORTANT – EEA RETAIL INVESTORS - If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

BENCHMARK REGULATION - Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms (or Pricing Supplement, in the case of Exempt Notes) will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms (or Pricing Supplement, in the case of Exempt Notes). The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms (or Pricing Supplement, in the case of Exempt Notes) to reflect any change in the registration status of the administrator.

Arranger for the Programme

DEUTSCHE BANK

Dealers

DEUTSCHE BANK	**ING**	**RAIFFEISEN BANK INTERNATIONAL**	**SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

Base Prospectus dated 11 April 2019

*This document comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "***Prospectus Directive***"). For the purpose of giving information with regard to the Issuer, the Guarantor and its consolidated subsidiaries (which includes the Issuer) taken as a whole (the "***Group***") this base prospectus when read together with the relevant Notes shall contain all information which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor and the rights attaching to the relevant issue of the Notes.*

*The Issuer and the Guarantor (the "***Responsible Person(s)***") accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers, the Arranger or the Trustee (as defined in "*Overview of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000 (or the equivalent in any other currencies as at the date of issue of any Notes). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers, the Arranger or the Trustee accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, a Dealer or the Trustee or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Arranger, each Dealer and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger, the Dealers or the Trustee that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of

Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger or the Trustee undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to a "member state" are references to a member state of the European Economic Area, references to "EUR", "€" and "euro" are to the lawful currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European community, and all references to "GBP" are to the lawful currency of the United Kingdom.

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer and the Guarantor are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's or the Guarantor's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Issuer's and the Guarantor's present and future business strategies and the environment in which they expect to operate in the future. Important factors that could cause their actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors described in this Base Prospectus:

- **their ability to realise the benefits they expect from existing and future investments in their existing operations and pending expansion and development projects;**
- **their ability to integrate their newly-acquired operations and any future expansion of their business;**
- **their ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed development projects;**
- **their ability to obtain external financing or maintain sufficient capital to fund their existing and future operations;**
- **changes in political, social, legal or economic conditions in the markets in which they and their customers operate;**
- **changes in the competitive environment in which they and their customers operate;**
- **failure to comply with regulations applicable to their business; or**
- **fluctuations in the currency exchange rates in the markets in which they operate.**

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements made by or on behalf of the Issuer or the Guarantor speak only as at the date they are made. Neither the Issuer nor the Guarantor undertakes to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Any information sourced from third parties contained in this Base Prospectus has been accurately reproduced and, as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which each of the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference in, and forming part of, this Base Prospectus) and reach their own views prior to making any investment decision.

FACTORS RELATING TO THE GROUP

An investment in the Notes involves a high degree of risk. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained elsewhere in this Base Prospectus. Any of the risks described below could have a material adverse impact on the Group's business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and the Issuer's ability to pay all or part of the interest or principal on the Notes.

Additional risks not currently known to the Issuer or that the Issuer deems immaterial at the date of this Base Prospectus may also harm the Group. Prospective investors should be aware that the value of the Notes and any income from them (if any) may decrease as well as increase and that investors may not be able to realise their initial investment.

Risks relating to the Group's business and industry

The Group's capital expenditure and other construction, development and maintenance costs may be higher than expected

The Group's investment and development programme entails significant planned expenditures. In addition, the Group will continue to undertake construction and development work on an on-going basis with respect to its real estate assets to meet legal and market requirements and not all of such operating expenses may be passed on to the tenants. The Group is subject to a number of construction, operating and other risks relating to the completion of its investment and development of real estate programmes that are beyond its control. These include shortages of, increases in and/or price inflation in respect of (as applicable) the following: materials, equipment and labour, contractors' insolvency or bankruptcy, adverse weather conditions, accidents, unexpected delays and other unforeseen circumstances, any of which could result in costs that are materially higher than initially estimated by the Group. Furthermore, the inability to complete the construction and leasing of a property on schedule may result in increased construction or renovation costs which may result in the termination of an existing investment agreement and further result in claims by third parties for damages and termination of respective leases.

For large refurbishment or development projects, costs related to securing property, obtaining planning, demolition and/or construction or other required consents, dealing with counterparties and obtaining approvals and consents (both from third parties and regulators) can be significant and time consuming. There is also a risk that planning or permitted use consents are not obtained, are delayed, are subject to uneconomic or unfavourable conditions or, once received, may be challenged. The Group may abandon refurbishment or development opportunities that it has started to pursue and consequently fail to recover costs already incurred. In some cases, the refurbishment or development of properties may be subject to revaluation losses due to, for example, the Group's determination that a given refurbishment or development property is not likely to yield a desired level of net rental income or occupancy. Other write-offs relating to abandoned refurbishment or development opportunities, or revaluation losses resulting from changes in the value of a refurbishment or development properties, may occur in the future. Moreover, construction defects on completed or ongoing developments may lead to property and personal damages which affect the Group and the developments themselves.

Laws in relevant jurisdictions impacting the Group may be introduced that may be applied retrospectively and affect existing building consents which would restrict development in the Group's target geographies. This could negatively affect the Group's ability to complete a development and refurbishment programme on schedule or within the estimated budget. Even if the Group is successful in implementing a project, the Group may not see a return on its investments due to unforeseen costs. Any failure by the Group to complete an investment and development programme or to otherwise undertake appropriate construction or refurbishment work could adversely affect the rental revenue earned from the affected real estate, impacting the Group's business, financial condition, prospects and results of operations.

The Group is exposed to certain risks relating to real estate investments

Investing in real estate is generally subject to various risks, including the following:

- adverse changes in national or international economic conditions;
- adverse local market conditions;
- the financial conditions of the retail sector (including tenants, buyers and sellers of real estate);
- the availability of debt and equity financing;
- changes in interest rates, real estate tax rates and other operating expenses;
- environmental and operational laws and regulations, planning laws and other governmental rules and fiscal policies;
- environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established;
- energy and utilities prices;
- ownership restitution risks, property ownership uncertainty and related litigation;
- changes in the relative popularity of real estate types and locations leading to an oversupply of space or a reduction in demand for a particular type of real estate in a given market; and
- risks and operating problems arising out of the possible lack of availability of certain construction materials.

These factors could cause fluctuations in rental income or operating expenses, which in turn would have a negative effect on the operating returns derived from, and the value of, properties. The value of properties may also be significantly diminished in the event of a downturn in real estate prices or the occurrence of any of the other factors mentioned above. Such a decrease in value or decrease in rental income or the increase in operating expenses would have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may not successfully integrate recent or future acquisitions or realise synergies from such acquisitions and may not be able to manage growth successfully

The Group has a history of making strategic acquisitions. As part of its strategy, the Group may continue to pursue acquisitions, investments, divestitures or strategic alliances, which may not be completed or, if completed, may not ultimately benefit the Group.

Since November 2017, the Group has grown further through continuous acquisitions such as: Paradise Center (Bulgaria), Aura Shopping Center (Poland), Ozas Shopping and Entertainment Centre (Lithuania), Galeria Mlyny Shopping Centre (Slovakia) and Mammut Shopping Centre (Hungary).

A number of risks arise from such acquisitions, including:

- failure to complete a transaction that has been announced;
- failure to manage existing businesses while integrating acquired operations due to significant demands

on its management and other resources;

- failure to achieve anticipated cost savings and synergies as a result of acquisitions; and
- management of acquisitions will require continued development of financial controls and information systems, which may prove to be expensive, time-consuming and difficult to maintain. Moreover the acquired assets may not perform as anticipated in the acquisition process.

The Group has undergone several changes to the composition of its Board of Directors and its top management staff since the completion of the merger between New Europe Property Investments Plc ("**NEPI**") and Rockcastle Global Real Estate Company plc ("**Rockcastle**"), with effect from 11 July 2017 (the "**Merger**"). The Group considers that at executive and senior management level appropriate staffing structures are in place to ensure best leadership across the Group.

The Group structure is complex, comprising entities in an increased number of different jurisdictions, a variety of properties and a wide range of financing instruments to maintain and expand the Group's operations, all of which potentially can give rise to risk of management and controlling errors which in turn could have a material adverse effect on the business, financial condition, prospects and results of operations of the Group. There can be no assurance that the Group will not experience issues such as capital constraints, delays relating to regulatory and contractual compliance obligations, operational difficulties at new or existing locations, difficulties in integrating new acquisitions into the Group's existing business and operations and managing the training of an increasing number of personnel to manage and operate the expanded business. If the Group is unable to successfully manage the impact of its growth on its operational and managerial resources and control systems, its reputation could suffer, which may have a material adverse effect on the Group's business, financial condition, prospects and results of operations. Challenges it may face in future growth include continuing to improve its managerial, technical and operational knowledge, implementing an effective management information system, continuing to recruit and train managerial and other professional staff to satisfy its business requirements, obtaining sufficient financial resources to fund its on-going operations and its future growth, managing relationships with a greater number of tenants, suppliers, contractors, lenders and other third parties, and strengthening its internal control and compliance functions to ensure that the Group is able to comply with its regulatory and contractual obligations.

The real estate sector is susceptible to fraud

Certain activities in the real estate sector have, from time to time, been subject to allegations of embezzlement of cash in connection with arranging large scale real estate transactions. Although the Group is currently not aware of any such fraud taking place within its business and has taken precautionary measures to reduce the risk as much as possible, it may become the target of fraud or other illicit behaviour in any of the markets in which it operates. This may have a material adverse effect on the Group's reputation which in turn may affect the Group's business, financial condition, prospects and results of operations.

The Group is exposed to risks related to the safety of consumers and tenants in shopping centres and other properties, including acts of terrorism and violence

The Group promotes the security and safety of consumers and tenants in its properties. However, due to high visibility and the presence of large numbers of people, the Group's properties may be targets for terrorism and other forms of violence. Any terror or violent attack on a property of the Group or a similar property owned by someone else may harm the operations and general condition of its tenants and, in addition to causing financial and operational losses, may directly or indirectly affect the value of its properties and its development land. Terrorist activities and threats can stop business operations temporarily or permanently, can cause declining visitor numbers to the affected properties and may substantially impede a tenant's business.

The occurrence of any such event, could lower consumer confidence and spending in the Group's retail centres or increase volatility and uncertainty in the worldwide financial markets and economy, particularly in the event that there are further terrorist attacks across the globe. Adverse economic conditions resulting from these types of events could reduce demand for space in the Group's properties and thereby reduce the value of these properties and rental income and as a result could have a material adverse effect on its business, financial condition, prospects and results of operations.

The Group is exposed to risks related to the modernisation and maintenance of its properties

In order to sustain demand for its properties and to generate adequate revenue in the long term, the Group must maintain and/or improve the condition of its properties to a standard that meets market and regulatory demand.

The Group has the primary responsibility for ensuring the maintenance of its properties. It bears the responsibility of meeting the contractual deadlines agreed upon with its suppliers and is liable for the payment of services, regardless of whether it is able to recover these charges from the tenants.

Although the Group constantly reviews the condition of its properties and has established a reporting system to monitor and budget for necessary maintenance and modernisation measures, numerous factors may generate substantial unbudgeted costs for maintenance and modernisation. For example, the Group could underestimate the amount required to be invested for the targeted modernisation and maintenance of its properties. Modernisation costs may increase due to various factors, such as increased costs of materials, labour costs, energy, bad weather conditions, unexpected safety requirements or unforeseen complexities emerging on building sites.

The Group could also be exposed to risks due to delays in the implementation of maintenance or modernisation works in connection with its properties, including: delays in obtaining necessary permits and consents for planned modernisation works, lack of qualified employees, bad weather conditions or delays in the works performed by a contractor or subcontractor or the contractor becoming insolvent during the maintenance or modernisation project.

Higher expenditures than planned or unforeseen additional expenses for modernisation and maintenance that cannot be passed on to tenants and/or delays in any of the matters mentioned above could negatively affect the Group's business, financial condition, prospects and results of operations.

There can be no assurance that the Group will be successful in implementing its strategy or achieving its financial targets or investment objectives

The Group is focused on expanding its portfolio of regionally dominant assets in the Central and Eastern Europe ("**CEE**") region through the acquisition, as well as development of, retail assets that meet its investment criteria. No assurances can be given that the implementation of the Group's strategy, and achieving its financial targets and investment objectives, will be successful under current or future market conditions. The Group's approach may be modified and revised from time to time. It is therefore possible that the approach adopted to implement its strategy and to achieve its investment objectives and financial targets in the future may be different from that presently expected to be used and disclosed in this Base Prospectus.

The availability of potential investments that meet the Group's investment criteria will depend on the state of the economy and financial markets in the CEE region. The supply of real estate assets might be limited for example due to fewer sales of real estate assets by sellers. Constriction of supply could further increase competition for acquisitions of properties that would be suitable for the Group and could also motivate potential sellers to sell properties in an auction process. All this may result in an increase in the price of properties. Competition from larger real estate companies, which may have access to cheaper funding in the markets in which the Group intends to expand its business, combined with the potential entry of new international investors in the markets where the Group is already present, may make it more challenging for the Group to acquire new properties and expand its portfolio and could weaken its market share and growth possibilities.

As a result, it could be more difficult for the Group to compete and successfully acquire properties, which could limit its ability to grow its business effectively and could have an adverse effect on the Group's business, financial condition, prospects and results of operations.

Furthermore, even though the Group obtains third-party appraisals and performs discounted cash flow analyses as part of its assessment of potential investments and does not rely on capital appreciation as its primary source of gain, the Group may compute purchase prices incorrectly due to incomplete or incorrect information and it may overpay for the properties it acquires.

A decreased demand for, or an increased supply of, or a contraction of the market for, properties in the CEE region, could adversely affect the business and financial condition of the Group

Changes in supply and demand for real estate assets, or a contraction of the property market in any of the countries in which the Group has its operations or assets may negatively influence the occupancy rates of the Group's properties, rental rates, the level of demand and ultimately the value of such properties. Similarly, the demand for rental space at the Group's existing properties may decrease as a result of poor economic conditions, an increase in available space and heightened competition for stronger and better performing tenants. This could result in lower occupancy rates, higher capital expenditure required to contract or retain tenants, lower rental income owing to lower rental rates, as well as, shorter lease periods. All of these risks, if realised, could have a negative impact on the business, financial condition, prospects and results of operations of the Group.

The Group's focus on shopping centres increases its exposure to trends in consumer behaviour

The Group's focus is on shopping centres that meet the everyday needs of consumers. A downturn in consumer preference for shopping centres may have a more pronounced negative effect on the Group's revenues and profitability than if it had further diversified its investments into other property sectors. This strategy makes the Group vulnerable to changes in trends in the behaviour of consumers.

Lower consumer confidence due to economic downturns, and a shift in consumer preference towards alternative shopping channels, such as mail order companies, discount stores and internet-based retailers may have an effect on consumer spending levels at shopping centres which could, among other things, result in lower consumer footfall which in turn results in lower tenant turnovers and occupancy rates, with a direct negative impact on the Group's business, financial condition, prospects and results of operations.

Furthermore, increasing use of online retail providers may have an adverse effect on shopping centre sales and decrease demand for commercial retail premises. The retail industry is undergoing a transformation as e-commerce grows and consumers become increasingly comfortable with internet and mobile shopping. Shopping centres will need to adapt their services and tenant offerings to meet changing consumer behaviour and demand to continue to attract customers in the future. A significant increase in internet shopping could decrease shopping centre sales, demand for commercial retail premises and the value of properties, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The success of the Group's retail properties is dependent on its ability to attract and retain anchor tenants, and its financial performance relies on its ability to generally attract and retain tenants

The Group relies on the presence of anchor tenants in its retail centres. Anchor tenants play an important part in generating consumer traffic and making a retail centre a desirable location for other tenants. The failure to renew the lease of an anchor tenant, the termination of an anchor tenant's lease, or the insolvency or economic decline of an anchor tenant can have a material adverse effect on the economic performance of the retail centres. There can be no assurance that, if the anchor tenants were to close or fail to renew their leases, the Group would be able to replace such anchor tenants in a timely manner or that it could do so without incurring material additional costs which would have adverse economic effects. The expiration of an anchor tenant's lease without it being replaced in a timely manner may make the refinancing of such a retail centre, if required, difficult. Furthermore, the deterioration of the Group's relationships with any of its anchor tenants may negatively impact on the Group's ability to secure anchor tenants for its future projects. Any of the above risks, if realised, could have an adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group also faces competition from other owners, operators and developers of retail real estate. One of the primary areas of focus for the Group is the active management of its portfolio by diversifying its tenant mix and by striking a balance between retaining existing tenants and re-letting rental space to new tenants. The Group competes with local real estate developers, private investors, property funds and other retail property owners for tenants. Some of the Group's competitors may have properties that are newer, better located or in superior condition to its properties or could have a better cost structure, portfolio management or conclude acquisitions of real estate assets at more attractive pricing and, therefore, achieve higher profit margins than the Group.

The dominance of a shopping centre in a particular area is an important factor that determines the shopping centre's ability to compete for tenants. If the Group misjudges the desirability of a property's location or its intended use, it may not be able to fully rent properties or rent them at the levels it had planned. If there are several centres in the same area, competition is more intense and thus the Group may experience increased competition for tenants. The competition for tenants may negatively affect the Group's ability to optimise its tenant mix, by attracting new tenants and retaining existing tenants, and may also negatively influence the terms of its lease agreements, including the amount of rent that the Group charges and the incentives that it provides to tenants, thereby adversely affecting the Group's business, financial condition, prospects and results of operations.

Retail and office developments are susceptible to the risk of competition and fluctuations in the economy

Retail and office developments are susceptible to competition from newer developments, which may offer lower rents, better facilities or layouts, and lower initial maintenance costs. Such competition could reduce rents in, or reduce the attractiveness of, the existing retail centres and/or offices managed by the Group.

The demand for retail and office space in the CEE region is in part driven by governments' interest in foreign direct investment, including the availability of favourable government policies and/or subsidies. Changes in government policies or subsidies may therefore lead to a reduction in foreign direct investment and/or retail and/or office demand. The demand for retail and office space is also driven by economic conditions both locally and globally (as a result of a large mix of international tenants), and therefore any unfavourable developments in the macroeconomic climate, or any other causes that may lead to a reduction in economic activity, including the withdrawal of international companies from any of the CEE countries where the Group operates, could have a material adverse impact on the Group's operations.

The Group is subject to the counterparty risk of its tenants

The Group is subject to the counterparty risk of its tenants as the net revenue generated from the Group's properties depends on the financial stability of its tenants and the commercial relationships with them. The creditworthiness of a tenant can decline over the short or medium term, leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease. Although the Group receives and holds advance deposits, such deposits may be insufficient and the amounts payable to the Group under its lease agreements with tenants that are not secured (by deposits, bank guarantees or corporate guarantees) could mean that such tenants may be unable to pay such amounts when due. While the Group has a diversified tenant base, it may suffer from a decline in revenues and profitability in the event that a number of its strategically important tenants are unable to pay rent owed when due or seek bankruptcy protection. The Group is not insured against this credit risk. If a tenant seeks insolvency protection, the Group may be subject to delays in receipt of rental and other contractual payments, if it is able to collect such payments at all. The Group may not be able to secure vacant possession of the property without the consent of the relevant insolvency officials and/or body, thus preventing the Group from re-letting the affected property to a new tenant. The Group may not be able to limit its potential loss of revenues from tenants who are unable to make their lease payments. The tenants may have the right to terminate their lease agreements in certain circumstances which are not covered by the Group's business interruption insurance. In some cases, large tenants also have the right to terminate the lease agreements in case their sales decrease under a certain level or in case the occupancy rate of the relevant shopping centre decreases under certain agreed ratios. If a lease is terminated, the Group may be unable to re-let the property at the same commercial rate, or at all. If any of these risks are realised, this could affect the Group's business, financial condition, prospects and results of operations.

The financial performance of the Group is subject to the Group's ability to secure initial tenants, rent renewals or re-lettings and its ability to manage lease expirations

The financial performance of the Group is subject to the Group's ability to secure initial tenants, rent renewals or re-lettings and manage lease expirations which impact the occupancy rates of the Group's properties. The ability to manage occupancy of the Group's properties depends in large part on the condition of the markets in countries in which the Group has its operations or assets. A negative change in any of the factors affecting the property market and its occupancy rates, including the economic situation, may adversely affect the business, financial condition, prospects and results of operations of the Group. The ability of the Group to manage occupancy rates is also dependent upon the remaining terms of the current lease agreements, the financial position of current tenants and the attractiveness of its properties to current and prospective tenants. As of 31 December 2018, the Group's weighted average remaining lease term was 4 years. In order to retain current tenants or attract new tenants the Group may be required to offer lease incentives such as reductions in rent, capital expenditure programmes and other terms in its lease agreements that make such leases less favourable to the Group. Some of the Group's lease agreements with anchor tenants, which typically have a duration of up to thirty years, provide for break clauses after an initial tenancy period of ten years for hypermarkets, do it yourself stores ("**DIYs**") and cinemas, and three to five years for other tenants. It is possible that some of the tenants may choose to exercise their rights under their respective break clauses and terminate their leases early. The Group may also not be successful in maintaining or increasing occupancy rates or successfully negotiating favourable terms and conditions in relation to its lease agreements. A failure to do so could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The ability of the Group to increase rents in line with market fluctuations may be restricted by terms of the Group's lease agreements

The Group may be restricted in its ability to raise rents in line with market fluctuations owing to certain terms in its lease agreements. Rental levels and market value for properties are generally affected by overall conditions in the economy. Both rental income and property values may also be affected by factors specific to the real estate market, including: (i) rent reviews with anchor tenants may not be agreed at the estimated rental values; (ii) rents are tied, at least in part, to their turnover - thus, as the turnover of such tenant fluctuates, the rent is also subject to fluctuations; and (iii) most lease agreements to which the Group is a party include clauses which provide for partial or full indexation of rent, which, in most cases, is indexed in line with a consumer price index. Consequently, the increase in the rental proceeds from such leases is dependent not only on general economic developments or market conditions, but also on future rates of inflation. Each of these factors may restrict the Group's ability to increase rents in line with market fluctuations and could therefore have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may be unable to be reimbursed by tenants for increases in operating and administrative expenses

The Group's operating and administrative expenses, as well as increasing repair and maintenance costs related to the gradual ageing of the Group's properties, could increase without a corresponding increase in turnover or tenant reimbursements, mainly owing to reimbursement caps which may be included in various lease agreements or as a result of other legal restrictions. Further, there may be expenses which are not recoverable from tenants. Factors which could increase operating and administrative expenses include, amongst other things, increases relating to the rate of inflation, payroll expenses, legal expenses, property taxes and other statutory charges, energy and utility costs and the costs of services provided by third party providers, movements in foreign exchange rates, increases in insurance premiums, increase in maintenance costs and increases in capital expenditure which arise as a result of defects relating to the properties needing to be rectified. Such increases, if not recovered from tenants, could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The risk of litigation is inherent in the Group's operations

Legal actions, claims against the Group and arbitrations involving the Group may arise in the ordinary course of business. The Group may be subject to litigation from contractors, suppliers, tenants or third parties, including visitors to properties owned by the Group.

In addition, in some jurisdictions, the contractor of a construction benefits from a statutory lien over the construction, as security for payment of the outstanding amounts owed by the beneficiary under the construction contract up to the added value of the property as a result of the respective construction works. Similarly, under some other countries' legal framework the contractor has a right of retention on goods if such goods are in the contractor's possession. To the extent the Group fails to pay contractors on time, such contractors may enforce the statutory lien or retain goods, as applicable, which may trigger significant costs and losses to the Group.

The potential publicity associated with, and the outcome of, such claims, arbitrations and legal proceedings could have a material adverse effect on the Group's business, financial condition and results of operations.

There is a risk of delays in evicting tenants that are in default

Evicting a tenant that defaults on a lease can be costly and time consuming. Under certain legal regimes in the CEE region, the time it takes to evict a defaulting tenant is not prescribed by law and varies on a case by case basis. Additionally, obtaining a date for a court hearing can take approximately four to eight months, or longer. The loss of rental revenues from any of the tenants that are in default and the inability to replace such tenants may have a material adverse effect on the Group's business, financial condition and results of operations.

There is a general risk of restitution in CEE, with an emphasis on Romania and Croatia and the Group may become involved in other disputes in relation to its property rights

Under Romanian law, former owners of land and/or buildings that were dispossessed by the Romanian state during the communist regime may recover their ownership rights under certain conditions. If claims of former owners are successful, such claims may result in the loss of property from the Group's portfolio. In view of this, the practice in Romania is to investigate the title historically, going back, if possible, to the initial owner or even prior to any coercive takeover by the Romanian State. A complete set of ownership documentation dating back to the initial owner may not always be available due to inadequate administrative systems. Therefore, the majority of real estate transactions in Romania face issues relating to missing documentation. As a result, the legal analysis of title and ownership is typically focused on issues surrounding missing documentation and historic ownership of a particular property which can be protracted and expensive to defend against. Similar risks exist in other jurisdictions in CEE. Any successful restitution claims may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may become involved in disputes in relation to its property rights and permits may have been obtained in breach of applicable laws

Certain acquisitions or sales of property may be rendered void under applicable local law provisions as a result of insolvency, fraud, lack of consideration, gross undervaluation, avoidance of creditors, defrauding of creditors or as a result of other technical requirements in the conveyance of property (for example, flaws in the transacting parties' contractual intentions, lack of proper authentication by a notary public, lack of corporate capacity, corporate authority or improper representation of the parties for the transfer, etc). Further, there may be a risk of legal disputes with neighbouring land owners, architects, project managers and suppliers, with respect to the Group's refurbishment/construction projects.

The Group may acquire assets where the Group has only a leasehold interest in the land or a usufruct right (but ownership of any building on it). The land lease may be terminated early in various circumstances; ordinarily this would be in the event of breach of the land lease provisions, but there may be other circumstances provided for in the relevant lease. In addition, the land lease may not contain renewal rights. Even if ultimately settled or decided in the Group's favour, the Group may not be able to recover its costs incurred in relation to the dispute. Any termination of a lease, challenges to ownership, delays to or cancellations of the development of projects or any other dispute could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there can be no assurance that all permits necessary to legally own, develop or operate the properties have been obtained in compliance with all applicable laws. While the Group conducts detailed due diligence to identify any issues related to such permits and takes all steps necessary to remedy any defects, there can be no assurance that this can be achieved on time and that regulators will not impose the suspension of the relevant properties' operation.

If the Group's ownership interests over its property or permits are successfully challenged, this could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may be exposed to potential claims relating to its leasing, selling, refurbishment or development of real estate

The Group may be subject to claims arising from defects relating to the leasing, selling, quality of refurbishment or repositioning of its properties. This liability may apply to defects that arise from the actions or omissions of third parties, and are unknown to the Group but could have, or should have, been discovered. Although the Group may have rights against the building contractor/professional team in connection with such defects and/or recourse to insurances in place for the project in question, there can be no assurance that the Group will be able to enforce its rights and fully recover the costs arising from any claim against the Group. In addition, the Group may be exposed to substantial undisclosed or unascertained liabilities embedded in real estate assets that were incurred or which arose prior to the completion of the acquisition of such real estate assets. Such claims will also likely have a reputational impact on the Group.

These liabilities could include, but are not limited to:

- where the Group has acquired the entity which owned the real estate assets, liabilities (including tax liabilities and other liabilities) owed to state entities, to existing tenants, to creditors or to other persons involved with the real estate assets prior to the acquisition;
- indemnity claims by parties claiming to be entitled to be indemnified by the former owners of the real estate assets; and
- an obligation to pay deferred consideration for the real estate assets if certain events occur (for example, the grant of planning permission or completion of the construction works).

Although the Group may have obtained contractual protection against such claims and liabilities from the seller or insurers, there can be no assurance that such contractual protection will always be successfully realised or that it would be enforceable or effective.

Such potential liabilities, if realised, could have a material adverse effect on the returns realised on the real estate assets.

Furthermore, any claims for recourse which the Group may have against parties from which the Group has purchased such real estate assets may fail due to the expiry of warranty periods, the statute of limitation, lack of proof that the previous seller knew or should have known of the defect, the insolvency of the previous seller, or for other reasons. The Group may also be subject to claims by purchasers of its real estate assets as a result of representations and warranties about those real estate assets provided by the Group at the time of disposal. The

Group's representations and warranties could pertain to, among other things, title to the real estate assets, environmental liabilities, and liabilities for the payment of tax. The Group may become party to claims, disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result. In addition, following the disposal of any real estate assets, the Group is obliged by law, and may be obliged by contract, to retain certain liabilities or potential liabilities that exist in respect of such assets. The costs of any such claims, disputes or litigation (to the extent that they materialise) would reduce the Group's available cash flow and could have an adverse effect on the Group's returns on investments.

With respect to refurbishment or development of real estate assets by the Group, claims may be brought against the Group by (among others) tenants or buyers as a result of delays, construction defects or other factors. The Group may not perform the refurbishment or development itself but rather may use the services of design and construction companies. Any claim for recourse against such design and construction companies could fail due to the expiry of the statute of limitation, the claim being uncollectible, or for other reasons.

The Group may incur significant costs complying with property laws and regulations

The Group and its real estate assets will be required to comply with a variety of laws and regulations of local, regional, national and European Union authorities, including planning, zoning, environmental, fire protection, health and safety, tax and other laws and regulations. If the Group or any of its real estate assets fails to comply with these laws and regulations, the Group may have to pay penalties or private damages awards. In addition, changes in existing laws or regulations, or their interpretation or enforcement, could require the Group to incur additional costs in complying with those laws or regulations, altering the investing strategy, operations or accounting and reporting systems, leading to additional costs or loss of revenue.

The Group's properties must have the requisite planning consent and permits for commercial activities of the type intended for their development. In instances where the existing planning is not suitable or in which the planning is yet to be determined, the Group will need to apply for the required classifications. This procedure may be protracted, particularly where the bureaucracy is cumbersome and inefficient. The Group cannot be certain that the process of obtaining proper planning will be completed with sufficient speed and at a cost to enable the property to be developed ahead of competing businesses without delays, or at all. Opposition by local residents and/or non-governmental organisations to building planning applications and permits may also cause considerable delays. In addition, arbitrary changes to applicable planning may jeopardise projects which have already commenced. Therefore, if the Group does not receive planning approvals or if the procedures for the receipt of such planning approvals and/or building consents are delayed, the Group's costs will increase which may have an adverse effect on its business, financial condition and results of operations.

The Group is dependent on its IT systems and runs cyber security risks including leakage of customer data or other personal data security breach

The Group is dependent on the proper functioning of its information technology systems and processes. The Group's systems and the services of external system providers on which it relies are vulnerable to damage or interruption from various factors, including but not limited to, power loss, telecommunication failures, data corruption, network failure, computer viruses, security breaches, natural disasters, theft, vandalism or other acts or events. A disruption in the infrastructure that supports the Group's businesses could have a material adverse effect on its ability to continue to operate the Group's business which in turn could lead to loss of business and the incurrence of significant costs related to information retrieval and verification and the restoration of normal service.

The Group also stores and uses in its operations data for marketing purposes, in particular, and such data may be protected by data protection laws and in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. Although the Group takes precautions to protect customer data in accordance with the applicable laws, the Group cannot discount the possibility of future data leakages. The Group works with third-party service providers, such as certain software companies, which may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

Unanticipated information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorized access to the Group's network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of the Group's services, compromise the confidentiality of its customer data or cause service interruptions, and may result in the imposition of fines, claims for damages, prosecution of relevant employees and managers, reputational damage and customer churn and may have a material adverse effect on its business, prospects, results of operation and financial condition.

Additionally, despite the fact that IT infrastructure and procedures were assessed post-Merger and actions were taken to integrate the IT operating platforms of the two former businesses, the IT infrastructure has reduced capability and associated transition costs were incurred. Furthermore, while the Group performs regular backups, as required by its IT policy, and it uses experienced consultants to review IT security, failure of information systems and data loss may lead to incurring significant costs for information retrieval and verification, and to potential loss of business opportunities.

The Group may incur environmental liabilities or costs

The environmental laws of certain countries in which the Group has its operations or assets impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. In such circumstances, the owner's liability is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such hazardous or toxic substances on, or in, any of the Group's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Group's ability to let or sell such property or to borrow funds using such property as collateral, which could have an effect on its generation of rental income or return on investment. Furthermore, the Group may be required to comply with stricter environmental, health and safety laws or enforcement policies or become involved in claims and lawsuits relating to environmental matters. Meeting stricter compliance standards or defending potential actions may have a significant negative impact on its results of operations. If the relevant authorities in a country where the Group has its operations or assets discover violations of applicable environmental laws, the Group may be subject to fines and other penalties. Any of these matters could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Earthquakes, other seismic events in Romania or other events of catastrophic nature may adversely affect the Group's assets and disrupt the Group's business

Romania is situated in an area of seismic activity and has in the past experienced devastating and deadly earthquakes. While Romania has specific regulations covering seismic risks in respect of the design and execution of construction works, the consequences of an earthquake will vary greatly depending upon the circumstances surrounding the quake. While no one can predict with any certainty what the impact might be, a seismic or other catastrophic event may adversely affect the Group's assets, disrupt its operations and adversely affect its business, results of operations and financial position (please see also "*The Group's insurance coverage may be inadequate*" below).

Changes in laws could adversely affect the Group's properties

Various laws and regulations, including fire and safety requirements, environmental regulations, land disposal, rental laws, urban planning, construction codes, use restrictions and taxes affect the Group's properties. The implementation of laws or regulations in the countries in which the Group currently operates, or may operate in the future, and in particular any laws or regulations promulgated by the European Union, or the interpretation or enforcement of, or change in, existing laws or regulations, may require the Group to incur additional costs or otherwise adversely affect the management of its real estate portfolio, which could have a material adverse effect on the Group's business, financial condition and results of operations. Even if the Group's business is conducted in accordance with its interpretation of the current laws and regulations, there can be no assurance that the Group's interpretation of such laws and regulations is correct, or that that interpretation will not change in the future.

Moreover, changes in legislation and regulations are often proposed and/or enacted as a result of events taking place in various jurisdictions. For example, significant changes in Romanian legislation and authorities' practice have been implemented in relation to fire and safety requirements after certain fire-related events. Some changes have already been implemented by the Government through governmental decisions and emergency ordinances in the aftermath of certain incidents, requiring stringent property operation requirements and broader powers for the Emergency Situations Inspectorate (the "**ESI**") to impose sanctions where breaches of fire and safety rules are identified, including suspension of operations and, in severe cases, closing down of premises. The Group is at various stages in the process to obtain and/or to confirm all relevant fire authorisation certificates for newly or existing completed properties. Fire authorisation certificates require renewal and/or updates from time to time in the ordinary course of business, including when tenants are replaced. Furthermore, the Group has implemented additional preventive fire and safety measures over and above those required by Romanian legislation. However, there is uncertainty as to how the ESI will apply and interpret the newly enacted regulations.

The Group's future activities may not be in full compliance with all applicable rules and regulations at all times, with new rules and regulations that may be enacted or with existing rules that may be amended or more stringently applied, and any of these risks could limit or curtail the Group's future development. In particular, the Group may be subject to EU standards regarding property specifications in its portfolio that would potentially require it to upgrade certain of the buildings in its real estate portfolio, and the Group may not be able to meet these standards.

If the Group's properties do not comply with any of these requirements, the Group may incur governmental fines, private damage awards towards third parties or may even face suspension or the closing of certain properties, which in turn could lead to loss of revenue. New or amended laws, rules, regulations or ordinances could require significant unanticipated expenditures or impose restrictions on the development, construction or sale of properties. Such laws, rules, regulations or ordinances may also adversely affect the Group's ability to operate or resell properties.

The valuation of investment property for which market quotations may not be readily available require the Group and/or independent appraisers to make assumptions which may prove to be inaccurate

The Group anticipates that substantially all of the investments that the Group will make will be in the form of investments for which market quotations are not readily available. The valuation of investment property is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and, in the case of development land, the expectations as to the cost and timing of that development and its ability to attract tenants. As a result, the valuations of investment property, which account for the vast majority of the Group's assets, are subject to a degree of uncertainty and are made on the basis of assumptions, which may not prove to be accurate, particularly in periods of volatility or low transaction volume in the real estate property market. The Group and/or an independent appraiser are required to make good faith determinations as to the fair value of this investment property on an annual basis in connection with the preparation of its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**") and net asset value determinations.

There is no single valuation standard for determining fair value in good faith and, in many cases, fair value is best expressed as a range of fair values from which a single estimate may be derived. Fair values may be established using various approaches, such as discounted cash flow, a market comparable approach that is based on a specific financial measure (such as rental income, net operating income, value per square metre or other metrics) or, in some cases, a cost basis or liquidation analysis. Valuations, and in particular valuations of real estate opportunistic investments for which market quotations are not readily available, are inherently uncertain. Valuations may therefore fluctuate over short periods of time and may be based on estimates and determinations of fair value which may differ materially from the values that would have resulted if a liquid market had existed. Even if market quotations are available for the Group's investments, such quotations may not reflect the value that the Group would actually be able to realise because of various factors, including the illiquidity of the underlying assets, the speculative nature of investment property, future market price volatility or the potential for a future loss in market value based on poor real estate market conditions. There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable.

The Group's consolidated statement of financial position and statement of comprehensive income may be significantly affected by fluctuations in the fair value of the Group's investment property

In accordance with IFRS, the Group's investment property is measured at fair value. Valuations are performed semi-annually by external independent appraisers and any increase or decrease in the fair value of a particular property is recorded as a fair value adjustment in the consolidated statement of comprehensive income for the period during which the revaluation occurs. As a result, the Group may have significant non-cash gains or losses from period to period depending on the change in fair value of the Group's investment property, whether or not such property is sold. For example, if market conditions and the rent for comparable commercial investment property in the same condition and place are unfavourable, fair value decreases from the revaluation of the investment property may occur and continue in the future. Such fair value decreases could lead to non-compliance with covenants under the debt obligations of the Group. A substantial decrease in the fair value of the investment property could have a material adverse effect on the Group's business, financial condition and results of operations, affecting also the Loan-to-value ratio (computed as debt less cash and cash equivalents divided by investment property and net listed securities).

Moreover, the Group's use of borrowings or other leverage may increase the volatility of such financial performance and amplify the effect of any change in the valuation of the real estate assets on the Group's financial position and results of operations.

The Group is exposed to risks arising from the illiquidity of its portfolio

The market for the types of properties the Group owns or may acquire in the future is generally illiquid. Were the Group required to liquidate parts of its portfolio on short notice for any reason, including raising funds to support its operations or repay outstanding indebtedness, the Group may not be able to sell any portion of its portfolio on favourable terms or at all. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Group could sell such property. In planned disposals in the ordinary course of business, an illiquid market may result in a sales price that is lower than anticipated or in a delay of the sale. Any such shortfall could have a material adverse effect on the Group's business, financial condition or results of operations. In addition, the Group may be subject to restrictions on its ability to sell certain properties pursuant to covenants and pledges limiting asset disposals in the Group's loan agreements.

The Group is exposed to foreign exchange risk

The rents payable to the Group under the various lease agreements with tenants are denominated in euro. However, tenants mostly have their income denominated in the local currency of the relevant country in which they are based. The occupancy cost ratio, which reflects the tenants' rental cost as a proportion of their turnover, can be severely affected by fluctuations of the euro, the currency in which the rent is based or payable, against the relevant local currency in which the tenant generates turnover. Accordingly, a weakening of the local currency against the euro could result in the Group's properties becoming less attractive, or over-rented. Such fluctuations could also result in such rent becoming unsustainable with respect to the concerned tenant leading to a demand for discounts or even default by the respective tenants. If realised, these risks could adversely affect the Group's business, financial condition, prospects and results of operations.

The Group is exposed to risks regarding development projects

The Group is active in property development and is exposed to numerous development risks relating to the construction, project design, project management, use of external professionals and other matters associated with development projects. The main development risks are commercial (such as letting risks, for example, the availability of tenants for new developments), financial (such as foreign exchange rate fluctuations), technical (such as design, construction and environmental risks), procedural (such as project management) and legal (such as permitting). The Group's property development projects are subject to the risks usually attributable to construction projects, such as delays in construction work, in obtaining the necessary permits or other unforeseen delays, changes to planning laws, increases in the cost of construction and construction materials, cost overruns, disputes with third parties (including third party contractors and local authorities), fluctuating prices and shortages in the supply of raw materials as well as shortages of qualified employees. In particular, given that in the CEE region the process of obtaining permits can be a lengthy process, there can be significant delays between the time when the land is acquired and the time when all necessary permits and authorisations for developing a project are obtained which can have a material adverse effect on the Group's cash flow. Also, delays can result from the inability to obtain sufficient amounts of raw materials and to retain qualified employees on terms acceptable to the Group.

When considering development project investments and development risks, the Group needs to make an estimate of the economic and market conditions that will prevail in the market where the project is located at the time the project is completed and becomes operational, and there is uncertainty at the beginning of a development project about the economic and market conditions at the time of completion of the project. Such estimates are difficult to make since it takes a considerable period of time before development projects are completed and become operational. During this period, economic conditions can change unfavourably and lower the Group's expected return on the investment. For example, a given market may experience an oversupply of retail properties at the time of a project's completion, leading to lower occupancy rates. As a result, the Group may inadequately plan its development project investments and adopt an inappropriate business strategy. The realisation of any of these development risks could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group depends on contractors and subcontractors to refurbish or construct its projects

The Group relies on contractors and subcontractors for all its refurbishment and construction activities. If the Group cannot enter into construction agreements and/or subcontracting arrangements on acceptable terms (or at all) the Group will incur additional costs which may have an adverse effect on its business.

The competition for the services of quality contractors and subcontractors may cause delays in construction, exposing the Group to a loss of competitive advantage. Contracting and/or subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on contractors and/or subcontractors, the Group becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability (including potential insolvency) of the subcontractors. A shortage of workers would also have a detrimental effect on the Group's contractors and/or subcontractors and, as a result, on the Group's ability to conclude the construction phase on time and within budget.

The Group may face claims for defective construction, which could have an adverse effect on its generation of rental income

The construction of properties is subject to the risk of claims for defective construction or other related works and associated adverse publicity. Any claim brought against the Group, and the surrounding negative publicity concerning the quality of its properties or projects, irrespective of whether the claim is successful, or an inability to complete the construction of a project on schedule or on budget, could also have a material adverse effect on how its business, properties and projects are perceived by target tenants.

Where a construction company or subcontractor used on a development becomes insolvent it may prove impossible to recover compensation for defective work or materials. In addition, the Group may incur losses as a result of repairing defective work or paying damages to persons who have suffered losses as a result of such defective work. Potential damage related to construction and consequent liabilities may affect the profitability of the Group's business and lower the fair value of affected properties owned by the Group. Furthermore, these losses and costs may not be recovered by the Group's professional liability insurance, the construction company or the subcontractor.

This could negatively affect the Group's ability to market and lease its properties in the future, which could have a material adverse effect on its generation of rental income and, thereby, its business, financial condition, prospects and results of operations.

The Group is exposed to the counter-party risk of its partners

Some of the Group's properties are held and operated or may be proposed to be developed through co-ownership or co-operation arrangements (including, among others, joint venture arrangements) with third parties who operate units within premises in which the Group is present. In addition, to a limited extent, title to certain of the Group's properties is shared. The Group has co-ownership agreements with certain of the Group's largest tenants. Such arrangements may result in the Group sharing control of such assets with third parties. As a result, certain decisions relating to those assets within such arrangements may depend upon the consent or notification of the Group's relevant partners. Disputes may arise between the Group and the relevant partners in respect of an arrangement, which could mean that the Group is not able to manage or deal with a particular asset or property as it sees fit. These risks are higher where the Group shares title to properties as part of a joint venture. Specific risks arising from such co-ownership/co-operation arrangements and title sharing which are not present in relation to projects that are wholly-owned include risks that, (i) the Group's relevant partners may have different objectives from the Group, including with respect to the appropriate timing and pricing of any sale or refinancing of a development held as part of a co-ownership arrangement; (ii) the Group's relevant partners may take action contrary to the Group's instructions or requests, policies or objectives, or frustrate its actions; (iii) the Group's relevant partners might become bankrupt or insolvent; and (iv) with respect to co-title and development projects the Group may be required to provide additional financing to make up for any shortfall due to the Group's relevant partner(s) failing to provide such finance or to furnish any required collateral to the financing banks.

Disputes or disagreements with any of the Group's partners may result in significant delays and increased costs associated with the development or redevelopment of the Group's properties. Even where the Group has a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require the partner's or other third party's approval. Failure to reach or maintain agreement with the Group's partners or other third parties on the matters relating to the financing, disposals, development and operation of the relevant properties could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may not be able to realise its expected rates of return on its projects if the real estate market in the CEE region becomes saturated

Prior to the onset of the global financial crisis, the real estate market in the CEE region was characterised by a continued increase in investment activity from both domestic and international investors and in the number of projects that were planned. The real estate market in the CEE region has largely recovered from the economic downturn and the level of investment activity has increased and in the future it may reach saturation if the supply of commercial properties exceeds demand. Saturation or perceived over-supply of lettable commercial space in the real estate market would result in a decrease in occupancy rates and/or a decrease in market rental rates and sale prices. If occupancy rates fall and/or market rental rates decrease, the Group may not be able to realise its expected rates of return on its properties and development projects or may be unable to let its properties at all, which could have a material adverse effect on its business, financial condition, prospects and results of operations.

The Group's insurance coverage may be inadequate

The Group's insurance policies may not cover all losses and, as a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets and third party liability. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or that are not economically insurable. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, taxation, changes in building codes and ordinances and environmental considerations. The Group may incur significant losses or damage to its assets or business or liability for losses or damage towards third parties for which it may not be compensated fully or at all. In addition, its insurance policies may not cover the current aggregate market value of its portfolio, particularly where the market value of its portfolio increases. As a result, it may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, it could be liable to repair damage caused by uninsured risks. The Group may also remain liable for any debt or other financial obligation related to that damaged property.

Additionally, no assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group relies on certain qualified personnel the loss of whom could have an adverse impact on its business

The Group competes with other real estate companies specifically, and other employers generally, for qualified personnel. The success of the Group's property development and operating activities depends, among other things, on the expertise of the Board and the Group's executive management and other qualified personnel in identifying appropriate opportunities and managing such activities, as well as on the local level management teams of the Group companies. The loss of some or all of these individuals or an inability to attract, retain and maintain additional personnel could prevent the Group from implementing its business strategy and could adversely affect the Group's business and future financial condition or results of operations. There can be no assurance that the Group will be able to retain all of its existing senior personnel or to attract additional qualified personnel when needed which, in turn, could adversely affect the Group's business, financial condition, prospects and results of operations.

Changes in effective tax rates or tax legislation in the countries where the Group operates or changes in the interpretation of such legislation may have an adverse effect on the Group's results

The Group's future effective tax rates may be adversely affected by a number of factors, including changes in the valuation of the Group's deferred tax assets and liabilities, increases in expenses not deductible for tax purposes, changes in share based compensation expenses, the outcome of any potential discussions with relevant tax authorities, changes in relation to taxation laws or tax rates or the interpretation of such taxation laws and changes in generally accepted accounting principles. Any significant increase in the Group's future effective tax rates, including following the ongoing initiatives in relation to changes in the fiscal legislation at international level, such as the Action Plan on Base Erosion and Profit Shifting of the Organisation for Economic Co-operation and Development, could adversely impact the net results for such future periods and, as a result, could adversely affect the Group's business, financial condition, prospects and results of operations.

The Group's operations are affected by the tax rules in force from time to time in the jurisdictions where the Group conducts operations or owns and controls assets. These rules include corporate tax, real estate tax, value added tax, rules regarding tax-free disposals of shares, transfer pricing rules, other governmental or municipal taxes and interest deductions and subsidies. The Group's tax situation is also affected by transactions conducted intra-Group and by transactions between the Group and residential co-operatives that are considered to be priced on market terms. Although the Group's business is conducted in accordance with its interpretation of applicable tax laws and regulations, and in accordance with advice the Group has received from its tax advisors, the possibility that the Group's interpretation is incorrect, or that such laws and regulations change, possibly with retroactive effect, cannot be excluded. Furthermore, future changes in applicable laws and regulations, such as any significant increase in the Group's future effective tax rates, including following the ongoing initiatives in relation to changes in the fiscal legislation at international level, such as the Action Plan on Base Erosion and Profit Shifting of the Organisation for Economic Co-operation and Development, could adversely impact the net results for such future periods and, as a result, could adversely affect the Group's business, financial condition, prospects and results of operations.

The taxation system in some of the jurisdictions where the Group conducts operations or owns and controls assets is not as well-established as those in more developed economies and is continually changing. For example, on 29 December 2018, the Romanian Government issued the extraordinary ordinance no. 114/2018 (the "**Ordinance no. 114/2018**"). The Ordinance no. 114/2018 became effective on 1 January 2019 and introduces certain measures that may have a significant impact on various sectors of the Romanian economy, including banks, telecommunication companies and energy companies. In particular, starting from 1 January 2019, Romanian banks were required to pay a quarterly tax of 0.1% to 0.5% of the book value of their financial assets, if the ROBOR (the Romanian interbank rate) which they charged to their customers exceeded 2%. This was expected to have an impact on the Group's cost of funding if the banks attempted to cover the additional taxes through increased fees and interest on loans. All these changes caused criticism from players in the impacted sectors and led to the decision that the government passed another legislative act to amend some of the most controversial provisions. On 26 March 2019, the Finance Ministry published the proposed amendments to Ordinance no. 114/2018. Notably, the bank asset tax is no longer linked to ROBOR rate and is payable on a half-year basis. Furthermore, the calculation method has been adjusted by limiting the taxable asset base and establishing progressive annual tax rates based on market share (e.g. 0.2% of the financial assets for smaller banks, 0.4% for larger banks with over 1% of market share). The bank asset tax can be partially or totally waived when sufficient lending is provided for the non-governmental sector or in case the loan/deposit interest differential is reduced.

The lack of established jurisprudence and case law may result in unclear or non-existent regulations, decrees and explanations of the taxation laws and/or views on interpretations thereof. Taxation laws (including case law) as a result, are more likely to be subject to changes, which can result in unusual complexities and more significant tax risks for the relevant Group companies and the business of the Group generally and these could adversely affect the Group's business, financial condition, prospects and results of operations.

Operational risk

Despite the Group's internal control (including risk management control) systems, the Group faces the risk of reputational damage due to human error, fraud or inadequate processes across its operations, including treasury operations. Depending on the nature and scale of such error, fraud or inadequate processes, the losses to the Group may be significant.

Furthermore, despite the fact that the Group undertook an analysis of the merged company structure after the Merger and refined the reporting lines and decision-making principles to dovetail with the approved strategy, decisions may not be taken timely due to insufficiently merged leadership structures, leading to missed opportunities and inefficient operations.

Risks related to the financial condition of the Group

The Group may not be able to finance its future investments or may fail to meet the obligations and requirements under its loan agreements

The Group may finance its future investments with either equity, debt or a combination of both. There can be no assurance that the Group will be able to generate or raise sufficient funds to meet future capital expenditure requirements in the longer term, or be able to do so at a reasonable cost. The terms and conditions on which future funding or financing may be made available may not be acceptable or funding or financing may not be available at all. Moreover, if debt is raised in the longer term, the Group may become more leveraged and subject to additional restrictive financial covenants and ratios. The Group's inability to procure, in the long term, sufficient financing for these purposes could adversely affect its ability to expand its businesses and meet its performance targets which in turn may result in the Group facing unexpected costs and delays in implementing project developments.

In addition, there can be no assurance that, in the event of unforeseen changes, the Group's cash flows will be sufficient for repayment of the Group's future indebtedness. A failure to make principal and/or interest payments due under the Group's future loan agreements or breach of any of the covenants contained in the Group's loan agreements could result in default and the forfeiture of its mortgaged assets or the acceleration of its payment obligations or could trigger a cross-default under other loan agreements of the Group or could make future borrowing difficult or impossible. In these circumstances, the Group could also be forced in the long term to sell some of its assets to meet its debt obligations. Any of the events described above could have a material adverse effect on the Group's business, financial condition, prospects and results of operations. See "*The Group's consolidated statement of financial position and statement of comprehensive income may be significantly affected by fluctuations in the fair value of the Group's investment property*".

The Group must observe financial ratios and covenants under the terms of its indebtedness

All the Group's major credit facilities and bond issues contain restrictive covenants that require compliance with certain financial ratios and covenants. Whilst the Group believes that the financial ratios and covenants contained in the Group's credit facilities and bond issues allow sufficient flexibility for the Group to continue to conduct its business in the normal course and to meet its debt servicing obligations, the need to observe these financial ratios and covenants nevertheless could hinder the Group's ability to incur additional debt and grow its business.

Any deterioration in the Group's operating performance, including due to any worsening of prevailing economic conditions, or any financial, business or other factors, many of which are beyond its control, may materially adversely affect its cash flow and hinder its ability to service its indebtedness and result in covenant breaches under the Group's credit facilities or bond issues. While the Group is currently in compliance with all its credit facilities and bond issues (or in certain cases waivers were obtained), if, in the future, the Group does not generate sufficient cash flow from operations in order to meet its debt service obligations or if it breaches covenants which are not waived by its creditors, the Group may have to refinance or restructure its debt, reduce or delay its planned development activities or sell some of its properties in order to avoid default and acceleration of its debt by creditors. Waivers by the Group's creditors may trigger higher interest rates or waiver fees. Some of the ratios and financial covenants in the Group's borrowings are calculated on the basis of the fair value of its properties. Therefore, fluctuations in the fair value of the Group's properties could have an adverse impact on its compliance with relevant financial ratios and covenants. The Group cannot guarantee that any refinancing or additional financing would be available at all or on acceptable terms in such a situation. If the Group defaults under any of its existing indebtedness and its creditors accelerate the debt, the Group may forfeit the property securing the indebtedness and its income may be substantially reduced. Any failure to meet its debt service obligations, to obtain waivers of covenant breaches or to refinance its debt on commercially acceptable terms in such a situation could lead to serious consequences for the Group, including the sale of properties to repay lenders and substantial retrenchment of its business.

The Group may be unable to raise the financing that it requires or refinance existing debt at maturity

The Group primarily uses, and has used in the past, debt and equity issuances, together with cash flows from operations and sale of listed securities, to finance the Group's acquisition of property.

Any delay in obtaining, or a failure to obtain, suitable or adequate debt financing from time to time (including suitable terms on which the banks or other lenders may agree to lend) may impair the Group's ability to invest in suitable property investments (including developments). Any delay in refinancing, or the inability to refinance on commercially acceptable terms, debt falling due in accordance with the maturity schedule of the Group's indebtedness may result in an acceleration of such debt, and enforcement of any pledged assets in support of such debt, against the relevant Group entity. The factors that affect the availability of financing and financing costs, including the maintenance of the Guarantor's investment grade credit ratings, could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The main shareholders of the Group are and have been based in South Africa and the Group's equity issuances are, and have in the past been, primarily focused on South African investors. All transfers of money out of South

Africa require the approval of the South African Reserve Bank (the "**SARB**"). Failure to obtain the SARB's approval for, or an increase in the restrictions imposed by the SARB on, the repatriation of funds out of South Africa may impair the Group's ability to raise adequate equity financing and to invest directly in suitable property (including developments). In addition, South African market conditions and economic cycles may differ from time to time from those in the countries where the Group operates, which may also affect the availability of equity financing and could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group is exposed to risks arising out of media coverage (perception risk)

The Group is keen to ensure proper media exposure and while it benefits from things such as an increase of visibility within markets and an increase of visitors within shopping centres, such exposure can also lead to the quick perpetuation of any negative perceptions by the public.

Although the Group makes proper use of all instruments granted by relevant legislation to challenge and address false, inaccurate or in any way misleading information published in the media, the brand of the Group may be adversely impacted by dissemination of any misleading information. Moreover, such information disseminated by media may lead, in certain cases, to investigations conducted by the regulatory authorities, control bodies or other officials and to a decline in the price of the Group's securities.

For instance, there has been extensive media coverage on the decrease in the share price of the Guarantor following reports in the first quarter of 2018 by South African asset management companies on some of the Guarantor's larger shareholders. As a result of these reports and the related media coverage, the Financial Services Conduct Authority (the "**FSCA**") in South Africa opened investigations on possible prohibited trading practices in respect of trading in the Guarantor's shares on the JSE. The FSCA is not conducting investigations into the business affairs of the Company. It should be noted that these investigations are outside the Company's control and are conducted based on the authority's timelines and procedures. The Group will continue to co-operate fully with the FSCA for any investigation. Moreover, these investigations and the way they are presented by the media, and their potential outcome could affect investors' perception of the Group. Recently the FSCA announced closure of the insider trading investigation.

In the fourth quarter of 2018, the Guarantor was subject to a negative report issued by an independent research group of individuals alleging, amongst other things, inconsistencies within the Guarantor's financial reporting. The Guarantor responded publicly and in a transparent manner to the allegations in such report, which it considers unfounded. The Guarantor has also recently published consolidated financial statements prepared in accordance with IFRS, accompanied by an unmodified audit report. The Guarantor requested various authorities to investigate the actions of the individuals that issued the negative report, and the impact on the trading of the Guarantor's issued securities. The FSCA opened an investigation on allegations of possible false and misleading reporting related to the Guarantor. There can be no assurance that further allegations will not be made. This may have a negative effect on the Group's share and bond prices, results of operations or financial condition, or the availability of capital to the Group, but are difficult to predict.

The Group is exposed to interest rate risks, the risk of loss and counterparty risk during hedging transactions

Changes in interest rates can affect the Group's profitability by affecting the spread between, among other things, the income on its assets and the expense of its interest-bearing liabilities, the value of any interest-earning assets, its ability to make acquisitions and its ability to realise gains from the sale of its assets. In the event of a rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Group's liquidity and operating results adversely. Interest rates are highly sensitive to many factors, including the expected inflation rate, governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the Group's control.

The Group may finance its investments with both fixed and floating rate debt. The performance of an investment may be affected adversely if the Group fails to limit the effects of changes in interest rates on its operations. While the Group enters into hedging transactions on an ongoing basis, in particular to hedge against changes in interest rates and the related fluctuations in its financial costs, such hedging transactions may prove to be inefficient or unsuitable for attaining the objectives sought and may result in losses recognised in the profit and loss. This may have material adverse effects on the Group's business, financial condition, prospects and results of operations.

The Group will also be exposed to the credit risk of the relevant counterparty with respect to relevant payments in connection with such arrangements.

A substantial increase in interest rates may increase the Group's interest expense and ability to refinance at the same rates. In addition, an increase in interest rates may also affect private consumption or the ability of the Group's tenants to pay rents or may lead to a decrease in occupancy rates and/or tenants' turnovers.

Tightening regulation of the banking and insurance sector may contribute to higher costs of financing for the banks, which may again result in an increase in the price of the Group's new debt financing and the Group's average interest rate level. Furthermore, over the next few years, the Group will have to refinance loan agreements and bonds. The cost of refinancing such loans and bonds, or the cost of related derivatives, may increase. Such a rise in loan margins is likely to push the Group's average interest rate upwards in the future, even if market interest rates remained largely unchanged.

Any increase in interest rates, the Group's interest expense or credit margins could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may be exposed to risks relating to changes in applicable tax laws including those relating to the tax residency of the Issuer and other Group companies

The Issuer and the Group have been structured with a view to being tax efficient. There can be no assurance that the Issuer or the Group has been or will continue to be successful in conducting their businesses or in structuring themselves or the management of their affairs in the most tax efficient manner, and that the structure or management of the affairs of the Issuer or any other Group company will not result in other adverse tax consequences for the Issuer or any other Group company.

The Issuer is incorporated in the Netherlands and aims to manage its affairs in such a manner that it does not become resident for tax purposes or create other adverse tax consequences for itself in any jurisdiction other than the Netherlands. There is a risk that the Issuer may become resident for tax purposes in one or more other jurisdictions. The same risk applies to the tax residency of any other Group company. Any such residency of the Issuer or a Group company, if unintended, may have an adverse effect on the Group's business, financial condition, prospects and results of operations.

Risks related to the markets in which the Group operates

Financial volatility and default risk can lead to severe negative consequences in the markets in which the Group operates as well as to the Group's business, financial condition, prospects and results of operations

Large sovereign debt and/or fiscal deficits of a number of Eurozone countries as well as high levels of unemployment in many Eurozone countries have raised concerns regarding the financial condition of financial institutions, insurers and other corporates that are located in these countries and that have direct or indirect exposure to these countries (i) as a result of having operations in such countries and/or (ii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to such countries. The default, or a significant decline in the credit rating of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Issuer and the Guarantor operate and the businesses and economic condition and prospects of the Issuer and the Guarantor and their respective counterparties, customers, suppliers or creditors, directly or indirectly, in ways which are difficult to predict.

Further, economically challenging times can lead to deterioration in the credit worthiness of tenants, increased rent arrears or service charge shortfall, rising vacancy rates and loss of rent. At the same time, it is very difficult or impossible for the Issuer to hedge against risks resulting from the financial crisis and sovereign debt crisis.

Such unfavourable developments could have a material adverse effect on the Issuer's and the Guarantor's business, results of operations and/or financial condition.

Possible break-up of the Eurozone could have a material adverse effect on the operations of the Group

The United Kingdom's vote on 23 June 2016 to leave the European Union has increased the concern that certain other European Union members may also hold referendums and vote to leave the European Union. It is generally uncertain whether the political landscape in certain Eurozone countries will move towards a direction in which certain countries decide to exit the Eurozone and reintroduce national currencies. An exit of one or more countries from the European Monetary Union will likely have adverse consequences which are potentially severe and hard to predict both for the economies of exiting members of the Eurozone as well as for the economies of remaining members of the Eurozone and the European Union and could potentially lead to significant changes in the financial markets and further uncertainty in the financial markets. This would directly impact the Group which has significant exposure to Euros arising from its Euro-denominated lease agreements and its business activities more generally.

The impact of any such development could be detrimental to the Issuer and/or the Guarantor and could adversely affect their businesses, operations and profitability, solvency and the solvency of their counterparties, customers and service providers, credit rating, share price, the value and liquidity of their assets, the value and liquidity of the Notes and/or the ability of the Issuer to meet its obligations under the Notes (and the Guarantors' obligations under the guarantee) and their respective debt obligations more generally.

The Group is dependent on economic, demographic and market developments in Romania, Poland, Hungary, Slovakia, Bulgaria, Croatia, Czech Republic, Serbia, Lithuania and the CEE region more generally

As at 31 December 2018, the Group's estimated property portfolio in use was as follows: 36 per cent. was located in Romania, 24 per cent. in Poland, 10 per cent. in Hungary, 9 per cent. in Slovakia, 9 per cent. in Bulgaria, 4 per cent. in Croatia, 3 per cent. in the Czech Republic, 3 per cent. in Serbia and 2 per cent. in Lithuania (based on market value of the properties as at 31 December 2018). Accordingly, due to the concentration of its portfolio in the wider CEE region, the Group is dependent on the trends in the real estate markets in Romania, Poland, Hungary, Slovakia, Bulgaria, Croatia, Czech Republic, Serbia and Lithuania, as well as on the general economic and demographic conditions and developments in these countries. In particular, Romanian, Polish and Hungarian policy-making and regulatory frameworks are often subject to rapid and radical changes, the consequences of which may be difficult to foresee, or which could potentially lead to slower economic growth or general deterioration of economic conditions in those countries. For example, the Romanian government has recently implemented a series of reforms, including numerous increases to minimum wage rates, as well as changes to the country's social security taxation regime and a transfer of its burden from employers to employees; it also introduced certain one-off exceptional taxes.

Although unemployment has remained low in Romania, Czech Republic, Hungary, Poland, Lithuania and Bulgaria in general compared to the European average, the Group cannot guarantee that unemployment will not rise to high levels in the future. Wider issues concerning the European Union including, immigration generally as well as the United Kingdom's exit from the European Union, where many CEE citizens are currently employed, may trigger an increase in unemployment rates in the CEE region. In addition, declining demographic trends in the CEE countries may trigger an increase in the age dependency ratio in these countries. The deterioration of economic conditions in the countries where the Group operates or globally resulting in an increase in unemployment or a decline in real income, could adversely affect the financial condition of the Group's tenants and other counterparties and their ability to meet their contractual obligations towards the Group. Furthermore, a global economic downturn could lead to loss of confidence by international investors and hence adversely affect the real estate markets, where the Group's investment policy is focused. These developments in turn could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

The markets in the CEE region are subject to greater risks than more developed markets, including legal, economic, fiscal and political risks that could have a material adverse effect on the Group's business

Investors in emerging and developing markets such as the countries in which the Group has its operations or assets should be aware that these markets are subject to greater legal, economic, fiscal and political risks than mature markets and are subject to rapid and sometimes unpredictable change. In general, investing in the securities of issuers with substantial operations in emerging or developing markets such as the CEE region, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the countries of Western Europe or other similar jurisdictions. Changes in economic and political situations in one emerging or developing market country may have a negative or unrelated consequential impact on the economic and political situation in other emerging or developing market countries.

The Group's operations in the CEE region are exposed to risks which are common to all regions that have recently undergone, or are undergoing political, economic and social change, including currency fluctuations, an evolving regulatory environment, inflation, economic downturns, local market disruptions, labour unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies and other similar factors. Political or economic instability resulting from the occurrence of any of these risks may adversely affect the real estate market in the CEE region.

As a result, the Group's performance could be significantly affected by events in the CEE region which are beyond its control, such as a general downturn in the economy, political instability, changes in regulatory requirements and applicable laws (including in relation to taxation), the condition of financial markets and interest and inflation rate fluctuations. Such events could reduce the Group's rental income and/or the market value of its properties, which could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group faces business risks stemming from central banks' monetary policy decisions. Any rise in interest rates could have material adverse effects on real estate markets and on the Group

In recent years, central banks around the world have engaged in an unprecedented set of monetary policy measures generally referred to as quantitative easing. Such measures generally consist of central bank purchases of government and other securities held by commercial banks and other private sector entities to stimulate the economy by increasing the amount of liquidity available to banks for onward lending to businesses. By engaging in quantitative easing and pegging interest rates at historically low levels, central banks have created an environment that has affected real estate companies in a variety of ways. Among other things, this has made it easier and cheaper for the Group to raise new financing and to refinance its existing liabilities. Moreover, by contributing to a rise in asset prices, including real estate, this has supported the valuation of the Group's property portfolio. Some central banks have already reversed course and begun to gradually tighten monetary policy and others are expected to follow. Any such action is likely to eventually raise interest rates to levels that are more in line with historical averages. When that happens, the Group's business is likely to be affected in a number of ways. The cost at which the Group is able to raise new financing and refinance its existing liabilities will increase. Moreover, asset prices may decline from their current high levels, which could lead to a reduction in the value of the Group's property portfolio. Moreover, because of the dampening effect that a tighter monetary policy typically has on the general economy, private households on average are likely to have less disposable income, which may impact the performance of the Group's tenants. Therefore, if central banks begin to tighten monetary policy, the Group's business activities, results of operations, net assets, financial condition or cash flow could be materially adversely affected in a variety of ways.

Hostilities with neighbouring countries and civil unrest in the CEE region may adversely affect the economies of countries in the CEE region, disrupt the Group's operations and cause its business to suffer

CEE region countries have from time to time experienced instances of hostilities with neighbouring countries (such as the increased unrest in Ukraine in recent years). Military activity or terrorist attacks in the future could influence the economies of CEE countries by disrupting communications, making travel more difficult and deterring inwards investment. Such political tensions could create a greater perception that investments in companies in the CEE region involve a higher degree of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Europe, could influence the economies of CEE region countries and could have a material adverse effect on the Group's business and results of operation.

Legal regimes in the CEE region differ from those in Western Europe and legal systems and legislation in the CEE region continue to develop, which may create an uncertain environment for investments and for business activity in general

The legal systems of most of the countries in the CEE region have undergone dramatic changes in recent years as a result of EU membership and generally in alignment with countries with more developed legal jurisdictions.

In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in the promulgation of new laws, changes in existing laws, inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations.

Generally, in civil law jurisdictions such as Romania and other countries where the Group operates, judicial decisions have no precedential effect and therefore courts may not be bound by earlier court decisions taken in the same or similar circumstances, which can result in the inconsistent application of such countries' legislation to resolve the same or similar disputes.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all. A lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The insolvency laws of The Netherlands may not be as favourable to Noteholders as insolvency laws of jurisdictions with which Noteholders may be familiar and may preclude Noteholders from recovering payments due on the Notes

The Issuer is incorporated and has its centre of main interest, for the purposes of EU insolvency regulations, in The Netherlands. Accordingly, insolvency proceedings with respect to the Issuer would proceed under, and be governed by, Dutch insolvency laws, subject to certain exceptions provided for in Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast). The insolvency laws of The Netherlands may not be as favourable to investors' interests as those of other jurisdictions with which investors may be familiar and may limit the ability of Noteholders to enforce the terms of the Notes.

The Group's assets may be subject to expropriation and confiscation

Subject to certain specific requirements under local law (such as the necessity for properties in certain circumstances to be used in local national interest) and subject to prior fair compensation having been paid to the Group's relevant subsidiary, certain Governments may enforce policies of expropriating part or all of a property owned by the Group's subsidiaries. However, there can be no certainty that such fair compensation shall equal the respective property's full market value.

Expropriation or confiscation of the companies in which the Group invests, their assets or portions thereof, potentially with inadequate compensation, could have a material adverse effect on the Group's business, financial condition, prospects and results of operations depending on the relevant property involved.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by economic and market conditions. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. The liquidity of the Notes may also be impacted by any exercise of a put option by Noteholders or the exercise of a call option of part only of the Notes by the Issuer. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Inflation risk

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Notes will be reduced by rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Notes.

Dutch tax risks related to the Dutch government's coalition agreement and letter on certain policy intentions for tax reform

On 10 October 2017, the new Dutch coalition government released their coalition agreement (*Regeerakkoord*) for 2017–2021, which includes, among others, certain policy intentions for tax reform. On 23 February 2018, the Dutch State Secretary for Finance published a letter with an annex containing further details on the government's policy intentions against tax avoidance and tax evasion. The Dutch government released its Tax Plan 2019 as part of Budget Day 2018 on 18 September 2018 and made certain amendments to the Tax Plan 2019 in a memorandum of amendments published on 26 October 2018, which include, among others, certain legislative proposals based on the policy intentions as mentioned in the coalition agreement and letter on tax avoidance and tax evasion. Two policy intentions (for which no draft legislative proposals are available yet) in particular may become relevant in the context of the Dutch tax treatment of the Issuer and/or (payments under) the Notes.

The first policy intention relates to the introduction of a thin capitalisation rule as of 2020 that would limit the deduction of interest on debt exceeding 92% of the commercial balance sheet total. Although the heading in the coalition agreement, the annex to the letter on tax avoidance and tax evasion and the legislative proposal on the conditional withholding tax on dividends suggest that this thin capitalisation rule will only apply to banks and insurers, it cannot be ruled out that it will have a wider and generic application and, as such, could potentially be applicable to other taxpayers (including the Issuer). Many aspects of the policy intention remain unclear. However, should this policy intention come into effect and be applied to companies such as the Issuer, it may have a material adverse effect on the Issuer and its financial condition.

The second policy intention relates to the introduction of an interest withholding tax on interest paid to creditors in low tax jurisdictions or non-cooperative jurisdictions as of 2021. A legislative proposal introducing a similar conditional withholding tax on dividends and the supporting parliamentary documents thereto mention that, like the conditional dividend withholding tax, this interest withholding tax would apply to certain payments made by a Dutch entity directly or indirectly to a group or related entity in a low tax or non-cooperative jurisdiction. However, it cannot be ruled out that it will have wider application including interest payments under the Notes. If this particular policy intention is implemented, it may have a material adverse effect on the Issuer and its financial condition and could result in the Issuer exercising its rights pursuant to the Conditions, set out herein, to redeem the Notes.

On 26 October 2018, the Dutch government published certain memoranda of amendments in which it is announced that, among others, the introduction of the conditional withholding tax on dividends will be postponed (and the current Dutch dividend withholding tax will not be abolished). The introduction of the conditional withholding tax on interest and royalties will not be postponed. A legislative proposal is still expected to be published in 2019.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws of the country where the Notes are transferred or other jurisdictions. Payments of interest on the Notes, or gains realised by the Noteholders upon sale or redemption of the Notes, may be subject to taxation in their home jurisdictions or in other jurisdictions in which they are required to pay taxes. Potential investors are advised not to rely upon the tax summary included in this Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. This investment consideration should be read in connection with the taxation sections included in this Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

With respect to the Clean-Up Call Option by the Issuer (Condition 7(h)), there is no obligation on the Issuer to inform investors if and when the 80 per cent. threshold of the nominal amount of Notes of a particular Series of Notes has been reached or is about to be reached, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-Up Call Option, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Certain base rates described herein refer to "benchmarks," including LIBOR and EURIBOR, may be discontinued or reformed, which may adversely affect the value of and return on floating rate debt securities.

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**benchmarks**") are the subject of ongoing national and international regulatory scrutiny. This has resulted in regulatory reform and changes to existing benchmarks, with further changes anticipated.

On 27 July 2017, the UK Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Whilst the above announcement related to LIBOR, similar concerns may be applicable to other benchmark rates (such as EURIBOR). As regards EURIBOR, it is not possible to predict whether, and to what extent, banks will continue to provide EURIBOR submissions to the administrator of EURIBOR going forwards (although no deadline has been set for its discontinuation). The ECB and other European authorities have discussed proposals for alternative benchmarks. For example, on 21 September 2017 the ECB announced plans for a new overnight rate for interbank unsecured lending among Euro-area banks. The impact of such an overnight rate on EURIBOR is currently unclear.

Investors should be aware that, if a benchmark rate (such as LIBOR or EURIBOR) were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which are linked to or which reference such benchmark rate will be determined for the relevant period by the relevant fall-back provisions applicable to such Notes. Depending on the manner in which the relevant benchmark rate is to be determined under the conditions of the Notes, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for such benchmark rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when such benchmark rate was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which are linked to or which reference a benchmark rate.

RISKS RELATED TO NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally.

The Issuer is a holding, financing, licensing and an advisory and support company and its ability to pay interest and/or principal depends upon the ability of its subsidiaries to advance funds

The Issuer is a holding, financing, licensing and an advisory and support company and its ability to pay interest and/or principal depends upon the ability of its subsidiaries to pay dividends, interest, royalties and advisory and support fees and advance funds to it.

All real estate assets are owned by and the large majority of revenues are generated by the Issuer's subsidiaries. Because the Issuer conducts its business through the Group's subsidiaries, its ability to pay interest and/or principal under the Notes, and on any other of its borrowings, depends on the earnings and cash flow of the Group's subsidiaries and their ability to pay the Issuer dividends, interest, royalties and advisory and support fees and to advance funds to it. The Group's subsidiaries are legally separated from the Issuer and have no obligation to make payments to the Issuer of any surpluses generated from their business. Other contractual and legal restrictions applicable to the Group's subsidiaries could also limit the Issuer's ability to obtain cash from them. Furthermore, the Issuer's right to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including lenders and trade creditors, to contractual provisions under its loan agreements limiting its ability to recover claims in favour of its creditors and to obligations that may be preferred by provisions of law that are mandatory and of general application.

Thus, the Notes are structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries and structurally and/or effectively subordinated to the extent of the value of collateral provided to the Issuer's and the Issuer's subsidiaries' secured creditors. There can be no assurance that the Group and its assets would be protected from any actions by the creditors of any subsidiary, whether under bankruptcy law, by contract or otherwise. In addition, defaults by, or the insolvency of, certain subsidiaries could result in proceedings against the Issuer to enforce the obligation of the Issuer to make payments under parent company financial or performance guarantees in respect of such subsidiaries' obligations or the occurrence of cross defaults on certain borrowings of the Group. However, under Romanian law (in which the majority of the Issuer’s subsidiaries are located), the Issuer would be obliged to make such payments only in cases of wilful misconduct which could lead to the inability of the subsidiary to perform its obligations. This in turn could materially affect the Group's operations.

The Notes will be effectively subordinated to any of the Issuer's or the Guarantor's existing secured and future secured indebtedness

The Notes and the Guarantee are (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and the Guarantor, respectively. The Notes are effectively subordinated to the Issuer's or the Guarantor's existing secured indebtedness and future secured indebtedness. Accordingly, holders of the Issuer's or the Guarantor's secured indebtedness will have claims that are superior to the claims of Noteholders to the extent of the value of the assets securing such other indebtedness. In the event of a bankruptcy, liquidation or dissolution of the Issuer or the Guarantor, the assets that serve as collateral for any secured indebtedness of the Issuer or the Guarantor would be available to satisfy the obligations under the secured indebtedness before any payments are made on the Notes. Other than as set out in Condition 4 (*Negative Pledge*) and Condition 5 (*Financial Covenants*), the Conditions do not prohibit the Issuer or the Guarantor from incurring and securing future indebtedness.

The Notes will constitute unsecured obligations of the Issuer

The Issuer's obligations under the Notes will be unsecured. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The Issuer's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and its ability and that of the Group's subsidiaries to generate cash flows, which could be affected by, *inter alia*, the circumstances described in these risk factors. Any such factors could affect the Issuer's ability to make payment of interest and principal under the Notes.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions (as defined in the Trust Deed) on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer, the Guarantor and the Trustee (as the case may be) will be entitled to rely upon:

(i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer, the Guarantor or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes of the relevant Series for the time being outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer, the Guarantor and/or the Trustee (as the case may be) by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries).

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders or Couponholders, agree to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. In addition, the Trust Deed contains provisions which allow, without the consent of the Noteholders or Couponholders, a legal entity to assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, in the circumstances described in Condition 10 of the Notes.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Bearer Notes where denominations involve integral multiples

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination (as defined in the Conditions) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Eligibility of the Notes for Eurosystem Monetary Policy

The New Global Note form has been introduced to allow for the possibility of debt instruments to be held in a manner which will allow Eurosystem eligibility. This means that any such Notes are upon issue deposited with one of the international central securities depositories as common safekeeper and does not necessarily mean that such Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem Eligible Collateral**") either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the European Central Bank from time to time. The Issuer and Guarantor do not give any representation, warranty, confirmation or guarantee to any investor that such Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in any such Notes should make their own conclusions and seek their own advice with respect to whether or not any such Notes constitute Eurosystem Eligible Collateral.

FINANCIAL INFORMATION

This Base Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Guarantor, prepared in accordance with IFRS and applicable Isle of Man law, as at and for the years ended 31 December 2018 and 31 December 2017 (the "**Guarantor Audited Consolidated Financial Statements**").

For further information, see section titled "*Selected Financial Information*".

SUPPLEMENTARY BASE PROSPECTUS

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and the Trustee such number of copies of such supplement hereto as such Dealer and the Trustee may reasonably request.

SELECTED FINANCIAL INFORMATION

The following tables contain selected historical consolidated financial information for the Guarantor as of the dates and the periods indicated.

The selected consolidated statement of comprehensive income data, the selected consolidated statement of cash flows and reconciliation of profit for the period to distributable earnings for the years ended 31 December 2018 and 31 December 2017 and the selected consolidated statement of financial position data as of 31 December 2018 and 31 December 2017 have been derived from or calculated based on the information extracted from the Guarantor Audited Consolidated Financial Statements, prepared in accordance with IFRS.

Prospective investors should read the following selected consolidated financial information in conjunction with the rest of the information contained herein including, but not limited to, the information contained in the section titled "*Risk Factors*" as well as the Guarantor Audited Consolidated Financial Statements (including the auditor's reports) set forth herein.

The Issuer has prepared its annual consolidated financial statements in accordance with IFRS, as adopted by the European Union for the financial years ended 31 December 2017 and 31 December 2016. These financial statements have been incorporated by reference in this Base Prospectus.

GUARANTOR'S CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December	
	2018	**2017**
	(audited)	*(audited)*
	All amounts are in €'000	
ASSETS		
Non–current assets	**6,116,059**	**5,127,197**
Investment property	5,911,070	4,927,509
Investment property in use	5,688,610	4,725,093
Investment property under development	222,460	202,416
Goodwill	93,070	82,582
Deferred tax assets	13,739	12,490
Investments in joint ventures	49,185	40,856
Long–term loans granted to joint ventures	21,311	25,792
Other long–term assets	19,039	36,175
Interest rate derivatives financial assets at fair value through profit or loss	8,645	1,793
Current assets	**374,628**	**860,366**
Trade and other receivables	80,750	60,793
Financial investments at fair value through profit or loss	168,339	326,565
Equity derivative collateral	27,784	265,541
Financial assets at fair value through profit or loss	831	11,923
Cash and cash equivalents	96,924	195,544
Investment property held for sale	**11,957**	**10,238**
Total assets	**6,502,644**	**5,997,801**
EQUITY AND LIABILITIES		
Total equity attributable to equity holders	**3,845,873**	**3,914,719**
Share capital	5,778	5,778
Share premium	3,625,568	3,625,568
Accumulated profit	208,426	282,897
Non–controlling interest	6,101	476
Total liabilities	**2,656,771**	**2,083,082**
Non–current liabilities	**2,221,338**	**1,937,282**
Bank loans	930,048	734,493
Bonds	892,397	889,917
Deferred tax liabilities	351,187	271,105
Other long–term liabilities	44,981	37,089
Interest rate derivatives financial liabilities at fair value through profit or loss	2,725	4,678
Current liabilities	435,433	**145,800**
Bank loans	265,006	10,568
Bonds	10,641	10,745
Trade and other payables	159,786	113,553
Financial liabilities at fair value through profit or loss	-	10,934
Total equity and liabilities	**6,502,644**	**5,997,801**

GUARANTOR'S CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	**2017**
	(audited)	*(audited)*
	All amounts are in €'000 (unless otherwise stated)	
Gross rental income	349,907	233,807
Service charge income	151,826	103,170
Property operating expenses	(155,663)	(104,892)
Net rental and related income	**346,070**	**232,085**
Administrative expenses	(22,022)	(15,191)
EBITDA*	**324,048**	**216,894**
Net result from financial investments	**(122,915)**	**(6,028)**
Income from financial investments at fair value through profit or loss	29,132	18,084
Fair value and net result on sale of financial investments at fair value through profit or loss	(152,047)	(24,112)
Acquisition fees	(6,079)	(10,681)
Fair value adjustments of investment property	108,411	162,022
Foreign exchange loss	(923)	(1,255)
Gain on disposal of investment property	-	9
Gain on acquisition of subsidiaries	6,933	-
Profit before net finance expense	**309,475**	**360,961**
Net finance expense	**(39,859)**	**(22,906)**
Interest income	2,444	2,526
Interest expense	(40,318)	(24,370)
Other net finance expense	(1,985)	(1,062)
Fair value adjustment of Interest rate derivatives financial assets and liabilities	(1,432)	500
Share of profit of joint ventures	8,329	16,068
Impairment of goodwill**	-	(886,167)
Profit/(Loss) before tax	**276,513**	**(531,544)**
Income tax expense	**(54,808)**	**(47,870)**
Current tax expense	(9,482)	(1,671)
Deferred tax expense	(45,326)	(46,199)
Profit/(Loss) after tax	**221,705**	**(579,414)**
Total comprehensive profit/(loss) for the year	**221,705**	**(579,414)**
Non–controlling interest	150	(280)
Profit/(Loss) for the year attributable to equity holders	**221,855**	**(579,694)**
Profit for the year attributable to equity holders excluding impairment of goodwill	**221,855**	**306,473**
Weighted average number of shares in issue	577,800,734	436,806,684
Diluted weighted average number of shares in issue	577,800,734	436,809,203
Basic earnings per share (euro cents)	38.4	(132.71)
Diluted earnings per share (euro cents)	38.4	(132.71)
Basic earnings per share (euro cents) excluding impairment of goodwill	38.4	70.16
Diluted earnings per share (euro cents) excluding impairment of goodwill	38.4	70.16

* EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses. EBITDA is a non-IFRS measure and is not defined by IFRS and the Guarantor’s use of the term may vary from others in its industry due to differences in accounting policies or differences in the calculation methodology of this term by others in the Guarantor’s industry. EBITDA should not be considered as an alternative for profit before tax or any other performance measure derived in accordance with IFRS or as an alternative to cash flows from operating activities or as a measure of the Guarantor’s

liquidity. EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for financial information as reported under IFRS.

** Impairment of goodwill arising from the Merger, computed as the difference between Rockcastle's market capitalisation and its net asset value at merger date.

GUARANTOR'S RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

	Year ended 31 December	
	2018	**2017**
	(audited)	*(audited)*
	All amounts are in €'000	
	(unless otherwise stated)	
Profit/(Loss) for the year attributable to equity holders ...	**221,855**	**(579,694)**
Reverse indirect result	**58,876**	**776,019**
Foreign exchange loss	923	1,255
Acquisition fees..	6,079	10,681
Fair value adjustments of investment property for controlled subsidiaries	(108,411)	(162,022)
Gain on disposal of investment property	-	(9)
Gain on acquisition of subsidiaries...	(6,933)	-
Fair value and net result on sale of financial investments at fair value through profit or loss	152,047	24,112
Income from financial investments at fair value through profit or loss	(29,132)	(18,084)
Fair value adjustment of Interest rate derivatives financial assets and liabilities for controlled subsidiaries......................	1,432	(500)
Deferred tax expense for controlled subsidiaries....................	45,326	46,199
Impairment of goodwill..	-	886,167
Adjustments related to joint ventures		
Fair value adjustments of investment property for joint ventures	(4,374)	(14,344)
Fair value adjustment of Interest rate derivatives financial assets and liabilities for joint ventures	(141)	(439)
Deferred tax expense for joint ventures	1,889	2,903
Foreign exchange loss for joint ventures............................	171	100
Company specific adjustments...	**24,682**	**17,004**
Amortisation of financial assets	(2,292)	(1,807)
Realised foreign exchange loss for controlled subsidiaries.....	(912)	(769)
Realised foreign exchange (loss)/gain for joint ventures	(1)	3
Accrued dividend for financial investments	28,122	19,803
Fair value adjustment of investment property for non-controlling interest	(350)	(392)
Deferred tax expense for non-controlling interest	115	166
Antecedent dividend...	-	6,861
Antecedent dividend - Rockcastle distribution Jun 2017........	-	49,531
Distributable earnings..	**305,413**	**269,721**
Less: Distribution declared...	(305,413)	(269,721)
Interim distribution*	(153,041)	(126,438)
Final distribution..	(152,372)	(143,283)
Earnings not distributed	-	-
Number of shares entitled to interim distribution	577,800,734	538 953 794
Number of shares entitled to final distribution	577,800,734	577,800,734
Distributable earnings per share (euro cents)	**52.86**	**48.26**
Less: Distribution declared per share (euro cents)..................	(52.86)	(48.26)
Interim distribution per share (euro cents)	(26.49)	(23.46)
Final distribution per share (euro cents)..............................	(26.37)	(24.80)
Earnings not distributed (euro cents)	-	-

** Interim distribution, interim distribution per share and number of shares entitled to interim distribution computed on a combined basis (NEPI and Rockcastle) for H1 2017.*

GUARANTOR'S CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2018	**2017**
	(audited)	*(audited)*
	All amounts are in €'000	
OPERATING ACTIVITIES		
Profit/(Loss) after tax	221,705	(579,414)
Adjustments	104,593	801,695
Fair value adjustments of investment property for controlled subsidiaries	(108,411)	(162,022)
Fair value and net result on sale of financial investments at fair value through profit or loss	152,047	24,112
Income from financial investments at fair value through profit or loss	(29,132)	(18,084)
Foreign exchange loss	923	1,255
Gain on disposal of investment property	–	(9)
Gain on acquisition of subsidiaries	(6,933)	–
Impairment of goodwill	–	886,167
Net finance expense/(income)	39,859	22,906
Fair value adjustment of Interest rate derivatives financial assets and liabilities for controlled subsidiaries	1,432	(500)
Deferred tax expense for controlled subsidiaries	45,326	46,199
Current tax expense	9,482	1,671
Changes in working capital		
(Increase)/decrease in trade and other receivables	(13,543)	4,687
Increase/(decrease) in trade and other payables	15,983	11,618
Interest paid	(17,153)	(8,139)
Bond coupon paid	(23,750)	(15,895)
Income tax paid	(6,054)	(2,615)
Interest received	124	1,139
Cash flows from operating activities	**281,905**	**213,076**
INVESTING ACTIVITIES		
Investments in acquisitions and developments	**(759,231)**	**(947,245)**
Expenditure on investment property under development	(260,213)	(157,169)
Payments for acquisition of subsidiaries less cash acquired during the year	(500,739)	(788,364)
Settlements of deferred consideration for prior years acquisitions	945	(6,739)
Proceeds from sale of investment property held for sale (net of selling cost)	776	5,027
Other investments	**10,208**	**(369)**
Loans repaid by / (granted to) third parties	4,208	(4,208)
Loans to joint ventures – amounts granted	–	(2,818)
Loans to joint ventures – amounts repaid	6,000	6,657
Net cash flow from investments in financial assets	**275,834**	**102,712**
Payments for investing in financial investments at fair value through profit or loss	(53,743)	(17,918)
Income from financial investments at fair value through profit or loss	29,132	18,084
Payments for equity swap resettlement	(78,317)	(41,123)
Cash flows from equity collateral	237,757	118,078
Proceeds from sale of financial investments at fair value through profit or loss	141,005	25,591
CASH FLOWS USED IN INVESTING ACTIVITIES	**(473,189)**	**(844,902)**
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	396,128

	Year ended 31 December	
	2018	**2017**
	(audited)	*(audited)*
	All amounts are in €'000	
Net movements in bank loans and bonds	**401,835**	**422,048**
Proceeds from bank loans	414,000	86,000
Proceeds from bonds	–	500,000
Repayment of bank loans	(12,165)	(113,952)
Repayment of bonds	–	(50,000)
Other (payments)/proceeds	**(12,845)**	**196**
Acquisition of non-controlling interest	–	196
Premium paid on acquisitions of derivatives	(12,845)	–
Earnings distribution	(296,326)	(39,022)
Cash flows from financing activities	**92,664**	**779,350**
Net (DECREASE) /INCREASE in cash and cash equivalents	**(98,620)**	**147,524**
Cash and cash equivalents brought forward	**195,544**	**48,020**
Cash and cash equivalents carried forward	**96,924**	**195,544**

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:	NE Property B.V.
Guarantor:	NEPI Rockcastle plc
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to EUR 1,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Deutsche Bank AG, London Branch
Dealers:	Deutsche Bank AG, London Branch ING Bank N.V., London Branch Raiffeisen Bank International AG Société Générale The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Issuing and Paying Agent:	The Bank of New York Mellon, London Branch
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the TEFRA D (as defined in "*Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent

	Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "*Global Certificates*".
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Terms and Conditions	The Notes of each Series (other than Exempt Notes) are subject to the "*Terms and Conditions of the Notes*", as completed by the applicable Final Terms. In the case of Exempt Notes only, the Notes of each Series are subject to the "*Terms and Conditions of the Notes*" as supplemented, replaced or modified by the terms of the applicable Pricing Supplement.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) no Notes may be issued with a minimum denomination of less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes:	The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for certain obligations preferred by law and subject to the "*Terms and Conditions of the Notes – Negative Pledge"*.
Status of Guarantee	The guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law and subject to the "*Terms and Conditions of the Notes – Negative Pledge"*.
Negative Pledge:	See "*Terms and Conditions of the Notes – Negative Pledge*".
Cross Default/Cross-acceleration of Issuer, Guarantor or Material Subsidiary:	See "*Terms and Conditions of the Notes – Events of Default*".
Ratings:	The Programme has been rated BBB by both S&P and Fitch.

	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Netherlands or the Isle of Man, as the case may be, unless the withholding is required by law. In such event, the Issuer or the Guarantor shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder and Couponholder of such amounts as would have been received by it had no such withholding been required, all as described in "*Terms and Conditions of the Notes – Taxation*".
Governing Law:	English.
Listing and Admission to Trading:	Application has been made to list Notes issued under the Programme (other than Exempt Notes) on the Official List and to admit them to trading on the Market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets (including the Bucharest Stock Exchange) agreed between the Issuer and the relevant Dealer in relation to the Series of Notes. Exempt Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Redenomination, Renominalisation and/or Consolidation	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms.
Selling Restrictions:	The United States, the Prohibition of Sales to EEA Retail Investors, the United Kingdom, the Netherlands, the Isle of Man, Japan and the Republic of Italy. See "*Subscription and Sale*". The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act, as amended. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) ("**TEFRA D**"), unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) ("**TEFRA C**") or (ii) the Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be

referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

INFORMATION INCORPORATED BY REFERENCE

The documents set out below shall be deemed to be incorporated in, and to form part of, this Base Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such statement. Such documents have been filed with the Central Bank of Ireland and physical copies will be made available, free of charge, during usual business hours at the specified offices of the Issuing and Paying Agent.

(a) the audited consolidated financial statements of NE Property B.V. (at that date called NE Property Cooperatief U.A.) as at and for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, together with the auditor's report ("**Issuer's 2017 Consolidated Annual Financial Statement**s") and the directors' report in respect thereof ("**Issuer's 2017 Directors' Report**") (which are available on https://nepirockcastle.com/pdf/corporate-reports/coop_audited_signed_FS_2017.pdf); and

(b) the audited consolidated financial statements of NE Property B.V. (at that date called NE Property Cooperatief U.A.) as at and for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, together with the auditor's report ("**Issuer's 2016 Consolidated Annual Financial Statements**" and together with the Issuer's 2017 Consolidated Annual Financial Statements, the "**Issuer's Consolidated Annual Financial Statements**") and the directors' report in respect thereof ("**Issuer's 2016 Directors' Report**") (which are available on http://nepirockcastle.com/pdf/corporate-reports/coop_audited_signed_FS_2016.pdf)

together, the "**Issuer's Financial Statements**"; and

(c) The terms and conditions as referred to on pages 52 up to and including 77 of the base prospectus of the Issuer (at that date called NE Property Cooperatief U.A.) relating to the Programme, dated 15 November 2017 (the "**2017 Conditions**").

For ease of reference, the tables below set out the relevant page references for the Issuer's Consolidated Annual Financial Statements, the notes to the Issuer's Consolidated Annual Financial Statements as at and for the years ended 31 December 2017 and 2016 and the related Auditor's reports.

NE PROPERTY B.V.

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Where only certain parts of a document are incorporated by reference, the non-incorporated parts of the document are either not relevant to investors or are covered elsewhere in this Base Prospectus.

Any documents which are themselves incorporated by reference in the information incorporated by reference in this Base Prospectus will not form part of this Base Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the applicable Final Terms (as defined below) and, in the case of Exempt Notes (as defined below) only, as replaced, modified and/or varied in accordance with the provisions of the applicable Pricing Supplement (as defined below), shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s), representing each Series. The final terms for this Note are set out in the applicable Final Terms or Pricing Supplement attached to or endorsed on this Note (or on the Certificate relating to this Note in the case of a Registered Note) which completes these terms and conditions (the "Conditions") and, in the case of an Exempt Note only, the applicable Pricing Supplement which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace, modify and/or vary these Conditions for the purposes of this Note. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to "Notes" are to, unless the context otherwise requires, the Notes of one Series only, not to all Notes that may be issued under the programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 15 November 2017 between the Issuer, the Guarantor, and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 15 November 2017 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The applicable Pricing Supplement in relation to any Tranche of Notes for which no prospectus is required to be published under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**", which term includes any relevant implementing measure in a relevant Member State of the European Economic Area) ("**Exempt Notes**") may specify terms and conditions other than those set out herein which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace, modify and/or vary these Conditions for the purpose of such Notes. For the avoidance of doubt, the Final Terms in relation to each Tranche of Notes (which are not Exempt Notes) shall not modify or replace these Conditions set out herein.

References herein to the "applicable Final Terms" are to Part A of the final terms (the "**Final Terms**") (or, in the case of Exempt Notes, Part A of the pricing supplement (the "**Pricing Supplement**")) attached hereto or endorsed hereon and expressions defined or used in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) shall have the same meanings in these Conditions, unless the context otherwise requires or unless otherwise stated.

The Noteholders and the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

(a) ***No Exchange of Notes***: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) ***Transfer of Registered Notes***: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor provided, however, that part of a Registered Note may not be transferred unless the nominal amount of the part transferred, and the nominal amount of the balance not transferred, are Specified Denominations. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) ***Exercise of Options or Partial Redemption in Respect of Registered Notes***: In the case of an exercise of the Issuer's or Noteholders' options in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) ***Delivery of New Certificates***: Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 7(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) ***Transfers Free of Charge***: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) ***Closed Periods***: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 7(e), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date.

3. Status and Guarantee

(a) ***Status of the Notes***: The Notes and the Coupons constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations which may be preferred by provisions of law that are both mandatory and of general application (and subject to Condition 4).

(b) ***Guarantee of the Notes***: The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the Notes and the Coupons. The guarantee (the "**Guarantee of the Notes and the Coupons**") constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application (and subject to Condition 4).

4. Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), none of the Issuer or the Guarantor shall and each of the Issuer and the Guarantor shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure: (a) any Relevant Indebtedness of the Issuer or the Guarantor or a Subsidiary of the Issuer or the Guarantor; (b) or any guarantee (as defined below) given by the Issuer or the Guarantor or a Subsidiary of the Issuer or the Guarantor in respect of Relevant Indebtedness without (i) at the same time or prior thereto securing the Notes and the Coupons and all amounts payable by it under the Guarantee of the Notes and the Coupons equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes and the Coupons as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

In these Conditions:

"**Calculation Amount**" means the amount so specified in the relevant Final Terms;

"**Group**" means NEPI Rockcastle plc as Guarantor and its Subsidiaries (including the Issuer) taken as a whole;

"**guarantee**" means, in relation to any Relevant Indebtedness of any Person, any obligation of another Person to pay such Relevant Indebtedness including (without limitation):

(a) any obligation to purchase such Relevant Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services for the express purpose of providing funds for the payment of such Relevant Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness; and

(d) any other agreement to be responsible for such Relevant Indebtedness;

"**IAS 34**" means the International Accounting Standard 34, Interim Financial Reporting issued by the International Accounting Standards Board, as amended, supplemented, or re-issued from time to time;

"**IFRS**" means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time);

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication) any debt of such Person, including:

(a) all indebtedness of such Person for borrowed money in whatever form;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto, except to the extent any such reimbursement obligations relate to trade payables);

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services which purchase price is due more than 90 days after the earlier of the date of placing such property in service or taking delivery and title thereof or the completion of such services excluding:

  (i) any trade payables or other liability to trade creditors; and

  (ii) any post-closing payment adjustments in connection with the purchase by the Issuer or the Guarantor or any Subsidiary of the Issuer or the Guarantor of any business to which the seller may become entitled, to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing and **provided that** (x) the amount of any such payment is not determinable at the time of closing and, (y) to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter;

(e) all capitalised lease obligations of such Person, to the extent treated as indebtedness in the financial statements of such Person under IFRS;

(f) all obligations of the type referred to in paragraphs (a) to (e) of other Persons guaranteed by such Person to the extent such obligation is guaranteed by such Person; and

(g) any obligations of the type referred to in paragraphs (a) to (f), where a Security Interest has been granted over any asset of such Person (including where the underlying obligation has been assumed by a third party).

For the purpose of determining the euro-equivalent of Indebtedness denominated in a foreign currency, the euro-equivalent principal amount of such Indebtedness pursuant thereto shall be calculated based on the relevant official central bank currency exchange rate in effect on the date of determination thereof.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above **provided that** (i) with respect to contingent obligations as described above, the amount of Indebtedness will be the value of the contingency, if any, giving rise to the obligation as reported in that Person's financial statements and (ii) in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, for the time being, or is ordinarily capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

5. Financial Covenants

5.1 So long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

(a) the Guarantor undertakes that in relation to the Group taken as a whole, the Solvency Ratio shall not exceed 0.60;

(b) the Guarantor undertakes that in relation to the Group taken as a whole, the Consolidated Coverage Ratio will be at least 2:1; and

(c) the Guarantor undertakes that, as at any Measurement Date, the Group will own Unsecured Consolidated Total Assets equal to 150 per cent. or more of the aggregate outstanding principal amount of Unsecured Consolidated Total Indebtedness.

The Guarantor shall engage external independent international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of real estate assets being valued, to value at least 90 per cent. (by market valuation) of the Group's standing investments and land at least once per calendar year.

The Guarantor will promptly notify the Trustee in accordance with the Trust Deed in the event that any of the ratios or levels in this Condition 5.1(a) to (c) are breached at any time.

For so long as any Note or Coupon remains outstanding, the Guarantor will deliver a certificate to the Trustee on each Reporting Date signed by two duly authorised signatories of the Guarantor, certifying that the Guarantor is and has been in compliance with the covenants set out in this Condition 5 at all times during the relevant period. Such certificate may be relied on without liability by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

In these Conditions:

"**Adjusted EBITDA**" means the consolidated profit/(loss) of the Group before taxes, depreciation, amortisation and impairments, non-controlling interest and share of profit/(loss) of joint ventures, excluding any fair value differences, the net result on sale of financial investments, financial expenses, share-based payment expenses, acquisition fees, net result on acquisitions and disposals and any other exceptional or non-recurring item, as determined by reference to the most recent consolidated statement of comprehensive income of the audited annual or unaudited semi-annual condensed (as the case may be) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Consolidated Coverage Ratio**" means, in respect of any Measurement Date, (i) the aggregate amount of Adjusted EBITDA for the period of the most recent two consecutive semi-annual periods ending on such Measurement Date divided by (ii) the Consolidated Interest Expense for such two semi-annual periods;

"**Consolidated Interest Expense**" means, for any period, all charges, interest, commission, fees, discounts, premiums and other finance costs in respect of Indebtedness incurred by the Group as shown in the most recent consolidated statement of comprehensive income of the audited annual or unaudited semi-annual condensed (as the case may be) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Consolidated Total Assets**" means the total assets (excluding intangible assets) of the Group as shown in the most recent consolidated statement of financial position of the audited annual or unaudited semi-annual condensed (as the case may be) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Consolidated Total Indebtedness**" means the total Indebtedness of the Group (excluding deferred tax liabilities) as determined by reference to the most recent consolidated statement of financial position of the audited annual or unaudited semi-annual condensed (as the case maybe) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Measurement Date**" means each day which is (i) the last day of the Group's financial year in any year (the "**Annual Measurement Date**") or (ii) the last day of the first half of the Group's financial year in any year (the "**Semi-Annual Measurement Date**");

"**Reporting Date**" means a date falling no later than 30 days after (i) the publication of the Group's audited annual consolidated financial statements, prepared in accordance with IFRS, with respect to an Annual Measurement Date, or (ii) the publication of the Group's unaudited condensed semi-annual consolidated financial statements, prepared in accordance with IAS 34, with respect to a Semi-Annual Measurement Date;

"**Solvency Ratio**" means, in relation to the Group and in respect of any Measurement Date, the Consolidated Total Indebtedness divided by Consolidated Total Assets;

"**Unsecured Consolidated Total Assets**" means such amount of the Consolidated Total Assets not secured by a Security Interest for Indebtedness; and

"**Unsecured Consolidated Total Indebtedness**" means such amount of Consolidated Total Indebtedness in respect of which the Group or a Subsidiary of the Group has not granted a Security Interest over its property or assets.

5.2 ***Consolidated financial statements***

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Guarantor shall deliver to the Trustee:

(a) not later than six months after the end of the Guarantor's financial year, copies or the electronic versions of the audited consolidated financial statements of the Group for such financial year, prepared in accordance with IFRS and applicable Isle of Man law, consistently applied, and accompanied by the report of the independent auditors thereon;

(b) not later than 120 days after the end of the semi-annual period, copies or the electronic versions of the unaudited condensed consolidated financial statements of the Group for such semi-annual period, prepared in accordance with IAS 34 consistently applied; and

(c) in the case of every other item referred to below, not later than 20 days after their initial distribution to any of the persons referred to below, three copies in English of every statement of financial position, statement of income and, to the extent permitted by applicable law, every report or other notice, statement or circular issued, or which legally should be issued, to the members or holders of securities (generally) of the Guarantor or any holding company thereof generally in their capacity as such.

6. **Interest and other Calculations**

(a) ***Interest on Fixed Rate Notes***: Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f).

(b) ***Interest on Floating Rate Notes***:

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Bucharest time in the case of ROBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is ROBOR, the principal Bucharest office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is ROBOR, at approximately 11.00 a.m. (Bucharest time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is ROBOR, at approximately 11.00 a.m. (Bucharest time), on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is ROBOR, the Bucharest inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is ROBOR, at approximately 11.00 a.m. (Bucharest time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer (acting in good faith) suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is ROBOR, the Bucharest inter-bank market, as the case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period **provided however that** if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(c) ***Zero Coupon Notes***: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i)).

(d) ***Accrual of Interest***: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 9).

(e) ***Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding***:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 6(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (**provided that** if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(f) ***Calculations***: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts***: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 12, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) ***Definitions*:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**") and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365** (**Fixed**)" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Bucharest inter-bank market, in each case selected by the Issuer.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(i) ***Calculation Agent***: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

7. **Redemption, Purchase and Options**

(a) ***Final Redemption***: Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) ***Early Redemption***:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 7(c), Condition 7(e) or Condition 7(f) or upon it becoming due and payable as provided in Condition 12 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c), Condition 7(e) or Condition 7(f) or upon it becoming due and payable as provided in Condition 12 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c), Condition 7(e) or Condition 7(f) or upon it becoming due and payable as provided in Condition 12, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) ***Redemption for Taxation Reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 7(b) above) (together with interest accrued to the date fixed for redemption), if immediately before giving such notice, the Issuer or the Guarantor satisfies the Trustee that:

(i) as a result of any change in, or amendment to, the laws or regulations of the Netherlands or the Isle of Man, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes either (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or (b) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

(ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee:

(A) a certificate signed by two authorised signatories of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and without liability rely on such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 7(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(c).

(d) ***Make-whole call****:* If Make-Whole Call is specified hereon, the Notes will be redeemable, as a whole or in part, at the option of the Issuer, on at least 30 days', but not more than 60 days', prior notice (or such other notice period as may be specified hereon) to Noteholders given in accordance with Condition 17, at a redemption price equal to the greater of:

(i) 100 per cent. of the nominal amount of the Notes to be redeemed; and

(ii) the Make-Whole Optional Redemption Price,

plus, in each case, accrued and unpaid interest on the Notes to, but excluding, the redemption date.

Notwithstanding the foregoing, amounts of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the redemption date will be payable on such Interest Payment Date(s) to the Noteholders.

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;

"**Make-Whole Optional Redemption Price**" means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the yield (as calculated by the Determination Agent) on the Notes to be redeemed, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the yield on such dealing day of the Reference Bond, plus any applicable Make-Whole Margin specified hereon, on the basis of the average of four quotations of the average midmarket annual yield to maturity of the Reference Bond prevailing at the Make-Whole Time specified hereon on such dealing day as determined by the Determination Agent.

"**Reference Bond**" means, in relation to any Make-Whole Optional Redemption Price calculation, the Reference Bond specified hereon, or if such bond is no longer in issue, such other government bond as the Determination Agent may, with the advice of three brokers of, and/or market makers in, government bonds selected by the Determination Agent, determine to be appropriate for determining the Make-Whole Optional Redemption Price.

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place and in such manner as may be appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate nominal amount of the Notes to be redeemed and (in the case of a partial redemption) the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, and the aggregate nominal amount of the Notes which will be outstanding after the partial redemption.

(e) ***Redemption at the Option of the Issuer***: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 7(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as the Issuer deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) ***Redemption at the Option of Noteholders***: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 7(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) ***Redemption at the Option of Noteholders upon a Change of Control***: If Change of Control is specified hereon and a Change of Control Put Event occurs, Noteholders will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Notice the Issuer has given notice of redemption under Condition 7(c), 7(d) or 7(e) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Put Date at the Change of Control Optional Redemption Price specified hereon together with interest accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control Put Event**" will be deemed to occur if in the case of the Guarantor, any person or any persons acting in concert shall acquire a controlling interest in (A) more than 50 per cent. of the issued or allotted ordinary stated capital of the Guarantor or (B) shares in the stated capital of the Guarantor carrying more than 50 per cent., of the voting rights normally exercisable at a general meeting of the Guarantor or, in the case of the Issuer, the Guarantor ceases to hold directly or indirectly a 100 per cent. interest in the Issuer (each such event being, a "**Change of Control**").

Promptly upon but in any case no later than five Business Days after the Issuer or, as the case may be, the Guarantor becoming aware that a Change of Control Put Event has occurred the Issuer or, as the case may be, the Guarantor shall give notice (a "**Change of Control Put Notice**") to the Noteholders in accordance with Condition 17 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of a Bearer Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 30 days after a Change of Control Put Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), be in any form acceptable to Euroclear and Clearstream, Luxembourg delivered in a manner acceptable to Euroclear and Clearstream, Luxembourg) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"). The Note should be delivered together with all Coupons appertaining thereto which mature after the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 15) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Change of Control Put Exercise Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Exercise Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Exercise Notice, once given, shall be irrevocable.

To exercise the Change of Control Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Change of Control Put Exercise Notice obtainable from the Registrar or any Transfer Agent within the Change of Control Put Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Change of Control Put Exercise Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank (as defined in Condition 8(a)) and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

The Trustee shall be entitled to assume that no Change of Control Put Event has occurred until it has received from the Issuer or Guarantor written notice of the same, and shall incur no liability to any person for so doing.

(h) ***Clean-Up Call Option***: If Clean-Up Call Option is specified hereon and 80 per cent. or more in nominal amount of the Notes originally issued (which shall for this purpose include any further Notes issued pursuant to Condition 16) have been redeemed or purchased and cancelled, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders to the Noteholders in accordance with Condition 17, redeem or, at the Issuer's option, purchase (or procure the purchase of) on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), all but not some only of the Notes then outstanding at the Clean-Up Redemption Amount specified hereon together with interest accrued (if any) to (but excluding) the date fixed for redemption. The notice referred to in the preceding sentence shall be irrevocable and shall specify the date fixed for redemption.

(i) ***Purchases***: Each of the Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes (**provided that** all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(j) ***Cancellation***: All Notes redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

8. **Payments and Talons**

(a) ***Bearer Notes***: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 8(f)(v)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) ***Registered Notes***:

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) ***Payments in the United States***: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) ***Payments subject to Laws***: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 9. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Appointment of Agents***: The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and unexchanged Talons***:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Make-Whole Optional Redemption Price, Change of Control Optional Redemption Price or Clean-Up Redemption Amount as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 11).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) ***Talons***: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

(h) ***Non-Business Days***: If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

9. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Netherlands or the Isle of Man or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

(a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of having some connection with the Netherlands or the Isle of Man respectively, by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(b) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days assuming that day to have been a business day as (defined in Condition 8(h)).

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify any Noteholder or Couponholder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Make-Whole Optional Redemption Price, Change of Control Optional Redemption Price, Clean Up Redemption Amount, Amortised Face Amount and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (iii) "**principal**" and/or "**interes**t" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

10. Reorganisation and Substitution

The Trust Deed contains provisions under which a legal entity:

(a) formed by any consolidation or merger of the Issuer with or into any other corporation or corporations (whether or not affiliated with the Issuer), or successive consolidations or mergers into which the Issuer or its successor or successors shall have been merged or consolidated; or

(b) to which the Issuer has sold, conveyed or leased all or substantially all of the property of the Issuer (whether or not affiliated with the Issuer),

(any such legal entity, a "**Substituted Obligor**") may, without the consent of the Noteholders or Couponholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes **provided that**:

(i) the Substituted Obligor takes direct or indirect ownership of at least 80 per cent. of Consolidated Total Assets and that the Substituted Obligor is a legal entity incorporated in a Member State of the European Economic Area or the Isle of Man;

(ii) that (except where the Substituted Obligor is the Guarantor) the Guarantor unconditionally and irrevocably guarantees all amounts payable under these Conditions to the satisfaction of the Trustee; and

(iii) certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 9 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

11. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12. Events of Default

If any of the following events occurs and is continuing then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate nominal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in each case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*) below and, in relation only to a Material Subsidiary, paragraphs (c) (*Cross-default/Cross-acceleration of Issuer, Guarantor or Material Subsidiary*), (d) (*Enforcement Proceedings*), (e) (*Security Enforced*), (f) (*Insolvency*), (g) (*Winding-up*) or (l) (*Analogous Events*) to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or provided with security and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Redemption Amount together (if applicable) with accrued interest without further action or formality:

(a) ***Non-payment***: the Issuer or, as the case may be, the Guarantor, fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) is a default which is, in the opinion of the Trustee, capable of remedy and remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or

(c) ***Cross-default/Cross-acceleration of Issuer, Guarantor or Material Subsidiary***: a default under any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary, if that default (i) is caused by a failure to make any payment in respect of such Indebtedness and any originally applicable grace period has expired or (ii) results in the acceleration of such Indebtedness prior to its stated maturity; **provided that** the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds EUR 40,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Enforcement Proceedings***: a distress, attachment, execution or other legal process, the award or decision in respect of which, in each case, is final and not subject to further appeal, is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor or their respective Material Subsidiaries in an amount which exceeds 10 per cent. of the Consolidated Total Assets and is not discharged or stayed within 90 days; or

(e) ***Security Enforced***: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of their respective Material Subsidiaries in respect of an amount which exceeds 15 per cent. of the Consolidated Total Assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person); or

(f) ***Insolvency***: (i) the Issuer, the Guarantor or any of their respective Material Subsidiaries is insolvent or (ii) any of the Issuer, the Guarantor or any of their respective Material Subsidiaries is unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Material Subsidiaries except for the purposes of and pursuant to a reconstruction, amalgamation, reorganisation, merger or consolidation (x) pursuant to Condition 10, (y) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (z) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another Material Subsidiary (or a Subsidiary of the Issuer or a Subsidiary of the Guarantor which, upon such transfer or vesting, will become a Material Subsidiary); or

(g) ***Winding-up***: (A) an administrator, liquidator, receiver or any other similar officer is appointed through an irrevocable resolution for the opening of insolvency proceedings; (B) an irrevocable resolution is passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any of their respective Material Subsidiaries; or (C) the Issuer, the Guarantor or any of their respective Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself, in each of the cases (A), (B) or (C) above except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) pursuant to Condition 10, (ii) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (iii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another Material Subsidiary (or a Subsidiary of the Issuer or a Subsidiary of the Guarantor which, upon such transfer or vesting, will become a Material Subsidiary); or

(h) ***Guarantee not in force***: the Guarantee of the Notes and the Coupons is not (or is claimed by the Guarantor not to be) in full force and effect; or

(i) ***Nationalisation***: the assets of the Group in an amount which exceeds 15 per cent., of the Consolidated Total Assets of the Group are expropriated, seized or nationalised by any person; or

(j) ***Authorisation and Consents***: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to make the Notes, the Trust Deed and the Agency Agreement admissible in evidence in the courts of the Netherlands or (as the case may be) of the Isle of Man is not taken, fulfilled or done; or

(k) ***Illegality***: it is unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Trust Deed or the Agency Agreement; or

(l) ***Analogous Events***: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

For the purposes of this Condition 12:

"**Gross Revenues**" is calculated as the sum of: contractual rental income, expense recoveries and other operating income; and

"**Material Subsidiary**" means any Subsidiary of the Guarantor whose total assets (excluding intangible assets) or Gross Revenues ((i) each as determined by reference to the relevant Subsidiary's most recent audited annual, or unaudited semi-annual (as the case may be) financial statements prepared in accordance with IFRS or IAS 34, as applicable, and (ii) excluding any intra-Group Indebtedness and related receivables eliminated in the consolidated financial statements of the Guarantor) exceed 7.5 per cent., of the Consolidated Total Assets or Gross Revenues of the Group, as the case may be (each as determined by reference to the Guarantor's most recent audited annual, or unaudited semi-annual (as the case may be) consolidated financial statements). The Guarantor will deliver on each Reporting Date a certificate addressed to the Trustee and signed by two authorised signatories confirming, in their opinion, which Subsidiaries of the Guarantor are Material Subsidiaries of the Guarantor as at each Measurement Date and such certificate may be relied on without liability by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

13. **Meetings of Noteholders, Modification and Waiver**

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee (subject to its being indemnified and/or prefunded and/or secured to its satisfaction) upon request by Noteholders holding not less than one-tenth of the nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing more than half of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount, the Make-Whole Optional Redemption Price, the Change of Control Optional Redemption Price or the Clean-Up Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-quarter of the nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification of the Trust Deed***: The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) ***Entitlement of the Trustee***: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

14. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, take such actions, steps and/or proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such actions, steps and/or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter of the nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or provided with security and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction applicable to it. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series (for the avoidance of doubt, references in these Conditions to the "Issue Date" shall be to the first Issue Date of the relevant Series of Notes). References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

17. Notices

Notices required to be given to the holders of Registered Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed/and or admitted to trading. If in the opinion of the Trustee any such publication is not practicable, notice required to be given pursuant to the Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. Governing Law and Jurisdiction

(a) ***Governing Law***: The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) ***Jurisdiction***: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons or the Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) ***Service of Process***: Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. INITIAL ISSUE OF NOTES

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3. EXCHANGE

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 **Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 **Permanent Global Certificates**

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 **Delivery of Notes**

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.5 **Exchange Date**

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4. AMENDMENT TO CONDITIONS

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus.

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 8(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note or a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

4.3 Meetings

For the purposes of any quorum requirements at a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

4.6 **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Global Note or a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, (except that any notice while any Notes are represented by a Global Note or a Global Certificate shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required). In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note by giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 **NGN nominal amount**

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 **Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.10 **Exercise of Put Option**

In order to exercise the option contained in Condition 7(g) (*Redemption at the option of Noteholders upon a Change of Control*) the (i) holder of a Bearer Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to any Paying Agent in the current and acceptable form and (ii) holder of the Registered Note must, within the period specified in the Conditions for the deposit of the relevant Certificate evidencing such Note(s) and put notice, give written notice of such exercise to the Registrar or any Transfer Agent. Any such notices will be irrevocable and may not be withdrawn.

4.11 **Notices**

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

5. ELECTRONIC CONSENT AND WRITTEN RESOLUTION

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used for the Group's general corporate purposes, including but not limited to, property acquisitions and developments, refinancing and working capital management. If, in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

INTRODUCTION TO THE GUARANTOR AND THE GROUP

The Guarantor is a commercial property investor. The Group owns and operates a property portfolio consisting of retail assets and office buildings mainly in Romania, Poland, Hungary, Slovakia, Bulgaria, Croatia, Czech Republic, Serbia and Lithuania which generates earnings from long-term, triple-net leases (i.e. in addition to rent, tenants pay property taxes, insurance, property management, utilities and other common area costs).

The Guarantor's business strategy entails:

- investing in retail assets in Central and Eastern Europe that are assessed to occupy, or with the potential to occupy, a dominant position within the catchment area, via a combination of acquisitions and developments;
- active management of its portfolio, focusing on asset growth and constant improvement of the retail assets;
- active re-positioning of its portfolio by disposing of non-core and lower growth assets when opportune;
- benefitting from advantageous funding costs due to continued increase in scale; and
- following a conservative financial policy, based on low gearing and strong liquidity.

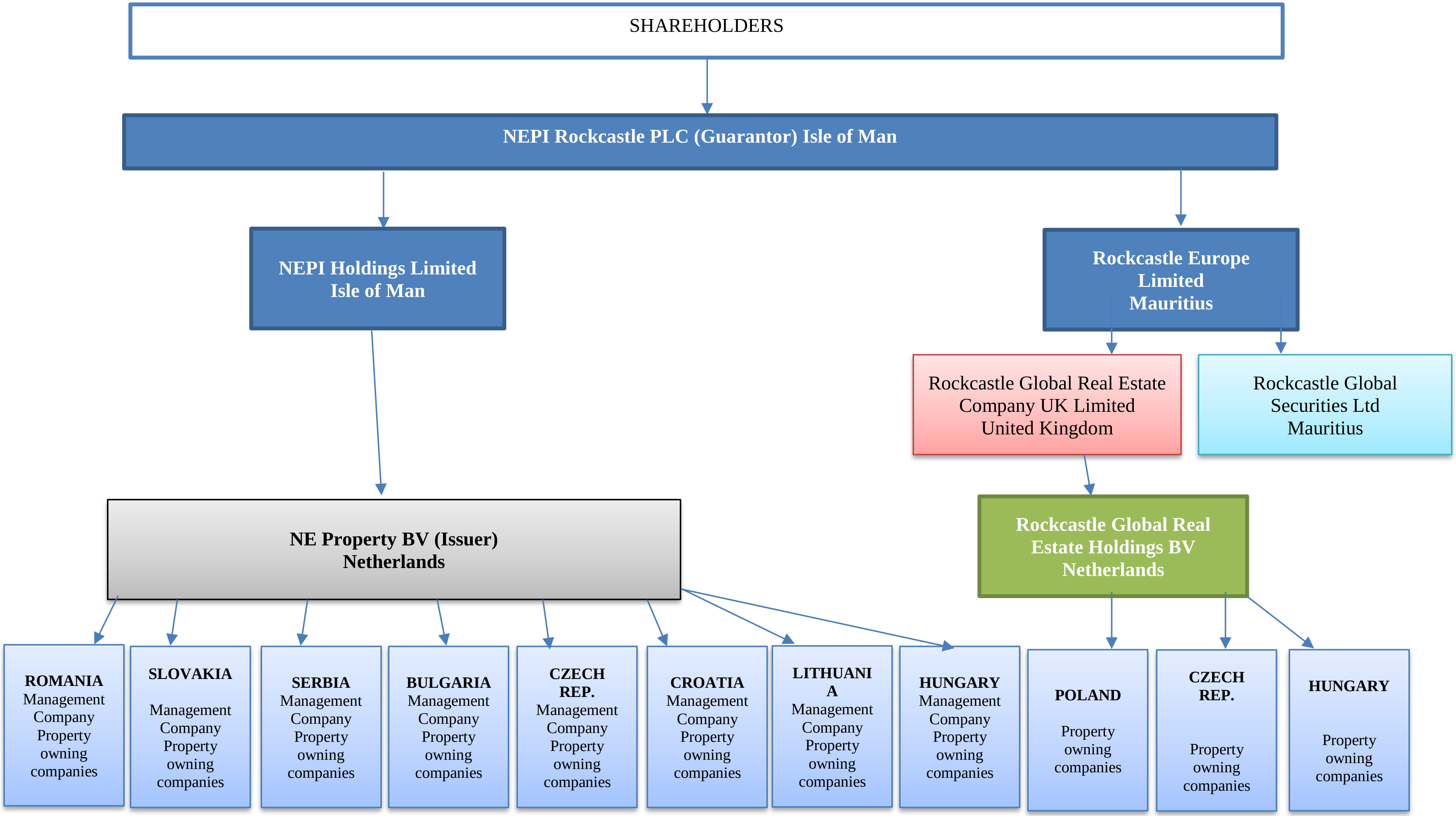
The Group is internally managed by a team of professionals combining investment, development, asset management, leasing and financial expertise. The property management function of the Group is partly undertaken internally and partly outsourced on market-related terms to external property managers (see "*Description of the Group's operational activities*" – "*Property Management"*)

Executive management is overseen by the Board of Directors, including six non-executive directors (see "*Directors of the Guarantor and Group Executive Management*").

The Guarantor's shares are listed on the Main Board of the JSE (share code NRP) and on Euronext Amsterdam (share code NRP). The shares are transferable among the two registers. As at the date of this Base Prospectus, the issued share capital of the Guarantor comprises 577,800,734 ordinary shares of EUR 0.01 each (while the authorised share capital of the Guarantor comprises 2,000,000,000 ordinary shares of EUR 0.01 each) (see "*Major Shareholders*").

The Group companies comprise real estate holding companies, energy companies and management companies in Romania, Poland, Hungary, Slovakia, Bulgaria, Croatia, Czech Republic, Serbia and Lithuania and intermediate holding companies established in other jurisdictions. The Guarantor and the Issuer are holding and service companies and do not own properties directly.

The Group's summarised holding structure is presented below.



DESCRIPTION OF THE GUARANTOR

The Guarantor is a company with liability limited by shares incorporated in, and governed by the laws of, the Isle of Man under the Isle of Man Companies Act 2006. The Guarantor was incorporated on 1 December 2016 for an indefinite duration. Between the period of 1 January 2017 and the date of the Merger, the Guarantor was in existence but had no active trading operations, acquired no additional assets and no external borrowings and/or debt was incurred by the Guarantor during this period.

Its registration number is 014178V. The Guarantor's registered office address is 2nd Floor, 30 Athol Street, Douglas, Isle of Man, IM1 1JB, and its telephone number is +44 2031 801 547. The latest version of the articles of association of the Guarantor was adopted on 16 May 2017.

The Guarantor is the holding company of the Group and its main functions include the determination of the Group strategy, the review and adoption of business plans within the context of the Group strategy, the overall coordination of the activities of the Group companies, the allocation of resources amongst Group companies and accounting for, and monitoring of, the Group's activities.

The Guarantor has in the Trust Deed irrevocably and unconditionally guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the Notes and the Coupons.

DESCRIPTION OF THE ISSUER

The Issuer is a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated and operating under the laws of The Netherlands and registered with the Trade Register of the Chamber of Commerce in The Netherlands under number 34285470. The Issuer was incorporated on 22 October 2007 as a cooperative with exclusion of liability (*coöperatie met uitgesloten aansprakelijkheid*) and on 18 January 2019 changed its legal form into a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). The Issuer's registered office address is Claude Debussylaan 7, Tribes Offices SOM Building 3rd floor, 1082MC Amsterdam, The Netherlands and its telephone number is +31 202 38 40 28. The articles of association (*statuten*) of the Issuer were adopted on 22 October 2007 and amended and restated on 18 January 2019. The Issuer was incorporated for an indefinite duration.

The Issuer is a holding company that performs the treasury, financing, management, advisory and group support activities for its subsidiaries. The Issuer is indirectly wholly owned by the Guarantor as set out in the Group's summarised holding structure presented in the section "*Introduction to the Guarantor and the Group*". The Issuer is the direct or indirect parent of all property-owning companies of the Group in Romania, Slovakia, Bulgaria, Croatia, Serbia and Lithuania and of one of the two property-owning companies in Czech Republic and Hungary respectively.

The Issuer is a wholly-owned indirect subsidiary of the Guarantor. The Issuer is managed in accordance with its articles of association (*statuten*) and with the provisions of Dutch law.

Board of Managing Directors

The Issuer's Board of Managing Directors (the "**Managing Board**") consists of the following three managing directors (the "**Managing Directors**"):

Name	Function	Position held since
Eugeniu Barba	Managing Director	9 September 2014
Mirela Covasa	Managing Director	4 November 2015
Alex Florescu	Managing Director	1 October 2018

The Managing Directors have their business addresses at the Issuer's registered office at Claude Debussylaan 7, Tribes Offices SOM Building 3rd floor, 1082MC Amsterdam. The Issuer currently has three full-time employees in the Netherlands (two of whom are Managing Directors) and two part-time employees.

Potential Conflicts of Interests

There are no potential conflicts of interest between the duties of the Managing Directors towards the Issuer and their private interests or other duties.

DESCRIPTION OF THE GROUP'S OPERATIONAL ACTIVITIES

Business model

NEPI Rockcastle plc (the "**Guarantor**") is an internally managed commercial property investor and developer that owns and manages retail assets and A-grade offices in nine high-growth Central and Eastern European ("**CEE**") markets: Romania, Poland, Hungary, Slovakia, Bulgaria, Croatia, Czech Republic, Serbia and Lithuania. The Group has a strategy of consolidating and expanding the Group's position in existing markets. The Group is currently progressing with developments under construction or under permit and pre-lease in Romania, Poland, Bulgaria, Croatia, Slovakia and Serbia.

The Group is managed with a focus on sustainable cash flow and aims to maintain its financial position by lowering its overall cost of finance and improving its balance sheet efficiency through a combination of corporate Eurobond issues and unsecured revolving bank facilities. The Group's liquidity is closely monitored in conjunction with profitability targets and acquisition plans. Most cash is held in euro and can be accessed immediately.

Merger of New Europe Property Investments Plc and Rockcastle Global Real Estate Company plc (the "Merger")

The Merger of New Europe Property Investments Plc ("**NEPI**") and Rockcastle Global Real Estate Company Limited ("**Rockcastle**") became effective on 11 July 2017. The new holding company of the group, the Guarantor, acquired the businesses of NEPI and Rockcastle (including 100 per cent. of their ownership interests in all of NEPI's and Rockcastle's respective underlying subsidiaries, but excluding any shares held by NEPI and Rockcastle, respectively in the Guarantor), thereby becoming one of the leading listed real estate companies in the CEE by portfolio size. In exchange for the acquired businesses, the Guarantor issued ordinary shares to NEPI and Rockcastle, in line with the agreed share swap ratio of 4.7 Rockcastle shares for every one NEPI share.

The Merger was approved by both NEPI and Rockcastle's shareholders who recognised the value of the combined businesses and the acceleration opportunity of the strategic objectives for growth and diversification. The Merger was viewed as a strategic step by developing key informational, financial, operational and execution efficiencies to strengthen the Group's position in the context of the current CEE property market competitiveness. The Group also gained exposure to significant portfolios in a combined number of countries in the CEE, which now comprise Romania, Poland, Hungary, Slovakia, Bulgaria, Croatia, Czech Republic, Serbia and Lithuania.

Following the Merger, NEPI and Rockcastle ceased trading on their respective stock markets (the Johannesburg Stock Exchange ("**JSE**") and Bucharest Stock Exchange for NEPI, and the JSE and Stock Exchange of Mauritius for Rockcastle). Since 12 July 2017, the Guarantor's shares have been listed on the Main Board of the JSE and Euronext Amsterdam. On 10 September 2018, the dissolution of NEPI was formally approved.

Asset management

The asset management function of the Group is undertaken internally by its executive management (see "*Directors of the Guarantor and Group Executive Management*"), who implement the Group's investment and growth strategy together with appropriately skilled and experienced staff that are familiar with the Group's portfolio of properties. The asset management role of the executive management is primarily: to seek new investment opportunities for the Group; to consider ways of optimising performance of existing assets; and, where necessary, to work towards the disposal of assets which no longer contribute to the Group's income growth strategy.

The Merger increased the opportunity for cross-selling, wide-scale marketing and active asset management across a larger base of retailers and service providers. The integrated platform is led by a multi-national group of senior asset managers with extensive commercial real estate experience.

Property management

Property management is an important strategic component for the Group. Leasing and marketing are coordinated internally for all properties, while the actual property management function is partly undertaken internally and partly outsourced on market-related terms to external property managers. The Group is currently collaborating with the following external property managers: Poland - Apsys Polska S.A., BSC Property Management Sp. z o.o. and CBRE Sp. z o.o.; Czech Republic - Cushman & Wakefield, s.r.o.; Hungary - Cushman & Wakefield Kft. and CBRE Kft.; Lithuania - UAB, Newsec Property Management.

External property managers are paid a market related property management fee determined as a percentage of collected annual rent in respect of the relevant property and payable monthly in advance

Where performed internally, the property management function is undertaken by an in-country management team with a proven real estate track record in the relevant region and a strong understanding of the property portfolio, benefitting from long-term relationships with tenants.

Investment strategy and the acquisition process

The Group is focused on expanding and consolidating its portfolio of retail assets in Romania, Poland, Hungary, Slovakia, Bulgaria, Croatia, Czech Republic, Serbia and Lithuania, through acquisition or development of retail assets that meet its investment criteria. The Guarantor is well positioned for growth, driven by expansion of a best-in-class operating platform. Possessing geographically diverse management skills allows the Guarantor to pursue CEE property opportunities more efficiently, benefitting from a competitive advantage in the acquisition, development and management of properties.

Acquisitions of properties are initiated by the Group's acquisition team, which identifies, reviews and analyses investment opportunities by leveraging on the Group’s wide contact network in the retail and real estate industries. The due diligence process commences if an opportunity meets the Group's investment criteria and Investment Committee (as defined in "*Directors of the Guarantor and Group Executive Management*") approval is obtained. Assuming a favourable due diligence outcome (such due diligence may be outsourced to qualified third party providers) and that the commercial terms are agreed, the Investment Committee recommends the acquisition to the Board for approval. Once Board approval has been obtained, the acquisition is executed primarily by the acquisition team in collaboration with the asset management team which takes over the management of the asset post acquisition based on the underlying assumptions relied upon during the commercial part of the due diligence.

To meet the Group's investment criteria, a retail asset must occupy or have the potential to occupy a dominant retail location within the relevant catchment area or region and, in the opinion of the Management, such dominant position is sustainable in the long term. In assessing this, the Group considers a number of factors and their interplay, including catchment, macroeconomic specifics of the relevant region or city, size, tenant mix (product and service offering), potential for extension, growth potential, design, technical specifications, location, access and visibility. For example, adequate size is critical by enabling the most comprehensive tenant mix in the region, whereas the potential for future extension reduces the threat of significant future competition. The optimal tenant mix usually comprises a large proportion of food and fashion anchor tenants with a substantial leisure offering.

Since 1 January 2018, the Group has entered into or finalised four sizeable acquisitions (of an aggregated value of approximately €594 million) in Lithuania, Poland, Slovakia and Hungary. These have been funded through existing cash resources and debt facilities, combined with the sale of listed securities.

Development process

The Group invests in developments which it expects to significantly contribute to growth in distributable earnings per share. Development, re-development and expansion opportunities are identified in regions with commercial potential and low levels of retail stock. Careful consideration is given to achieving a dominant competitive location within the relevant region. The Group commits to development costs in a phased manner to limit risk. Land is acquired after a due diligence process, the completion of feasibility studies and assessing retailers' interest. Construction costs are committed to on a gradual basis (after obtaining the required permits and meeting the agreed pre-leasing targets) and are limited to the availability of internal sources of financing.

The Group currently has retail development exposure to Romania, Poland, Bulgaria, Croatia, Slovakia and Serbia. The Group’s experience in the above-mentioned retail markets and its strong relationship with anchor tenants across the CEE ensures that interest in a particular project can be assessed at a very early phase, before land is acquired, thus minimising development risk. All existing developments and extensions previously undertaken by NEPI and Rockcastle were finalised within budget, on time and were substantially leased on opening. The ongoing developments also benefit from high pre-leasing percentages.

The Group's in-house expertise and the development team's ability to supervise and undertake project management responsibilities with respect to the initiation of a project, vetting and appointment of contractors and monitoring the progress of a project, ensures greater control over such developments. The Group enters into construction agreements with contractors who have proven financial and professional capabilities in addition to a track record of completing projects of a similar scope on time and within budget.

The development cash-flows are closely monitored on an on-going basis to ensure that finance is available in a timely manner for all developments.

The Group will continue to commit to limited low-risk development, redevelopment and extension opportunities in a non-speculative phased manner, in Romania, Poland and in other markets where it has established an operating presence and where there are opportunities that meet the Group's investment criteria. In 2018 the Group finalised the development of two new properties: Promenada Novi Sad in Serbia, opened on 15 November 2018, and Shopping City Satu Mare in Romania, which opened on 5 December 2018. It also completed the refurbishment and extension of Platan Shopping Centre in Zabrze, Poland (the extension opened on 26 October 2018).

Description of the portfolio

As at 31 December 2018, the Group owned and operated 59 income-producing properties and had eight developments under construction (of which six were extensions of existing properties), four developments under permitting and pre-leasing commitments (of which two were extensions of existing properties) and land held for future extensions and developments. In addition, as at the same date, the Group had a street retail portfolio, and a portfolio of regional office buildings, held for sale.

The fair value of the Group's investment property is determined semi-annually by external, independent appraisers, who are members of the Royal Institute of Chartered Surveyors (and with respect to valuers of properties in Romania, of the National Association of Authorised Valuers in Romania), with appropriate and recognised qualifications. The valuation of the property portfolio as at 31 December 2018 was performed as follows:

- Romania - Echinox Evaluari S.R.L (an independently owned and operated affiliate of Cushman & Wakefield), 40-44 Banu Antonache Street, 3rd Floor, 1st District, Bucharest, Romania;
- Poland - Cushman & Wakefield Polska SP. Z O.O, Złote Tarasy – Lumen Office Building, 59 Złota Street, 00-120, Warsaw, Poland;
- Hungary - Cushman & Wakefield Nemzetközi Ingatlan Tanácsadó Kft., H-1052 Budapest, Deák Ferenc utca 5, Budapest, Hungary;
- Slovakia - Jones Lang LaSalle s.r.o – Astoria Palace, Hodžovo námestie 1/A, Bratislava, Slovakia;
- Bulgaria - Jones Lang LaSalle s.r.o – Szabadság tér 14., 1054 Budapest, Hungary;
- Croatia - Jones Lang LaSalle s.r.o – Szabadság tér 14., 1054 Budapest, Hungary;
- Czech Republic - Jones Lang LaSalle s.r.o – Myslbek Building, Na Příkopě 21, 110 00 Prague, Czech Republic;
- Serbia - Jones Lang LaSalle s.r.o – Szabadság tér 14., 1054 Budapest, Hungary;
- Lithuania - Cushman & Wakefield Sweden AB, Regeringsgatan 59 P.o. Box 3637, 103 59 Stockholm.

The market value of the property portfolio for the Group mentioned above (excluding joint ventures) including (i) investment properties in use at fair value, (ii) investment properties under and held for development and (iii) investment properties held for sale as at 31 December 2018 was approximately €5.9 billion.

As at 31 December 2018, (i) retail properties comprised 93 per cent. of the property portfolio by market value and (ii) the office sector (representing the only other material component of the property portfolio) accounted for approximately 7 per cent. of the property portfolio by market value.

As at 31 December 2018, the Group's property portfolio in use was geographically spread as follows (by market value): 36 per cent. was located in Romania, 24 per cent. in Poland, 10 per cent. in Hungary, 9 per cent. in Slovakia, 9 per cent. in Bulgaria, 4 per cent. in Croatia, 3 per cent. in the Czech Republic, 3 per cent. in Serbia, and 2 per cent. in Lithuania.

SCHEDULE OF INCOME-PRODUCING PROPERTIES AS AT 31 DECEMBER 2018

Country	Gross Lettable Area	Valuation/Cost to date	Passing rent	EPRA Occupancy
	m²	*€m*	*€m*	
	2,024,300	**5,689**	**389**	**97.2%**
RETAIL	**1,837,700**	**5,290**	**357**	**97.2%**
Romania*	736,600	1,699	125	97.9%
Poland**	454,500	1,345	84	96.4%
Slovakia	117,800	514	32	97.9%
Bulgaria	133,000	430	29	98.3%
Hungary	121,900	584	37	96.1%
Croatia	65,700	243	16	97.9%
Czech Republic	74,300	174	11	91.3%
Lithuania	62,400	128	10	98.0%
Serbia	71,500	173	13	98.5%
OFFICE	**158,800**	**383**	**30**	**97.7%**
Romania	117,500	309	24	97.4%
Bulgaria	28,500	53	4	99.5%
Slovakia	12,800	21	2	96.9%
INDUSTRIAL	**27,800**	**16**	**2**	**98.3%**
Romania	27,800	16	2	98.3%

* The Group holds 50% interest in Ploiesti Shopping City and The Office, Cluj-Napoca which are excluded from the above schedule of properties and they are recognised in the financial statements, using the equity method under IFRS. The valuation and the annualized passing rent weighted by ownership corresponding to the above-mentioned properties under joint venture amounted to €116.6 million and €9.1 million respectively as at 31 December 2018.

** The Group holds 90% interest in Galeria Wolomin and 85% in Galeria Tomaszow (Poland). Galeria Wolomin and Galeria Tomaszow are accounted for at 100% as per IFRS and a corresponding 10% and 15% non-controlling interest is included in Equity as per IFRS.

The schedule of properties excludes the non-core properties held for sale which had a market value of €12 million as at 31 December 2018.

SCHEDULE OF DEVELOPMENTS AND LAND HELD FOR DEVELOPMENT AS AT 31 DECEMBER 2018

Property name	Type	Location	Ownership	Gross Lettable Area	Valuation/Cost to date	Estimated Rental value
				m²	*€m*	*€m*
				267,8000	**222.5**	**20.6**
DEVELOPMENTS UNDER CONSTRUCTION				**93,700**	**82.7**	**20.6**
Festival Sibiu	Development	Romania	100%	42,200	35.0	8.0
Focus Mall Zielona Gora	Extension and Refurbishment	Poland	100%	15,000	7.9	5.1
Arena Centar (Retail Park)	Extension	Croatia	100%	8,300	9.5	2.2
Solaris Shopping Centre	Extension and Refurbishment	Poland	100%	8,900	16.1	2.1
Aurora Shopping Mall	Extension	Romania	100%	6,000	6.9	1.3
Retail parks Krusevac - Phase I	Development	Serbia	100%	8,500	3.3	0.9
Shopping City Sibiu - Phase II	Extension and Refurbishment	Poland	100%	3,700	2.8	0.8
Pogoria Shopping Centre	Extension and Refurbishment	Poland	100%	1,100	1.2	0.2
DEVELOPMENTS UNDER PERMITTING AND PRE-LEASING*				**174,100**	**78.3**	
Promenada Mall	Extension	Romania	100%	62,300	35.7	
Shopping City Targu Mures	Development	Romania	100%	41,300	16.9	
Promenada Plovdiv	Development	Bulgaria	100%	59,500	25.2	
Korzo Shopping Centre	Extension	Slovakia	100%	11,000	0.5	
LAND HELD FOR DEVELOPMENTS					**61.5**	

* The Gross Lettable Areas of developments under permitting and pre-leasing depend on permitting.

Recent developments

Conversion of the Issuer's legal form

Under the current Group structure (as set out in the Group's summarised holding structure presented in the section "*Introduction to the Guarantor and the Group*"), the Group owns its direct investments in property companies through two Dutch holding entities: the Issuer (which belonged to the NEPI group prior to the Merger) and Rockcastle Global Real Estate Holdings B.V. ("**Rockcastle B.V.**", an entity that belonged to the Rockcastle group prior to the Merger).

Due to various considerations related to operational, administrative and governance efficiency, the Group decided to consolidate the entire business and assets of Rockcastle B.V. into the Issuer, through a restructuring process consisting of two phases:

(1) the Issuer's conversion into a Dutch private company with limited liability; and

(2) the consolidation of Rockcastle B.V.'s assets into the Issuer.

On 18 January 2019, the Issuer's legal form was converted (*omzetten*) from a Dutch cooperative association with exclusion of liability (*coöperatie met uitgesloten aansprakelijkheid*) into a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*, abbreviated "B.V."), and its name changed from NE Property Coöperatief U.A. to NE Property B.V.. The conversion was registered with the Dutch Trade Register on 21 January 2019 and no assets, contracts, liabilities or any other rights and obligations under any contract changed as a result of such conversion.

In the second phase of the restructuring, the Issuer will take over the assets of Rockcastle B.V. via a transfer of shares and loans, through a merger or otherwise. The second phase is expected to be implemented in 2019.

Potential divestment of the office portfolio

The Group has initiated an open tender process for the sale of its office portfolio, which may result in the disposal of one or more of its office properties during the year. The action comes as the Group further focuses its investment strategy in core dominant retail properties.

Leasing and tenant profile

The leasing professionals of the Group's entities have a track record of keeping occupancy levels of all properties generally close to 100 per cent. (the European Public Real Estate Association ("**EPRA**") occupancy rate as at 31 December 2018 of the Group was 97.2 per cent.). Concentration risk is limited, and the tenants' credit risk profiles are actively monitored and managed.

The Group employs a range of strategies to improve the attractiveness of each retail asset and increase footfall, trading densities and occupancy. The retail offering is constantly monitored and adjusted to consumer needs in each specific location with an emphasis on the fashion, leisure and food segments. The Group maintains strong relationships with anchor tenants and has significant insight in relation to their trading performances and expansion plans. The leasing team determines sustainable retail rents as a function of trading densities; the tenants' expected sales are accurately estimated based on consultations, market studies and the Group's retail portfolio database.

The Group aims to maintain the attractiveness of office space for existing and potential tenants through high standards of maintenance and services. The negotiations for lease extensions and re-lettings start in advance of contract expiry. The Group targets multinational tenants with strong track records. The creditworthiness of potential tenants is reviewed, and parent company guarantees are obtained from those multinationals whose local subsidiaries are perceived to be insufficiently established.

The top ten retail tenants accounted for 22 per cent. of the annualised passing rent of the Group as at 31 December 2018 and include multinational retail anchor tenants such as Auchan, LPP, Inditex, Carrefour, H&M, NewYorker, CCC, C&A, Peek & Cloppenburg and Deichmann.

Lease terms

The investment strategy is biased towards long-term leases in euro with strong corporate covenants. As at 31 December 2018, the weighted average remaining lease duration was 4 years.

The main lease terms include a minimum term of ten years for hypermarkets, DIYs and cinemas. Different lease duration terms are provided in the lease agreements entered into by the Group with other tenants (between 3 to 7 years). The Group maintains a weighted average lease term of over 4 years for the purpose of a higher adaptability to the market to accommodate new retail concepts and a low risk profile (as the lease renewal profile for a particular property is 'flattened' over time, as opposed to having the majority of tenants expiring in a particular year). All leases are negotiated in Euro and the large majority are triple-net leases (i.e. in addition to rent, tenants pay property taxes, insurance, property management, utilities and other common area costs). The majority of retail leases include turnover related clauses whereby the tenant pays the higher of the turnover or the base rent. Rent and marketing charges are adjusted annually in line with EU inflation and cash or parent company guarantees are received from tenants. Limited incentives (fit-out contributions and rent free periods) are provided to retail anchor tenants and large office tenants.

Lease expiry schedule as at 31 December 2018

	Percentage of Group's total rental income
2019	7.0
2020	21.2
2021	14.3
2022	11.9
2023	13.4
2024	13.1
2025	4.4
2026	3.0
2027	2.1
2028+	9.6
Total	**100.0**

Typically, the Group has lease agreements with longer durations of up to 30 years with some of its anchor tenants. Given these longer lease periods, the relevant lease agreements are typically subject to break clauses which usually come into effect after a specific period from the commencement of the lease period under such lease agreements (usually ten years for hypermarkets, DIYs and cinemas, and three to five years for other tenants). The above lease expiry schedule takes into consideration such break options that may be contained in the respective lease terms.

Occupancy rates

The following table sets out the occupancy rate for the Group (non-core properties and joint ventures are excluded):

	As at 31 December 2018	**As at 31 December 2017**
Occupancy rate (%)*	97.2	96.4

* The Group reported EPRA occupancy rate as at 31 December 2018, while the occupancy rate as at 31 December 2017 was determined based on the occupied GLA out of the total GLA of the property portfolio.

Finance

The Group favours private placements over rights issues for equity financing and, historically, all placements via book building have been significantly oversubscribed. The Group monitors the market and, if opportunities are identified, it may raise further equity from time to time.

The Group maintains a conservative business and financial risk approach in terms of its capital structure, liquidity and investment policies. The Group uses derivative instruments conservatively and maintains a track record of covenant compliance as well as compliance with the requirements of each stock exchange on which the Guarantor is listed.

The Group's strategy is to maintain a strong financial position, lower its overall cost of finance and improve its balance sheet efficiency via a combination of corporate bond issues and unsecured revolving bank facilities. The Group retains high levels of liquidity, to cover at least 12 months of committed cash outflows. The Group has a target loan-to-value ratio (computed as debt less cash and cash equivalents divided by investment property and net listed securities portfolio) of 35 per cent.

The table below provides a description of the outstanding principal amount of the loans and borrowings of the Group's subsidiaries by country, excluding joint ventures, as of 31 December 2018:

Country	Type	Outstanding amount	Available for drawdown	2019	2020	2021	2022	2023	2024
Netherlands	Unsecured fixed coupon bonds	900,000	-	-	-	400,000	-	-	500,000
Netherlands	Unsecured revolving facilities	164,000	236,000	-	-	164,000	-	-	-
Netherlands	Unsecured loan	250,000	-	250,000	-	-	-	-	-
Poland	Secured term loans	528,326	-	3,272	224,076	224,978	380	1,520	74,100
Slovakia	Secured term loans	214,062	-	11,954	89,594	59,838	52,676	-	-
Czech Republic	Secured term loans	41,000	-	308	410	410	564	614	38,694
Total		**2,097,388**	**236,000**	**265,534**	**314,080**	**849,226**	**53,620**	**2,134**	**612,794**

The Group has a strong liquidity profile, with €97 million in cash and cash equivalents, €236 million in available unsecured revolving facilities, and €197 million in net listed securities portfolio as at 31 December 2018, which comprises a portfolio of listed securities of €168 million, equity derivative collateral of €28 million and €1 million of net fair value of equity swap derivatives. The average interest rate for the Group, including hedging costs was 2.3 per cent during 2018. As of 31 December 2018, fixed-coupon bonds represented 43 per cent. of the Group's outstanding debt, and out of the remaining debt exposed to EURIBOR, 30 per cent. was hedged with interest rate caps and 48 per cent. with interest rate swaps. (the difference relates to the outstanding revolving facilities).

With respect to an unsecured loan of €250 million repayable in 2019, the Group has already repaid €140 million in March 2019 through a new loan due in March 2022.

With respect to an existing loan of €187.9 million related to the Bonarka City Center, due in 2020, the Group has initiated discussions with the existing lenders for negotiating the terms for its rollover.

As at 31 December 2018, the ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants (for more information on how the ratios set out below are defined see "*Terms and Conditions of the Notes - Financial Covenants*"):

− Solvency Ratio: 360% (31 December 2017: 310%);

− Consolidated Coverage Ratio: 738% (31 December 2017: 792%); and

− Unsecured Consolidated Total Assets/ Unsecured Consolidated Total Indebtedness: 315% (31 December 2017: 421%).

Risk Management

Management considers that the main risks of the Group relate to property and finance and that the Group's overall approach to risk can be described as conservative. There are inherent risks determined by the nature of the business, such as fluctuations in the value of property, vacancies, volatility in market rents or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of probability and magnitude. Analysis of sensitivity to these key risks is conducted at Group level. Other risks, notably those relating to interest rate and exchange rate, are closely managed and actively hedged. Re-financing risks are considered to be limited. Risks of potential breaches of loan covenants are managed through a conservative financing policy and a close review of compliance indicators.

Management considers the internal risk management and control systems of the Group to be appropriate. Key elements of the internal control systems are: a management structure designed to enable effective decision making; monthly review of key performance indicators, such as retail tenants' turnovers, vacancies, rent collection, arrears and doubtful debtors, and review of performance against budgets; internal audit and cost control functions. Strict procedures are also observed for the periodic production of monthly, quarterly and annual figures on the basis of the adopted policies. There are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions.

The internal management reporting system is designed to identify fluctuations in the value of investments, income and expenses. Capital projects, major contracts, business property acquisitions and other investment or divestment projects are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits.

The Group makes use of electronic data processing within automated information systems. Offsite data back-up and recovery measures are in place.

Listed security portfolio

The Guarantor implemented its announced strategy of converting the majority of its portfolio of liquid listed securities into direct property investment, decreasing the listed securities exposure to €197 million as at 31 December 2018, from €593 million at 31 December 2017. The remaining exposure consists of shares in two large companies, Unibail Rodamco Westfield and Klepierre, that operate primarily in the US, UK, and Continental Europe.

Insurance

The Group insures all income-producing properties with all-risk property insurance at reconstruction cost, business interruption (revenues for at least 24 months) and third party liability insurance. Some properties are also insured against terrorist acts. Properties under development have construction all-risk insurance.

Insurance is contracted from reputable international third-party providers.

Subsidiaries and joint ventures comprising the Group

A list of subsidiaries and joint ventures comprising the Group as at 31 December 2018, including the Guarantor's percentage ownership (direct or indirect) in each such subsidiary and joint venture is shown below:

No.	**Subsidiary/joint venture**	**Incorporation/date became subsidiary or joint venture**	**Country of incorporation**	**Principal activity**	**Effective interest (%)**
1.	ACE3 sp.z.o.o. ~	Jun 2013/Jul 2017	Poland	Property-owning	85
2.	Arena Center Zagreb d.o.o.	2006/ Nov 2016	Croatia	Property-owning	100
3.	Arena Property Kft****	Aug-17	Hungary	Property-owning	100
4.	AUPARK Kosice SC, s.r.o.	Nov 2008/Dec 2014	Slovakia	Services	100
5.	AUPARK Kosice, spol. s.r.o.	Jan 2004/Dec 2014	Slovakia	Property-owning	100
6.	AUPARK Piestany SC, s.r.o.	Nov 2008/ Aug 2016	Slovakia	Services	100
7.	AUPARK Piestany, spol. s.r.o.	Apr 2004/ Aug 2016	Slovakia	Property-owning	100
8.	AUPARK Tower Kosice, s.r.o.	Nov 2008/Dec 2014	Slovakia	Property-owning	100
9.	AUPARK Žilina SC a.s.	Oct 2008/ Aug 2013	Slovakia	Services	100
10.	AUPARK Žilina spol. s.r.o.	Dec 2003/ Aug 2013	Slovakia	Property-owning	100
11.	Aurora Mall Buzau SRL	Oct 2012	Romania	Property-owning	100
12.	Białystok Property sp. z.o.o.~	Apr 2017/Jul 2017	Poland	Property-owning	100
13.	Bonarka City Center sp.z.o.o. ~	May 2014/Jul 2017	Poland	Property-owning	100
14.	Braila Promenada Mall SRL	Sep 2009	Romania	Property-owning	100
15.	Brasov Shopping City SRL	Jun 2011	Romania	Property-owning	100
16.	Bulfeld EOOD	Apr 2007/ Dec 2017	Bulgaria	Property-owning	100
17.	CEE Property Bulgaria EOOD	Jul 2008/ Aug 2017	Bulgaria	Property-owning	100

No.	Subsidiary/joint venture	Incorporation/date became subsidiary or joint venture	Country of incorporation	Principal activity	Effective interest (%)
18.	City Park Constanta SRL	Feb 2005/ Nov 2013	Romania	Property-owning	100
19.	Cluj Business Centre SRL **	Jul 2012	Romania	Property-owning	50
20.	Constanta Shopping City SRL	Mar 2013	Romania	Property-owning	100
21.	Deva Shopping City SRL	Jul 2005/ Aug 2013	Romania	Property-owning	100
22.	Energit sp.z.o.o. ~	Dec 2007/Jul 2017	Poland	Services	100
23.	E-power Supply Czech sro	Jul 2017	Czech Republic	Services	100
24.	E-Power Supply d.o.o. Beograd	Jul-17	Serbia	Services	100
25.	E-power supply EOOD	Nov 2017	Bulgaria	Services	100
26.	E-power supply management doo	Sep 2017	Croatia	Services	100
27.	E-Power Supply s.r.o.	Nov 2015	Slovakia	Services	100
28.	FDC Braila B.V.	Sep 2009	Netherlands	Holding	100
29.	Festival Shopping Center SRL	Jun 2008/Feb 2018	Romania	Property-owning	100
30.	Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	100
31.	Floreasca Center SRL	Apr 2011/Nov 2014	Romania	Property-owning	100
32.	FORUM Usti s.r.o.	Jan 2005/ Feb 2016	Czech Republic	Property-owning	100
33.	Galati Shopping City SRL	Jun 2012	Romania	Property-owning	100
34.	General Building Management SRL	Aug 2004/ Jan 2008	Romania	Property-owning	100
35.	General Investment SRL	Mar 2003/ Jan 2008	Romania	Property-owning	100
36.	Gontar sp.z.o.o. ~	Mar 2013/Jul 2017	Poland	Property-owning	100
37.	HANSA Imobillien EOOD	Oct 2008/ Aug 2017	Bulgaria	Property-owning	100
38.	IGI Exclusive sp.z.o.o. ~	Oct 2007/Jul 2017	Poland	Property-owning	100
39.	Ingen Europe B.V.	Dec 2010	Netherlands	Holding	100
40.	INLOGIS VI s.r.o.	Jun 2011/Dec 2014	Slovakia	Property-owning	100
41.	Iris Titan Shopping Center SRL	Apr 2005/Jul 2015	Romania	Property-owning	100
42.	Karolinka Property sp.z.o.o. ~	Jul 2014/Jul 2017	Poland	Property-owning	100
43.	Lakeview Office Building SRL	Jul 2004/ Jan 2013	Romania	Property-owning	100
44.	Liberec Property s.r.o. ~	Jan 2007/Jul 2017	Czech Republic	Property-owning	100
45.	Mammut Zrt	Aug 2011/ Sep 2018	Hungary	Property-owning	100
46.	Mammut Management Kft	Aug 2017/ Sep 2018	Hungary	Services	100
47.	Marapi sp.z.o.o. ~	Apr 2017/Jul 2017	Poland	Property-owning	100
48.	Marketing Advisers SRL	Apr 2014	Romania	Services	100
49.	Mega Mall Bucuresti SRL	Feb 2007/ Aug 2013	Romania	Property-owning	100
50.	Milvus sp.zo.o	Aug 2008/ May 2018	Poland	Property-owning	100
51.	Mlyny a.s.	Mar 2006/ Aug 2018	Slovakia	Property-owning	100
52.	Modatim Business Facility SA	Nov 2015	Romania	Property-owning	100
53.	Monarda sp.z.o.o.	Jul 2015/Jul 2017	Poland	Property-owning	90
54.	NE Property BV (previously named NE Property Coöperatief U.A.)	Oct 2007	Netherlands	Holding	100
55.	NEPI Bucharest One SRL	Sep 2007	Romania	Property-owning	100
56.	NEPI Bucharest Two SRL	Dec 2007	Romania	Property-owning	100
57.	NEPI Croatia Management d.o.o.	Jan 2017	Croatia	Services	100
58.	NEPI Czech Management s.r.o.	Sep 2016	Czech Republic	Services	100

No.	Subsidiary/joint venture	Incorporation/date became subsidiary or joint venture	Country of incorporation	Principal activity	Effective interest (%)
59.	Nepi Fifteen Real Estate Administration SRL	Jan 2014	Romania	Property-owning	100
60.	Nepi Four Real Estate Solutions SRL	Mar 2013	Romania	Property-owning	100
61.	Nepi Holdings Ltd	Apr 2012	Isle of Man	Holding	100
62.	NEPI Investment Management Ltd (BVI)***	Jul 2007/Jun 2010	British Virgin Islands	Holding	100
63.	NEPI Investment Management Ltd (liquidated in 2018)	Aug 2007/Jun 2010	Cyprus	Holding	100
64.	NEPI Investment Management SRL	Jun 2010	Romania	Services	100
65.	Nepi Investments Ltd	Apr 2012	Isle of Man	Holding	100
66.	NEPI Project Four EOOD	Nov 2017	Bulgaria	Property-owning	100
67.	NEPI Project One EOOD	Mar 2017	Bulgaria	Property-owning	100
68.	NEPI Project Three EOOD	Nov 2017	Bulgaria	Services	100
69.	NEPI Project Two EOOD	May 2017	Bulgaria	Holding	100
70.	NEPI Real Estate Development d.o.o.	Nov 2014	Serbia	Services	100
71.	NEPI Real Estate Project One d.o.o.	Jan 2016	Serbia	Property-owning	100
72.	Nepi Real Estate Project Three d.o.o.	Oct 2016	Serbia	Property-owning	100
73.	NEPI Real Estate Project Two d.o.o.	Jan 2016	Serbia	Property-owning	100
74.	NEPI Rockcastle Hungary Kft.	Oct-17	Hungary	Services	100
75.	NEPI Rockcastle Lithuania UAB	Oct-18	Lithuania	Services	100
76.	NEPI Rockcastle Securities B.V	Dec-18	Netherlands	Holding	100
77.	Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	100
78.	NEPI Six Development SRL	May 2012	Romania	Property-owning	100
79.	Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	100
80.	Nepi Slovak Centres One a.s.	Jul 2014	Slovakia	Services	100
81.	NEPI Slovakia Management s.r.o.	Jun 2013/ Aug 2013	Slovakia	Services	100
82.	NEPI Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	100
83.	Nepi Three Building Management SRL	Mar 2013	Romania	Property-owning	100
84.	Nepi Twenty Real Estate Development SRL	Jul-18	Romania	Services	100
85.	Nepi Twenty-One Investment Estate SRL	Jul-18	Romania	Services	100
86.	NEPIOM Ltd	Sep 2012	Isle of Man	Services	100
87.	New Energy Management SRL	Jan 2014	Romania	Services	100
88.	New Europe Property (BVI) Ltd***	Jul 2007	British Virgin Islands	Holding	100
89.	Nobilia sp. z o.o. ~	May 2017/Jul 2017	Poland	Services	100
90.	NRE Sibiu Shopping City SRL	Jan 2007/ Mar 2016	Romania	Property-owning	100
91.	NRP Shopping Centre Project Two s.r.o.	Jun-18	Slovakia	Holding	100
92.	Olsztyn Property sp.z.o.o.~	Feb 2011/Jul 2017	Poland	Property-owning	100
93.	Otopeni Warehouse and Logistics SRL	Sep 2010	Romania	Property-owning	100
94.	Piotrków Property sp.z.o.o. ~	Feb 2011/Jul 2017	Poland	Property-owning	100
95.	Platan Property sp.z.o.o. ~	Jul 2015/Jul 2017	Poland	Property-owning	100
96.	Ploiesti Shopping City SRL **	Dec 2010/Feb 2012	Romania	Property-owning	50
97.	Plovdiv Project 1 EOOD	Feb 2018/Apr 2018	Bulgaria	Property-owning	100
98.	Pogoria Property sp.z.o.o.~	Jun 2014/Jul 2017	Poland	Property-owning	100
99.	Promenada Mall Bucuresti SRL	Oct 2005/Oct 2014	Romania	Property-owning	100
100.	Ramnicu Valcea Shopping City SRL	Aug 2014	Romania	Property-owning	100

No.	Subsidiary/joint venture	Incorporation/date became subsidiary or joint venture	Country of incorporation	Principal activity	Effective interest (%)
101.	Real Estate Asset Management SRL	Jul 2014	Romania	Services	100
102.	Retail Park Pitesti SRL	Jan 2010	Romania	Property-owning	100
103.	Rockcastle Europe Limited~	May 2014/ July 2017	Mauritius	Holding	100
104.	Rockcastle Global Real Estate Company UK Limited~	Sep 2014/ Jul 2017	UK	Services	100
105.	Rockcastle Global Real Estate Holdings BV~	Oct2013/ Jul 2017	Netherlands	Holding	100
106.	Rockcastle Global Securities Limited~	Oct 2016/ Jul 2017	Mauritius	Services	100
107.	Rockcastle Poland sp.z.o.o. ~	Jul 2015/Jul 2017	Poland	Services	100
108.	Rockcastle UK Property SPV Limited~	Oct 2014/ Jul2017	Mauritius	Property-owning	100
109.	SCP s.r.o.	Apr 2006/ Jul 2016	Slovakia	Property-owning	100
110.	SEK d.o.o.	Jul 2007/Oct 2014	Serbia	Property-owning	100
111.	Serenada Property sp. z o.o. ~	Apr 2017/Jul 2017	Poland	Property-owning	100
112.	Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	100
113.	Shopping City Piatra Neamt SRL	Jan 2014	Romania	Property-owning	100
114.	Sibiu Shopping City 2 SRL	Aug 2008/ Mar 2016	Romania	Property-owning	100
115.	Shopping City Timisoara SRL	Jun 2012	Romania	Property-owning	100
116.	Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Holding	100
117.	Symmetry Arena Kft****	Apr 2004/Sep 2017	Hungary	Property-owning	100
118.	Targu Jiu Development SRL	Oct 2012	Romania	Property-owning	100
119.	Targu Mures Shopping City SRL	Feb 2016	Romania	Property-owning	100
120.	Timisoara City Business Center One SRL	Jan 2012	Romania	Property-owning	100
121.	Timisoara Office Building SRL	Jan 2012	Romania	Property-owning	100
122.	Tummam Kft	Dec 2016 / Sep 2018	Hungary	Property-owning	100
123.	Uždaroji akcinė bendrovė Ozantis	Oct 2003 / May 2018	Lithuania	Property-owning	100
124.	Aviatorilor Office Building SRL	Aug 2011	Romania	Property-owning	100
125.	Vulcan Residential Park SRL (previously named Nepi Eighteen Property Services SRL)	Feb 2016	Romania	Property-owning	100
126.	Vulcan Value Centre SRL	Apr 2012/ Sep 2013	Romania	Property-owning	100
127.	Zielona Góra Property sp.z.o.o.~	Dec 2011/Jul 2017	Poland	Property-owning	100

Ongoing arbitration proceeding

In October 2017, one of the Guarantor's subsidiaries (the "**SPV**") entered into an agreement in relation to the conditional acquisition of an operating shopping center and a related development. On 1 January 2019, upon the lapse of the respective transaction's long stop date, the SPV 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 SPV and another Group company acting as guarantor claiming a contractual penalty in the amount of EUR 30m. The Guarantor (following legal advice received on the matter) is confident that the SPV has lawfully terminated the agreement and therefore both defendants have a solid defense against the would-be 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.

DIRECTORS OF THE GUARANTOR AND GROUP EXECUTIVE MANAGEMENT

Corporate governance

The Group is fully compliant with the King IV Report on Corporate Governance in South Africa as is required for companies listed on the main board of the JSE.

The Guarantor has a balanced Board structure, with four independent non-executive Directors (of a total of six non-executive Directors), and Board committees comprising an investment committee ("**Investment Committee**"), audit committee, risk committee, remuneration committee, nomination committee and a social and ethics committee. In August 2018, in order to address its ongoing duties towards all stakeholders, the Guarantor, through its board of directors, also incorporated a special sub-committee in this respect. The Board provides oversight and acts as a final decision-making body in certain areas.

The Guarantor applies best practices in terms of a code of ethics and compliance and has regular, consistent and transparent communication with shareholders and debt holders. The Group's strategic plan is developed in detail.

The Group maintains a conservative business and financial risk approach in terms of its capital structure, liquidity and investment policies. The Group uses derivative instruments conservatively and maintains a track record of covenant compliance as well as compliance with the requirements of each stock exchange on which the Guarantor is listed.

Board of Directors

The Guarantor's Board of Directors (the "**Board**") comprises nine directors of whom three are executive and six are non-executive (two of them being qualified as non-independent) and there is also currently one alternate director ("**Directors**").

At the date of this Base Prospectus, the Board consists of the following Directors:

Name	Function	Position held since
Alexandru Morar	Chief Executive Officer	15 May 2017
Mirela Covasa..	Chief Financial Officer	15 May 2017
Marek Pawel Noetzel..............................	Executive Director	15 May 2017
Antoine Dijkstra	Independent Non-Executive Director	15 May 2017
Desmond de Beer (or his alternate, Andries de Lange)..	Non-Independent Non-Executive Director	15 May 2017 (10 August 2017)
Robert Reinhardt Emslie..........................	Independent Non-Executive Chairman	15 May 2017
Andre van der Veer.................................	Independent Non-Executive Director	15 May 2017
Sipho Vuso Majija..................................	Non-Independent Non-Executive Director	6 June 2018
George Aase	Independent Non-Executive Director	28 August 2018

As of 12 June 2018, following a successful integration of the business further to the merger, the Board decided to end the joint chief executive officers structure which had been in place since the Merger, and Mr. Morar was appointed as sole Chief Executive Officer.

The positions of Independent Non-Executive Chairman and that of Chief Executive Officer are separate, with the Independent Non-Executive Chairman being an independent non-executive director. The Independent Non-Executive Chairman oversees the Board's functioning and the Chief Executive Officer leads the executive team and attends to the day-to-day functions of the business.

The following are short profiles of the members of the Board:

Executive Directors

Alexandru Morar began his career at Julius Baer Investment Bank in New York, and later joined the financial advisory practice of Deloitte Romania, working on large projects and M&A transactions. He joined NEPI upon its founding in 2007 and has contributed to all aspects of the business since. He was initially involved in operational and reporting activities, and later assumed leadership of NEPI's investments programme throughout CEE. He was appointed as an Executive Director of NEPI in 2013 and as NEPI's CEO in August 2015, whereafter he drove a significant increase and diversification in the Company's portfolio and expansion of its asset management platform. He also supervised the 2017 merger with Rockcastle, which consolidated the Group's position in CEE through the access to the significant Polish market. Mr. Morar manages the group's strategy and activities across all its geographies. Mr Morar was appointed joint Chief Executive Officer of the Guarantor on 15 May 2017 and sole Chief Executive Officer on 12 June 2018.

Mirela Covasa, with over 17 years of experience in accounting and finance, is responsible for the financial management of NEPI Rockcastle. Prior to NEPI, she spent eight years in PricewaterhouseCoopers, where she progressed to the Senior Manager position, and was responsible for audit assignments in diverse industries in Romania, Slovenia and India. She joined NEPI in February 2012 as Finance Manager and became Chief Financial Officer in 2015. She has notable achievements in aligning financial initiatives and operational goals with corporate objectives, contributing to the group's superior performance over the last years. Ms. Covasa sourced the funding of the M&A pipeline in the last four years, while ensuring an adequate capital structure for the group, focused on a conservative gearing ratio. She has driven the transition from an asset-based financing model to capital markets and group-level unsecured debt, and significantly decreased cost of funding. Ms Covasa was appointed as chief financial officer of the Guarantor on 15 May 2017.

Marek Pawel Noetzel started his real estate career in 2002 with Cushman & Wakefield in Warsaw as a retail leasing agent and was promoted to associate in 2007 and partner in 2011. As head of the retail department at Cushman & Wakefield, he was responsible for the key client account management. He was appointed as Executive Director of Rockcastle in 2016 and is focused on western portfolio asset management. Mr. Noetzel was appointed as an executive director of the Guarantor on 15 May 2017.

Non-Executive Directors

Robert Reinhardt Emslie is a Chartered Accountant, with more than 30 years' experience in the financial services sector and property management. He held various positions within the ABSA Group (currently part of Barclays) during a period of 21 years, latterly as Head of ABSA Corporate and Business Bank, Head of ABSA Africa and member of ABSA Group's Executive Committee. Mr Emslie retired in 2009 and currently holds chairmanship and non-executive directorship positions in various private and public companies. He was appointed as an independent non-executive director of the Guarantor on 15 May 2017 and as Chairman of the Board of Directors as of 28 August 2018.

George Aase is an experienced CFO in publicly traded real estate firms, technology companies and Fortune 100 U.S. multinational industrial firms. He is a highly strategic and business-oriented senior finance executive with extensive experience in leadership roles. Mr. Aase's core specialties include corporate finance, capital markets, IPO transactions, debt financing, international financial operations, international finance and controlling, and investor relations, with at least 12 years' experience in the real estate sector. He has led the process of three major initial public offering projects in London, Zurich and Frankfurt. Mr. Aase also possesses extensive financing experience and has managed various portfolios connected with major acquisitions and underwriting. He has a strong financial background in Central Eastern Europe countries, including Czech Republic, Poland, Romania, and Slovakia.

Desmond de Beer has significant experience in property investment and management. He spent several years in the banking industry, first at Barclays Bank, South Africa, where he was Bond Manager at the Barclays Trust. Subsequently, he was appointed General Manager, Corporate Equity and became a member of the Executive Committee at Nedcor Investment Bank. Mr de Beer has been the Managing Director of Resilient REIT Limited ("**Resilient**"), since its listing on the JSE in 2002. Mr de Beer served as an independent non-executive director of NEPI and was appointed as an independent non−executive director of the Guarantor on 15 May 2017.

Antoine Dijkstra started his career at Credit Agricole in Rotterdam, Paris and Frankfurt. He had various managing roles within NBC (Netherlands), Harcourt Investment Management (Zurich), JPMorgan/ Bear Stearns and Gulf International Bank (Bahrain). He is founder and partner of Implexus Capital (Netherlands). Part of his previous experience includes advising a variety of clients on debt and equity capital markets, M&A, capital and risk management, investment management, balance sheet reduction and refinancing. Mr. Dijkstra was an independent non-executive director of NEPI and was appointed as an independent non-executive director of the Guarantor on 15 May 2017.

Sipho Vuso Majija has extensive experience in property and asset management of commercial, industrial and retail properties gained over a period of 13 years. Mr Majija manages Fortress' retail portfolio, including aspects related to developments, re-developments, extensions, national tenant relations, acquisitions and disposals. He has also previously served on the board of Pangbourne Properties Limited as an alternate director. His academic credentials include a Diploma in Civil Engineering, a BSc (Hons) in Property Studies and an MBA Degree from Gordon Institute of Business Science.

Andre van der Veer joined Merchant Bank, after completing a Masters degree in Banking and Economics during 1991, and later Rand Merchant Bank where he founded the agricultural commodities and derivatives trading group in 1995. He headed the trading, derivatives structuring and proprietary trading teams. Since 2003 he had been with the RMB Equity Global Markets team and gained experience in the UK, North America, Western European, Scandinavia as well as most markets in the Far East and Australia. He became Head of RMB Equity Proprietary trading desk in 2009 with a mandate to invest in debt and equity instruments globally. Mr. der Veer founded Foxhole Capital during 2012 as a family office specialising in global real estate securities in the listed and private equity markets. Mr. der Veer was an independent non-executive director of Rockcastle and was appointed as an independent non-executive director of the Guarantor on 15 May 2017.

The business addresses of the Directors are as follows:

Name	Address
Alexandru Morar	Anglo International House, 2nd floor, Lord Street, Douglas, IM1 4LN; Floreasca Business Park, Building A, 5th Floor, 169A Calea Floreasca, Bucharest 1, 014459, Romania
Mirela Covasa..................................	Anglo International House, 2nd floor, Lord Street, Douglas, IM1 4LN; Floreasca Business Park, Building A, 5th Floor, 169A Calea Floreasca, Bucharest 1, 014459, Romania
Marek Pawel Noetzel.......................	Anglo International House, 2nd Floor, Lord Street, Douglas, IM1 4LN; 1st Floor Cosmopolitan Building, 4 Twarda Street, 00-105, Warsaw, Poland
Robert Reinhardt Emslie...................	Beaulieu Farm, Annandale Road, Stellenbosch, South Africa
George Aase	Rohnenrainweg 14, 8835 Feusisberg, Switzerland
Desmond de Beer (or his alternate Andries de Lange)	4th Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191, Johannesburg, South Africa
Antoine Dijkstra	Parkzicht, Vossiusstraat 59, 1071AK Amsterdam, The Netherlands
Sipho Vuso Majija............................	Block C, Cullinan Place, Cullinan Close, Morningside, JHB, South Africa, 2196
Andre van der Veer..........................	20 Summit Place, Fifth Road, Halfway Gardens, Midrand 1685, South Africa

Potential Conflicts of Interests

There are no potential conflicts of interest between the duties owed by the Directors to the Guarantor and their private interests or other duties.

MAJOR SHAREHOLDERS

The Guarantor's share capital authorised for issue is 2,000,000,000 ordinary shares. The shares are governed by the laws of the Isle of Man.

The following table sets forth the ownership of the Guarantor's shares as at 31 December 2018: a total number of 577,800,734 ordinary shares are in issue, of which 259,888,289 ordinary shares (45.0 per cent. of the issued ordinary shares) are held by the three largest shareholders, and of which 16,397,818 ordinary shares (2.8 per cent. of the issued ordinary shares) are held by the Directors and the employees.

Major shareholders	**Ordinary shares owned at the latest practicable date (number of shares)**	**Share of total number of ordinary shares in issue (percentage)**
Fortress REIT Limited	139,990,000	24.2
Resilient REIT Limited	74,964,444	13.0
Public Investment Corporation	44,933,845	7.8
Directors and employees	16,397,818	2.8
More than 10,000 public shareholders	301,514,627	52.2
Total	**577,800,734**	**100.0**

Fortress REIT Limited is a property fund established in 2009 and listed on the JSE that invests directly and indirectly in property, with earnings derived from rentals and the distributions from a portfolio of listed property securities. The direct property portfolio is predominantly focused on retail centres serving the commuter market.

Resilient REIT Limited is a South-African Real Estate Investment Trust, which has been listed on the JSE since December 2002. It owns a portfolio of dominant regional malls and shopping centres.

Established in 1911, the Public Investment Corporation Limited ("**PIC**") is one of the largest asset managers in Africa. According to its annual report for 2018, PIC manages assets of approximately EUR 142 billion as of 31 March 2018. PIC’s ultimate holding company is the National Government of the Republic of South Africa, with the Minister of Finance as shareholder representative. (Source: *Public Investment Corporation Integrated Annual Report 2018*).

All the Guarantor's shareholders hold equal voting rights for each held share.

The Guarantor is not directly or indirectly owned or controlled by another corporation. The Guarantor is not aware of any arrangement that may result in a change of control.

TAXATION

The following summaries do not purport to be a comprehensive description of all tax considerations that could be relevant for Noteholders. These summaries are intended as general information only and each prospective Noteholders should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes. These summaries are based on tax legislation and published case law in force as of the date of this document. They do not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

Taxation in the Netherlands

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could have retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "*Taxes on Income and Capital Gains*" below it is assumed that a holder of Notes, being an individual or a non-resident entity, does not have a substantial interest (*aanmerkelijk belang*), or – in the case of such holder being an entity – a deemed substantial interest, in the Issuer and that no connected person (*verbonden persoon*) to the holder has or will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. An entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of Notes, an individual holding Notes or an entity holding Notes, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Notes or otherwise being regarded as owning Notes for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "the Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

Where this summary refers to Notes, such reference includes Coupons.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Notes.

Withholding Tax

All payments of principal and interest by the Issuer under the Notes and all guarantee payments by the Guarantor under the Guarantee of the Notes and the Coupons can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

Resident Entities

An entity holding Notes which is or is deemed to be resident in the Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to Dutch corporate tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 25% in 2019).

Resident Individuals

An individual holding Notes who is or is deemed to be resident in the Netherlands for Dutch income tax purposes will be subject to Dutch income tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 51.75% in 2019) if:

(a) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(b) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (a) nor (b) applies, such individual will generally be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Notes. For 2019 the deemed return ranges from 1.94% to 5.60% of the value of the individual's net assets as at the beginning of the relevant fiscal year (including the Notes). The applicable percentages will be updated annually on the basis of historic market yields. Subject to application of certain allowances, the deemed return will be taxed at the prevailing statutory rate (30% in 2019).

Non-residents

A holder of Notes which is not and is not deemed to be resident in the Netherlands for the relevant tax purposes will not be subject to Dutch taxation on income or a capital gain derived from the Notes unless:

(a) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities); or

(b) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift and Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Notes by way of gift by, or on the death of, a holder of Notes, unless:

(a) such holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions; or

(b) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions.

Value Added Tax

There is no Dutch value added tax payable by a holder of Notes in respect of payments in consideration for the acquisition of the Notes, payments of principal or interest under the Notes, or payments in consideration for a disposal of the Notes.

Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar Dutch tax or duty payable in the Netherlands by a holder of Notes in respect of, or in connection with, the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

Residence

A holder of Notes will not be and will not be deemed to be resident in the Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of the acquiring, holding or disposing of Notes, or the execution, performance, delivery and/or enforcement of Notes.

Taxation in the Isle of Man

Tax Residence in the Isle of Man

The Guarantor is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man. It is the intention of the Directors of the Guarantor to conduct the affairs of the Guarantor so that the Guarantor is not resident in the UK or elsewhere for taxation purposes.

Zero Rate of Corporate Income Tax in the Isle of Man

The standard rate of corporate income tax in the Isle of Man is zero per cent.

However, with effect from 6 April 2006 a ten per cent. rate of tax applies to income received by a company from banking business and to income received by a company from land and property in the Isle of Man.

With effect from 6 April 2015 the rate of tax applying to income from land and property in the Isle of Man was increased to twenty per cent.

A ten per cent. rate of tax also applies to companies which carry on retail business in the Isle of Man and have taxable income of more than GBP 500,000 from such business.

As it does not receive income from these sources, the Guarantor is liable to income tax at a rate of zero per cent. on its profits.

Withholding Tax in the Isle of Man

As the Guarantor is liable to income tax at a rate of zero per cent. in the Isle of Man, it is not required to withhold tax from the payment of any amount due from the Guarantor under the terms of the Guarantee of the Notes.

Capital, Stamp and Inheritance Taxes in the Isle of Man

The Isle of Man has a regime for the taxation of income, but there are no capital gains taxes, stamp taxes or inheritance taxes in the Isle of Man.

There are no Isle of Man registration taxes, stamp duty or similar taxes or duty (other than court fees) payable in the Isle of Man in respect of the payment of any amounts due from the Guarantor under the Guarantee of the Notes.]

The proposed financial transactions tax (the "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a "**participating Member State**"). However, Estonia has since ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in certain financial instruments (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in certain financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of such financial instruments are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Netherlands and the Isle of Man) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, neither the Issuer nor the Guarantor will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 11 April 2019 (the "**Dealer Agreement**") between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of any identifiable tranche of which such Notes are a part, as determined, and certified to the Issuer, by the relevant Dealer, or in the case of Notes issued on a syndicated basis, the relevant lead manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes and the Guarantee, an offer or sale of Notes or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

An issuance of Exempt Notes may also be subject to such additional United States selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms or Pricing Supplement (as the case may be) in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or Pricing

Supplement (as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

The expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Isle of Man

Any offer for subscription, sale or exchange of the Notes within the Isle of Man must be made (i) by an Isle of Man financial services licence holder licensed under section 7 of the Isle of Man Financial Services Act 2008 (as amended) to do so or (ii) in accordance with any relevant exclusion contained in the Regulated Activities Order 2011 (as amended) or exemption contained in the Financial Services (Exemptions) Regulations 2011 (as amended).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are outside the scope of the approval of this Base Prospectus, as completed by the Final Terms relating thereto, to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer was or is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act or (ii) standard exemption wording and a logo are disclosed as required by Section 5:20(5) of the Dutch Financial Supervision Act, in each case provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations (which include registration requirements). Such restrictions do not apply (a) to the initial issue of Zero Coupon Notes to the first holders thereof, (b) to a transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (c) to a transfer and acceptance of Zero Coupon Notes in definitive form within, from or into The Netherlands if all Zero Coupon Notes of any particular Series or Tranche are issued outside The Netherlands and are not distributed within The Netherlands in the course of their initial distribution or immediately thereafter. For the purposes of this paragraph, "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this or any other document relating to the Notes in Italy except:

a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), all as amended from time to time; or

b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Notes who are acting outside of the course of their business or profession.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms in all cases at its own expense.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

NE PROPERTY B.V.
Guaranteed by
NEPI ROCKCASTLE PLC
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €[1,500,000,000] Guaranteed Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

[**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] 2019 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus (the "**Prospectus**") for the purposes of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Group (https://nepirockcastle.com/) and the website of Euronext Dublin (www.ise.ie).]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under the Base Prospectus dated 15 November 2017]

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Base Prospectus dated 15 November 2017 which are incorporated by reference into the base prospectus dated [●] 2019 (the "**Conditions**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [●] 2019 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Base Prospectus dated 15 November 2017. Full information on the Issuer and the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [and the supplement(s) dated [ ]]. The Base Prospectus has been published on the website of the Group (https://nepirockcastle.com/) and the website of Euronext Dublin (www.ise.ie).]

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.)

1.	(i)	Issuer:	NE Property B.V.
	(ii)	Guarantor:	NEPI Rockcastle plc
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below [which is expected to occur on or about [*insert date*]]].]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date	[*Specify/*Issue Date/Not Applicable]
8.	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [[●] month [LIBOR/EURIBOR/ROBOR]] +/– • per cent. Floating Rate] [Zero Coupon] (See paragraph [14/15/16] below)
10	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11	Change of Interest Basis:		[*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there*/Not Applicable]

12	Put/Call Options:	[Make-whole call] [Call Option] [Put Option] [Change of Control] [Clean-Up Call Option] See paragraph [17/18/19/20/21] below)]
13	[Date [Board] approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively]] (*N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date]
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
	(vi)	[Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
15	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Interest Period(s):	[[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iii)	Interest Period Date:	[Not Applicable]/ [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[[●]month [LIBOR/EURIBOR/ROBOR]]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
(x)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• [ISDA Definitions	[2000/2006]]
(xi)	[Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]

(xii)	Margin(s):	[+/-][ ] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]

16 **Zero Coupon Note Provisions** [Applicable/Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Amortisation Yield:	[●] per cent. per annum
(ii)	[Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]]

PROVISIONS RELATING TO REDEMPTION

17 **Call Option** [Applicable/Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
(iv)	Notice period:	[●] days

18 **Put Option** [Applicable/Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(iii)	Notice period:	[●] days

19	**Change of Control**	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Change of Control Optional Redemption Price:	[●] per Calculation Amount
	(ii) Change of Control Put Period:	[●]
	(iii) Change of Control Put Date:	[●]
20	**Make-Whole Call**	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Notice Period:	[●] days
	(ii) Reference Bond:	[●]
	(iii) Make-Whole Margin:	[●]
	(iv) Make-Whole Time:	[●]
21	**Clean-Up Call Option**	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Clean-Up Redemption Amount:	[●] per Calculation Amount
22	**Final Redemption Amount of each Note**	[●][Par] per Calculation Amount
23	**Early Redemption Amount**	
	(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●]/[Par] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	Bearer Notes:
		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
		[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
		[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

	Registered Notes:
	[Global Certificate (US$/€[●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
25 New Global Note:	[Yes] [No]
26 Financial Centre(s):	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(vi) relates*]
27 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
28 Relevant Benchmark[s]:	[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. [As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 (Register of administrators and benchmarks) of the Regulation (EU) 2016/1011, as amended]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011, as amended]/[Not Applicable]

THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of NE Property B.V.:

By:
Duly authorised

Signed on behalf of NEPI Rockcastle plc:

By:
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [regulated market of Euronext Dublin and listed on the official list of Euronext Dublin [and the Bucharest Stock Exchange] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [regulated market of Euronext Dublin and listed on the official list of Euronext Dublin] [and the Bucharest Stock Exchange] with effect from [●]. (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

(i)	Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S & P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4. **[*Fixed Rate Notes only* – YIELD**

(i)	Indication of yield:	[●]

		The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. OPERATIONAL INFORMATION

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	CFI:	[●]
(iv)	FISN:	[●]
(v)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(viii)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

6. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]

(ii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
(iii)	If syndicated:	
(iv)	(A) Names of Managers:	[Not Applicable/*give names*]
(v)	(B) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
(vi)	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(vii)	US Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; TEFRA C/ TEFRA D/ TEFRA not applicable]

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC, AS AMENDED FOR THE ISSUE OF THE NOTES DESCRIBED BELOW.

Pricing Supplement dated [●]

NE PROPERTY B.V.
Guaranteed by
NEPI ROCKCASTLE PLC
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €[1,500,000,000] Guaranteed Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the"**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

[**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] 2019 [and the supplement(s) to it dated [●]] [together] (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the website of the Group (https://nepirockcastle.com/).]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under the Base Prospectus dated 15 November 2017]

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Base Prospectus dated 15 November 2017 which are incorporated by reference into the Base Prospectus dated [●] 2019 (the "**Conditions**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Prospectus dated [●] 2019 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Base Prospectus dated 15 November 2017. Full information on the Issuer and the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [and the supplement[s] dated [ ]]. The Base Prospectus has been published on the website of the Group (https://nepirockcastle.com/) and the website of Euronext Dublin (www.ise.ie).]

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.)

1.	(i) Issuer:	NE Property B.V.
	(ii) Guarantor:	NEPI Rockcastle plc
2.	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below [which is expected to occur on or about [*insert date*]]].]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5.	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:	[[●] per cent. Fixed Rate] [[●] month [LIBOR/EURIBOR/ROBOR]] +/– • per cent. Floating Rate] [Zero Coupon] (See paragraph [14/15/16] below)

10	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11	Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there*/Not Applicable]
12	Put/Call Options:	[Make-whole call] [Call Option] [Put Option] [Change of Control] [Clean-Up Call Option]See paragraph [17/18/19/20/21] below)]
13	[Date [Board] approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively]] (*N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date]
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]

	(vi)	[Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
15	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
	(iii)	Interest Period Date:	[Not Applicable]/ [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
	(iv)	First Interest Payment Date:	[●]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
	(vi)	Business Centre(s):	[●]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(ix)	Screen Rate Determination:	
		• Reference Rate:	[[●]month [LIBOR/EURIBOR/ROBOR]]
		• Interest Determination Date(s):	[●]
		• Relevant Screen Page:	[●]
	(x)	ISDA Determination:	
		• Floating Rate Option:	[●]

	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• [ISDA Definitions	[2000/2006]]
(xi)	[Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xii)	Margin(s):	[+/-][ ] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]
16	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Amortisation Yield:	[●] per cent. per annum
(ii)	[Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]]

PROVISIONS RELATING TO REDEMPTION

17	**Call Option**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
(iv)	Notice period:	[●] days
18	**Put Option**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(iii)	Notice period:	[●] days
19	**Change of Control**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Change of Control Optional Redemption Price:	[●] per Calculation Amount
(ii)	Change of Control Put Period:	[●]
(iii)	Change of Control Put Date:	[●]
20	**Make-Whole Call**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Notice Period:	[●] days
(ii)	Reference Bond:	[●]
(iii)	Make-Whole Margin:	[●]
(iv)	Make-Whole Time:	[●]
21	**Clean-Up Call Option**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Clean-Up Redemption Amount:	[●] per Calculation Amount
22	**Final Redemption Amount of each Note**	[●][Par] per Calculation Amount
23	**Early Redemption Amount**	
(i)	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●]/[Par] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]

	[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] Registered Notes: [Global Certificate (US$/€[●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
25 New Global Note:	[Yes] [No]
26 Financial Centre(s):	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(vi) relates*]
27 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
28 Relevant Benchmark[s]:	[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. [As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Association pursuant to Article 36 (Register of administrators and benchmarks) of the Regulation (EU) 2016/1011, as amended]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Regulation (EU) 2016/1011, as amended]/[Not Applicable]

THIRD PARTY INFORMATION

[(*Relevant third-party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of NE Property B.V.:

By:
Duly authorised

Signed on behalf of NEPI Rockcastle plc:

By:
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Admission to trading:	[●] / [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

(i)	Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S & P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

4. **[*Fixed Rate Notes only* – YIELD**

(i)	Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]

(iii)	CFI:	[●]
(iv)	FISN:	[●]
(v)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(viii)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

6. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)
(iii)	If syndicated:	
(iv)	(A) Names of Managers:	[Not Applicable/*give names*]

(v)	(B) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
(vi)	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(vii)	US Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; TEFRA C/ TEFRA D/ TEFRA not applicable]
(viii)	Additional selling restrictions	[Not Applicable/*give details*]

GENERAL INFORMATION

1. This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application will also be made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Market. However, Notes may be issued pursuant to the Programme which will not be listed on Euronext Dublin or any other stock exchange (including the Bucharest Stock Exchange) or which will be listed on such stock exchange as the Issuer, the Guarantor and the relevant Dealer(s) agree.

2. Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in the Netherlands and/or the Isle of Man in connection with the establishment of the Programme and the Guarantee. The update of the Programme was authorised by a written resolution of the management board of the Issuer passed on or around 10 April 2019 and the giving of the Guarantee was authorised by a resolution in writing of the board of directors of the Guarantor passed on or around 10 April 2019.

3. There has been no significant change in the financial or trading position of the Issuer or the Guarantor or of the Group since 31 December 2018 and no material adverse change in the prospects of the Issuer or of the Guarantor or of the Group since 31 December 2018.

4. Except as disclosed on page 90 of this Base Prospectus, neither the Issuer, the Guarantor nor any other member of the Group is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantor are aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group.

5. Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*.".

6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

7. The Legal Entity Identifier code of the Issuer is 7245006AG9J70KOIJH36.The Legal Entity Identifier code of the Guarantor is 549300FMWM53K9ULYT15.

8. There are no material contracts entered into other than in the ordinary course of the Issuer's or Guarantor's business, which could result in any Group company being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet its obligations to noteholders in respect of the Notes being issued.

9. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

10. For so long as Notes may be issued pursuant to this Base Prospectus, physical copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered offices of each of the Issuer (at Claude Debussylaan 7-29, Tribes Offices SOM Building 3rd floor, 1082MC Amsterdam, the Netherlands) and the Guarantor (at 2nd Floor, 30 Athol Street, Douglas, Isle of Man, IM1 1JB):

    (i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

    (ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of the Issuer and the Guarantor;

(iv) each Final Terms (save that Final Terms relating to an Exempt Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Exempt Notes and identity);

(v) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Prospectus; and

(vi) the Guarantor Audited Consolidated Financial Statements and the Issuer's Financial Statements.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Group (https://nepirockcastle.com/) and the website of Euronext Dublin (www.ise.ie).

11. Copies of the Trust Deed (including the Guarantee) will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

12. The Issuer's Consolidated Annual Financial Statements have been audited by PricewaterhouseCoopers Accountants N.V., independent auditors, as stated in their reports, which are, together with the Issuer's Consolidated Annual Financial Statements, included by reference in this Base Prospectus. PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, The Netherlands is a member of The Netherlands Institute of Chartered Accountants (NBA), which is a member of International Federation of Accountants (IFAC).

13. The Guarantor Audited Financial Statements have been audited by PricewaterhouseCoopers LLC, independent auditors, as stated in their report, which is, together with the Guarantor Audited Financial Statements, included in this Base Prospectus. PricewaterhouseCoopers LLC, Sixty Circular Road, Douglas, IM1 1SA, Isle of Man is a member of the Institute of Chartered Accountants in England and Wales.

14. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Main Securities Market.

15. The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

16. The Dealers and their respective affiliates may have engaged in transactions with the Issuer and the Guarantor in the ordinary course of their banking business and the Dealers may have performed various investment banking, financial advisory and other services for the Issuer and the Guarantor, for which they receive customary fees, and the Dealers and their respective affiliates may provide such services in the future.

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FINANCIAL STATEMENTS

Statement of Directors' responsibilities

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

The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS).

In preparing these financial statements, the Directors' are responsible for:
- selecting suitable accounting policies and then apply them consistently;
- stating whether they have been prepared in accordance with International Financial Reporting Standards;
- making judgements and estimates that are reasonable and prudent;
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- preparing financial statements which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

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

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

The Group and Company financial statements on pages 170 to 223 were approved and authorised for issue by the Board of Directors on 26 February 2019 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- the company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

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

- the statements of financial position as at 31 December 2018;
- the statements of comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements 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.

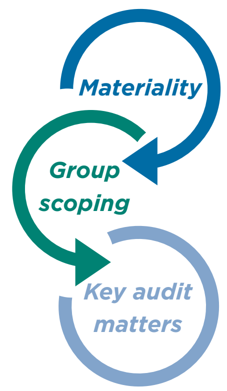
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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 Group materiality: €65.0 million which represents 1% of the Group's total assets.

Specific Group materiality: €16.2 million which represents 5% of the Group's EBITDA.

Overall Company materiality: €34.5 million which represents 1% of the Company's total assets.

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

Group: Valuation of investment property.

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.

Independent Auditor's report

to the members of NEPI Rockcastle Plc » continued

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		Company financial statements
	Overall materiality	***Specific materiality***	***Overall materiality***
Materiality level	€65.0 million.	€16.2 million.	€34.5 million.
How we determined it	1% of total assets per the consolidated statement of financial position for the year ended 31 December 2018.	5% of EBITDA per the consolidated statement of comprehensive income for the year ended 31 December 2018.	1% of total assets per the company statement of financial position for the year ended 31 December 2018.
Rationale for the materiality benchmark applied	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 have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. The parent company's main activity is the holding of investments in subsidiaries. On this basis we set an overall materiality based on total assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3,250,000, 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 and retail parks in Romania, Poland, Hungary, Bulgaria and the Czech Republic. These 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.

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
Valuation of investment property 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. Entities that invest in real estate inherently are 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 4.5, 4.6, 4.7, 5, 10 and 11.	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 methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; • using our own auditor's experts in valuation of real estate to assess the appropriateness of the estimates 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 • 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.). We found that investment property related data and the key valuation assumptions were supported by available evidence: contracts, rent roll and external market evidence. We also assessed the appropriateness of the disclosures relating to the assumptions, as we consider them to be important to the users of the financial statements given the estimation uncertainty and sensitivity of the valuations.

Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Independent Auditor's report

to the members of NEPI Rockcastle Plc » continued

Our opinion on the financial statements does not cover the other information and we do 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, 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.

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 and Company'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 and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company'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 and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 and Company'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 and Company 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 consolidated 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, related safeguards.

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 21 January 2019 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

Nicholas Mark Halsall, Responsible Individual
For and on behalf of
PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
27 February 2019

Statements of financial position

	Note	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
ASSETS					
Non-current assets		**6,116,059**	**5,127,197**	**3,393,419**	**3,659,796**
Investment property		5,911,070	4,927,509	-	-
— Investment property in use	10	5,688,610	4,725,093	-	-
— Investment property under development	11	222,460	202,416	-	-
Goodwill	13	93,070	82,582	-	-
Deferred tax assets	24	13,739	12,490	-	-
Investments in subsidiaries	6	-	-	266,463	266,463
Loans granted to subsidiaries	6	-	-	3,105,884	3,365,083
Investments in joint ventures	34	49,185	40,856	-	-
Long-term loans granted to joint ventures	34	21,311	25,792	-	-
Other long-term assets	12	19,039	36,175	16,758	27,932
Interest rate derivatives financial assets at fair value through profit or loss	21	8,645	1,793	4,314	318
Current assets		**374,628**	**860,366**	**59,076**	**7,310**
Trade and other receivables	15	80,750	60,793	55,902	3,225
Financial investments at fair value through profit or loss	14	168,339	326,565	-	-
Equity derivative collateral	14	27,784	265,541	-	-
Financial assets at fair value through profit or loss	14	831	11,923	-	-
Loans granted to subsidiaries	6	-	-	1,917	3,575
Cash and cash equivalents	16	96,924	195,544	1,257	510
Investment property held for sale	**17**	**11,957**	**10,238**	**-**	**-**
TOTAL ASSETS		**6,502,644**	**5,997,801**	**3,452,495**	**3,667,106**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**3,845,873**	**3,914,719**	**3,450,746**	**3,666,562**
Share capital	18	5,778	5,778	5,778	5,778
Share premium	18	3,625,568	3,625,568	3,625,568	3,625,568
Merger reserve		-	-	25,188	25,188
Accumulated profit		208,426	282,897	(205,788)	10,028
Non-controlling interest		6,101	476	-	-
Total liabilities		**2,656,771**	**2,083,082**	**1,749**	**544**
Non-current liabilities		**2,221,338**	**1,937,282**	**-**	**-**
Bank loans	20	930,048	734,493	-	-
Bonds	20	892,397	889,917	-	-
Deferred tax liabilities	24	351,187	271,105	-	-
Other long-term liabilities	23	44,981	37,089	-	-
Interest rate derivatives financial liabilities at fair value through profit or loss	21	2,725	4,678	-	-
Current liabilities		**435,433**	**145,800**	**1,749**	**544**
Trade and other payables	22	159,786	113,553	1,749	544
Financial liabilities at fair value through profit or loss	14	-	10,934	-	-
Bank loans	20	265,006	10,568	-	-
Bonds	20	10,641	10,745	-	-
TOTAL EQUITY AND LIABILITIES		**6,502,644**	**5,997,801**	**3,452,495**	**3,667,106**
Net Asset Value per share (euro)	25	6.66	6.78		
Adjusted Net Asset Value per share (euro)	25	7.09	7.10		
Number of shares for Net Asset Value per share		577,800,734	577,800,734		
Number of shares for adjusted Net Asset Value per share		577,800,734	577,800,734		

All amounts in Thousand Euro unless otherwise stated
The notes on pages 175 to 223 are an integral part of these financial statements.

The Group and Company financial statements on pages 170 to 223 were approved and authorised for issue by the Board of Directors on 26 February 2019 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

Statements of comprehensive income

	Note	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Gross rental income		349,907	233,807	-	-
Service charge income		151,826	103,170		
Property operating expenses		(155,663)	(104,892)	-	-
Net rental and related income	**26**	**346,070**	**232,085**	**-**	**-**
Administrative expenses	27	(22,022)	(15,191)	(7,205)	(5,250)
EBITDA*		**324,048**	**216,894**	**(7,205)**	**(5,250)**
Net result from financial investments		**(122,915)**	**(6,028)**	**-**	**(156)**
Income from financial investments at fair value through profit or loss	14	29,132	18,084	-	201
Fair value and net result on sale of financial investments at fair value through profit or loss	14	(152,047)	(24,112)	-	(357)
Acquisition fees	28	(6,079)	(10,681)	-	-
Fair value adjustments of investment property	29	108,411	162,022	-	-
Foreign exchange loss		(923)	(1,255)	(1,438)	(4)
Gain/(Loss) on disposal of investment property		-	9	-	-
Gain/(Loss) on acquisition or disposal of subsidiaries		6,933	-	(22)	(429)
Other operating income		-	-	5,771	2,787
Profit/(loss) before net finance (expense)/ income		**309,475**	**360,961**	**(2,894)**	**(3,052)**
Net finance (expense)/ income	**30**	**(39,859)**	**(22,906)**	**87,179**	**37,436**
Interest income		2,444	2,526	35,416	17,285
Interest expense		(40,318)	(24,370)	(375)	(662)
Other net finance income/ (expense)		(1,985)	(1,062)	52,138	20,813
Fair value adjustment of Interest rate derivatives financial assets and liabilities		(1,432)	500	(2,909)	(274)
Share of profit of joint ventures	34	8,329	16,068	-	-
Impairment of goodwill**	33B	-	(886,167)	-	-
Impairment expense of investments in equity of controlled subsidiaries	33B	-	-	-	(300,385)
Impairment expense of intercompany loans	33B	-	-	(866)	(585,760)
Profit/(Loss) before tax		**276,513**	**(531,544)**	**80,512**	**(852,057)**
Income tax expense		**(54,808)**	**(47,870)**	**-**	**-**
Current tax expense	24	(9,482)	(1,671)	-	-
Deferred tax expense	24	(45,326)	(46,199)	-	-
Profit/(Loss) after tax		**221,705**	**(579,414)**	**80,510**	**(852,057)**
Total comprehensive (loss)/profit for the year		**221,705**	**(579,414)**	**80,510**	**(852,057)**
Non-controlling interest		150	(280)	-	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**221,855**	**(579,694)**	**80,510**	**(852,057)**
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS EXCLUDING IMPAIRMENT OF GOODWILL		**221,855**	**306,473**	**80,510**	**(852,057)**
Weighted average number of shares in issue	31	577,800,734	436,806,684		
Diluted weighted average number of shares in issue	31	577,800,734	436,809,203		
Basic/ diluted (loss)/earnings per share (euro cents)	31	38.4	(132.71)		
Basic/ diluted earnings per share (euro cents) excluding impairment of goodwill	31	38.4	70.16		

All amounts in Thousand Euro unless otherwise stated
The notes on pages 175 to 223 are an integral part of these financial statements.

** EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.*
*** Impairment of goodwill arising from the merger with Rockcastle, computed as the difference between Rockcastle's market capitalisation and its net asset value at merger date.*

Statements of changes in equity

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2017	**3,215**	**1,368,171**	**4,797**	**(1,229)**	**439,598**	–	**1,814,552**
Transactions with owners	**2,563**	**2,257,397**	**(4,797)**	**1,229**	**422,993**	**196**	**2,679,581**
— Issue of shares	514	395,596	–	–	–	–	396,110
— Sale of shares issued under the Initial Share Scheme	–	18	–	–	–	–	18
— Issue of shares for the acquisition of Rockcastle	2,049	2,747,950	(4,797)	1,229	(424,152)	196	2,322,475
— Transfer of goodwill impairment on acquisition of Rockcastle Group to share premium	–	(886,167)	–	–	886,167	–	-
— Earnings distribution	–	–	–	–	(39,022)	–	(39,022)
Total comprehensive income	**–**	**–**	**–**	**–**	**(579,694)**	**280**	**(579,414)**
— Impairment of goodwill	–	–	–	–	(886,167)	–	(886,167)
— Profit for the year excluding impairment of goodwill	–	–	–	–	306,473	280	306,753
BALANCE AT 31 DECEMBER 2017	**5,778**	**3,625,568**	**–**	**–**	**282,897**	**476**	**3,914,719**
Balance at 1 January 2018	**5,778**	**3,625,568**	**–**	**–**	**282,897**	**476**	**3,914,719**
Transactions with owners	**–**	**–**	**–**	**–**	**(296,326)**	**5,775**	**(290,551)**
— Issue of shares	–	–	–	–	–	5,775	5,775
— Earnings distribution	–	–	–	–	(296,326)	–	(296,326)
Total comprehensive income	**–**	**–**	**–**	**–**	**221,855**	**(150)**	**221,705**
— Profit for the year	–	–	–	–	221,855	(150)	221,705
BALANCE AT 31 DECEMBER 2018	**5,778**	**3,625,568**	**–**	**–**	**208,426**	**6,101**	**3,845,873**

All amounts in Thousand Euro unless otherwise stated

Statements of changes in equity » continued

Company	Share capital	Share premium	Merger reserve	Accumulated profit	Total
Balance at 1 January 2017	–	–	**–**	**(14)**	**(14)**
Transactions with owners	**5,778**	**3,625,568**	**25,188**	**862,099**	**4,518,633**
— Issue of shares	388	324,047	–	-	324,435
— Issue of shares for the acquisition of Rockcastle and NEPI	5,390	4,187,688	25,188	-	4,218,266
— Transfer of impairment of investments in and loans to subsidiaries on acquisition of Rockcastle Group to share premium	–	(886,167)	–	886,167	-
— Earnings distribution	–	–	–	(24,068)	(24,068)
Total comprehensive income	–	–	–	(852,057)	(852,057)
— Impairment of investments in and loans to subsidiaries	–	–	–	(886,167)	(886,167)
— Profit for the year (excluding impairment of investments in and loans to subsidiaries)	–	–	–	34,110	34,110
BALANCE AT 31 DECEMBER 2017	**5,778**	**3,625,568**	**25,188**	**10,028**	**3,666,562**
Balance at 1 January 2018	**5,778**	**3,625,568**	**25,188**	**10,028**	**3,666,562**
Transactions with owners	**-**	**-**	**–**	**(296,326)**	**(296,326)**
— Earnings distribution	–	–	–	(296,326)	(296,326)
Total comprehensive income	**-**	**-**	**–**	**80,510**	**80,510**
— Profit for the year	–	–	–	**80,510**	**80,510**
BALANCE AT 31 DECEMBER 2018	**5,778**	**3,625,568**	**25,188**	**(205,788)**	**3,450,746**

All amounts in Thousand Euro unless otherwise stated
The notes on pages 175 to 223 are an integral part of these financial statements.

Statements of cash flows

	Note	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
OPERATING ACTIVITIES					
Profit/(Loss) after tax		221,705	(579,414)	80,510	(852,057)
Adjustments		**104,593**	**801,695**	**(87,737)**	**846,374**
Fair value adjustments of investment property for controlled subsidiaries	29	(108,411)	(162,022)	–	–
Fair value and net result on sale of financial investments at fair value through profit or loss	14	152,047	24,112	–	357
Income from financial investments at fair value through profit or loss	14	(29,132)	(18,084)	–	(201)
Foreign exchange loss		923	1,255	1,438	–
Gain on disposal of investment property		–	(9)	–	–
Other operating income		–	–	(5,771)	(2,787)
Gain on acquisition of subsidiaries		(6,933)	–	–	–
Impairment of goodwill		–	886,167	–	–
Impairment of investments in and loans to subsidiaries		–	–	866	886,167
Net finance expense/(income)	30	39,859	22,906	(87,179)	(37,436)
Fair value adjustment of Interest rate derivatives financial assets and liabilities for controlled subsidiaries		1,432	(500)	2,909	274
Deferred tax expense for controlled subsidiaries	24	45,326	46,199	–	–
Current tax expense	24	9,482	1,671	–	–
Changes in working capital					
(Increase)/decrease in trade and other receivables		(13,543)	4,687	15,007	2,243
Increase/(decrease) in trade and other payables		15,983	11,618	791	380
Interest paid		(17,153)	(8,139)	–	(8)
Bond coupon paid		(23,750)	(15,895)	–	–
Income tax paid		(6,054)	(2,615)	–	–
Interest received		124	1,139	37,074	573
CASH FLOWS FROM OPERATING ACTIVITIES		**281,905**	**213,076**	**45,645**	**(2,495)**
INVESTING ACTIVITIES					
Investments in acquisitions and developments		**(759,231)**	**(947,245)**	**–**	**–**
Expenditure on investment property under development		(260,213)	(157,169)	–	–
Payments for acquisition of subsidiaries less cash acquired during the year	33A	(500,739)	(788,364)	–	–
Settlements of deferred consideration for prior years acquisitions	22	945	(6,739)	–	–
Proceeds from sale of investment property held for sale (net of selling cost)	17	776	5,027	–	–
Other investments		**10,208**	**(369)**	**258,333**	**(297,564)**
Loans repaid by / (granted to) third parties		4,208	(4,208)	–	–
Loans to joint ventures – amounts granted	34	–	(2,818)	–	–
Loans to joint ventures – amounts repaid	34	6,000	6,657	–	–
Loans granted to subsidiaries	6	–	–	267,533	(297,564)
Loans repaid by subsidiaries	6	–	–	(9,200)	–
Net cash flow from investments in financial assets		**275,834**	**102,712**	**–**	**201**
Payments for investing in financial investments at fair value through profit or loss	14	(53,743)	(17,918)	–	–
Income from financial investments at fair value through profit or loss	14	29,132	18,084	–	201
Payments for equity swap resettlement	14	(78,317)	(41,123)	–	–
Cash flows from equity collateral	14	237,757	118,078	–	–
Proceeds from sale of financial investments at fair value through profit or loss	14	141,005	25,591	–	–
CASH FLOWS USED IN INVESTING ACTIVITIES		**(473,189)**	**(844,902)**	**258,333**	**(297,363)**
FINANCING ACTIVITIES					
Proceeds from issue of shares		–	396,128	–	324,435
Net movements in bank loans and bonds		**401,835**	**422,048**	–	–
Proceeds from bank loans	20	414,000	86,000	–	–
Proceeds from bonds	20	–	500,000	–	–
Repayment of bank loans	20	(12,165)	(113,952)	–	–
Repayment of bonds	20	–	(50,000)	–	–
Other (payments)/proceeds		**(12,845)**	**196**	**(6,905)**	**–**
Acquisition of non-controlling interest		–	196	–	–
Premium paid on acquisitions of derivatives		(12,845)	–	(6,905)	–
Earnings distribution		(296,326)	(39,022)	(296,326)	(24,068)
CASH FLOWS FROM FINANCING ACTIVITIES		**92,664**	**779,350**	**(303,231)**	**300,367**
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS		**(98,620)**	**147,524**	**747**	**509**
Cash and cash equivalents brought forward	16	195,544	48,020	510	1
CASH AND CASH EQUIVALENTS CARRIED FORWARD	16	**96,924**	**195,544**	**1,257**	**510**

All amounts in Thousand Euro unless otherwise stated

The notes on pages 175 to 223 are an integral part of these financial statements.

Notes to the financial statements

1 GENERAL

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

NEPI Rockcastle resulted from the successful merger of New Europe Property Investments plc (NEPI) and Rockcastle Global Real Estate Company Limited (Rockcastle) on 11th of July 2017, pursuant to which the new holding company of the group acquired 100% of NEPI and Rockcastle's respective assets and liabilities. From a legal perspective, NEPI Rockcastle plc was the legal successor of New Europe Property Investments plc.
One of the Group's subsidiaries issued in 2015 and in 2017 debt instruments listed on the Irish Stock Exchange (Note 19).

The Group includes the Company and its subsidiaries, as detailed in 'Basis of consolidation' in Note 4.4. The Group's consolidated financial statements and the Company's separate financial statements are collectively referred to as the Financial Statements. The accounting policies set out below are applicable consistently for the Group's and Company's financial statements, unless otherwise stated.

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with the Directors' resolution on 26 February 2019.

2 COMPARATIVE PERIOD

The comparatives are the audited consolidated and standalone financial statements of NEPI Rockcastle for the year ended 31 December 2017.

3 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

During the current year, the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Group. IFRS 9 "Financial Instruments" was the most significant revised IFRS with potential impact on the Group's accounting policies.

As explained below, in accordance with the transition provisions of IFRS 9, the Group has elected the simplified approach for adoption of the standard. Accordingly, IFRS 9 was adopted without restating the comparative information. The revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The comparative information is prepared in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IAS 18 Revenue, and the impact of adoption is immaterial, and no changes have been recognised in the opening retained earnings.

3.1 IFRS 9 Financial instruments

IFRS 9 Financial instruments replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVTPL)) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the Group's or Company's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the Group's or Company's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event for recognition of impairment losses to be necessary. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified and a general approach for calculating impairment on trade receivables.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9, the IASB confirmed that gains or losses that result from modification of financial liabilities which do not result in derecognition shall be recognized in profit or loss.

The Group has adopted IFRS 9 with the date of transition of 1 January 2018. There have been no material changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Company's accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in Note 4.

3.2 Impact of adoption

On 1 January 2018 for loans granted to subsidiaries by the Company, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test).

In addition, a separate assessment for equity instruments held by the Group was performed, in respect of whether these are held for trading. As a result of both assessments management has classified the loans granted to subsidiaries and equity instruments into the appropriate IFRS 9 categories.

As a result of the adoption of IFRS 9, the Group and the Company revised the impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Group and Company assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost, cash and cash equivalents and equity derivative collateral. The impairment methodology applied depends on whether there has been a significant increase in credit risk and whether the debt instruments qualify as low credit risk.

The Group has the following types of assets that are subject to IFRS 9's expected credit loss model: trade and other receivables, cash and cash equivalents and equity derivative collateral. From a standalone perspective, the Company has the following types of assets that are subject to IFRS 9's expected credit loss model: loans granted to subsidiaries, trade and other receivables and cash and cash equivalents.

The simplified expected credit loss model has been adopted by both, the Group and the Company. Based on the assessment performed by management, the incremental impairment loss as of 1 January 2018 would have been immaterial and thus, no impact from the adoption of IFRS 9 on the Company's or Group's retained earnings as of 1 January 2018 has been recognized.

Under IFRS 9 all gains or losses resulting from the modifications of borrowings that did not result in derecognition should be recognised in profit or loss. Previously under IAS 39, the Company has amortised the modification impact via adjusting the effective interest rate. The Group has assessed the above impact on the borrowing's balances existing on the date of adoption of IFRS 9 and no adjustment to the borrowings balance as at 1 January 2018 has been made.

The following table sets out the carrying amounts of financial instruments, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Financial asset	Measurement category under IAS 39	Measurement category under IFRS 9	Group: Carrying value as per IAS 39 (Closing balance as at 31 Dec 2017)	Group: Carrying value as per IFRS 9 (Opening balance as at 1 Jan 2018)	Company: Carrying value as per IAS 39 (Closing balance as at 31 Dec 2017)	Company: Carrying value as per IFRS 9 (Closing balance as at 1 Jan 2018)
Loans granted to subsidiaries (non-current assets)	Amortised cost	Amortised cost	-	-	3,365,083	3,365,083
Loans to participants in Current Share Scheme (including accrued interest)	Amortised cost	Amortised cost	27,932	27,932	27,932	27,932
Long-term loans granted to joint ventures	Amortised cost	Amortised cost	25,792	25,792	-	-
Interest rate derivative financial assets at fair value through profit or loss	FVTPL	FVTPL	1,793	1,793	318	318
Trade and other receivables (excluding prepayments)	Amortised cost	Amortised cost	53,837	53,837	3,225	3,225
Financial investments at fair value through profit or loss	FVTPL	FVTPL	326,565	326,565	-	-
Equity derivative collateral	Amortised cost	Amortised cost	265,541	265,541	-	-
Financial assets at fair value through profit or loss	FVTPL	FVTPL	11,923	11,923	-	-
Loans granted to subsidiaries (current assets)	Amortised cost	Amortised cost	-	-	3,575	3,575
Cash and cash equivalents	Amortised cost	Amortised cost	195,544	195,544	510	510
Total financial assets			**908,927**	**908,927**	**3,400,643**	**3,400,643**

Financial liability	Measurement category under IAS 39	Measurement category under IFRS 9	Group: Carrying value as per IAS 39 (Closing balance as at 31 Dec 2017)	Group: Carrying value as per IFRS 9 (Opening balance as at 1 Jan 2018)	Company: Carrying value as per IAS 39 (Closing balance as at 31 Dec 2017)	Company: Carrying value as per IFRS 9 (Closing balance as at 1 Jan 2018)
Bank loans (long term)	Amortised cost	Amortised cost	734,493	734,493	-	-
Bonds (long term)	Amortised cost	Amortised cost	889,917	889,917	-	-
Interest rate derivative financial liabilities at fair value through profit or loss	FVTPL	FVTPL	4,678	4,678	-	-
Trade and other payables	Amortised cost	Amortised cost	113,553	113,553	544	544
Financial liabilities at fair value through profit or loss	FVTPL	FVTPL	10,934	10,934	-	-
Bank loans (short term)	Amortised cost	Amortised cost	10,568	10,568	-	-
Bonds (short term)	Amortised cost	Amortised cost	10,745	10,745	-	-
Total financial liabilities			**1,774,888**	**1,774,888**	**544**	**544**

When adopting IFRS 9, neither the Group nor the Company reclassified any assets into a different measurement category. Thus, there was no impact of adoption of IFRS 9 as of 1 January 2018 from the measurement of the financial assets and liabilities.

4 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Isle of Man company law and International Financial Reporting Standards (IFRS). The accounting policies set out below have been consistently applied to all periods presented unless otherwise stated.

4.1 Functional and presentation currency

The consolidated financial statements are presented in Euro (€, EUR) thousands unless otherwise stated, which is NEPI Rockcastle Plc'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 the majority of 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.

4.2 Basis of preparation

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.

Management prepared these financial statements on a going concern basis. There are no uncertainties relating to events and conditions that cast a significant doubt upon the Group's ability to continue as a going concern.

The preparation of financial statements in conformity with IFRS 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.

4.3 Statement of compliance

The financial statements have been consistently prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of relevant Isle of Man company law.

4.4 Basis of consolidation

Subsidiaries

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

Subsidiaries are all entities, including those that are structured, over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over it. Subsidiaries are fully consolidated from the date control is transferred to the Group. They are deconsolidated from the date 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.

The accounting policies of the subsidiaries are consistent with those of the Company.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses.

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.

The Company's separate financial statements include intra-group balances and transactions, investments in subsidiaries and any gains and losses or income and expenses arising from intra-group transactions. The Company's investments in subsidiaries as well as loans granted to subsidiaries are subject to impairment testing annually. The process of impairment testing for investment in subsidiaries and loans granted to subsidiaries is done at the level of cash-generating units (CGU). Any impairment arisen through the test is first allocated to investments in subsidiaries following which, if the impairment is higher than the value of investments in subsidiaries the difference is allocated to loans granted to subsidiaries.

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.

4.5 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 either the discounted cash flow method, the capitalisation of net income method or a combination of both. 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. Where the Group disposes of an investment property in use, the carrying value, immediately prior to the sale, is adjusted to the transaction price. The adjustment is recorded in the Statement of comprehensive income for the year within fair value adjustments of investment property.

4.6 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 done 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.

4.7 Investment property held for sale

Investment property is classified as an asset held for sale if the majority of its carrying amount will be recovered through a sale transaction rather than continuing use. For this to apply, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. The sale will be considered highly probable if the following criteria are met:

- the Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the sale must be initiated;
- the property must be actively marketed at a price that is reasonable in relation to its current fair value, and
- the sale of property should be expected to qualify for recognition as a completed sale within one year of the date of classification.

On classification as held for sale, investment property that is measured at fair value continues to be so measured.

4.8 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.

Goodwill impairment reviews are undertaken annually. 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.

The fair value disclosures presented in Note 10 Investment property in use are also relevant for goodwill impairment testing.

4.9 Impairment of non-financial assets

Intangibles that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually. 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 CGU level. Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.10 Loans to participants in the Current Share Scheme (as defined in Note 19)

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

4.11 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 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

4.12 Tenant security deposits

Tenant security deposits represent financial advances made by lessees as guarantees during the lease and are settled by the Group upon termination of contracts. Tenant security deposits are recognised at nominal value.

4.13 Financial assets

4.13.1 Classification

From 1 January 2018, the Group and Company 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 and Company'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.

4.13.2 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 or Company commit 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 or Company have transferred substantially all the risks and rewards of ownership.

4.13.3 Measurement

At initial recognition, the Group or Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (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 determining whether their cash flows are solely payment of principal and interest.

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 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, loans granted to subsidiaries, long-term loans granted to joint ventures, loans to participants in the Current Share Scheme and management incentive, long term receivables, trade and other receivables (excluding prepaid expenses) and equity derivative collateral.

Equity instruments

The Group and Company subsequently measures all equity investments at fair value.

The Group and Company's policy is to designate equity investments 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. In addition to equity financial investments at FVTPL, other financial assets at FVTPL comprise: Interest rate derivative financial assets at FVTPL, financial assets at FVTPL.

4.13.4. Impairment – credit loss allowance for ECL

From 1 January 2018, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost. The Group or Company measures ECL and recognises credit loss allowance at each reporting date. 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 the 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.

For all financial assets the Group applies the simplified approach under IFRS 9.

4.13.5. 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.

4.13.6. Write-off

Financial assets are written-off, in whole or in part, when the Group or Company 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 or Company may write-off financial assets that are still subject to enforcement activity when the Group or Company seek to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

4.13.7. Modification

The Company or the Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company 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 SICR 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 assets 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.

4.14 Financial liabilities – measurement categories

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

4.15 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. when the obligation specified in the contract is 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 (as other income or finance costs).

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 premium 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 or Company and the costs can be measured reliably.

4.16 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when the Group and/or Company 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.

4.17 Cash and cash equivalents and equity derivative 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. Equity derivative collateral is cash held as collateral against the Group's equity swap derivatives exposures. Cash and cash equivalents and equity derivative collateral are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

4.18 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 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.

4.19 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. Following the NEPI Rockcastle merger in 2017, a goodwill impairment arose that was transferred from accumulated profit to share premium, as permitted by Isle of Man law. An impairment loss arose in respect of the investment in subsidiaries and loans granted to subsidiary at Company level which was transferred from accumulated profit to share premium, as permitted by Isle of Man law.

4.20 Share-based payment reserve

The NEPI Share Purchase Scheme (SPS) is accounted for by recognising the value of the shares issued as an asset, classified as 'loan to participants in the Incentive Plans (Note 19) 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.

The Rockcastle SPS is accounted for by recognising the value of the shares issued as an asset, classified as 'loan to participants in the Incentive Plans (Note 19) 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.

4.21 Other reserves

4.21.1 Currency translation reserves

The currency translation reserve within equity arose prior to 31 December 2012, on the translation of foreign operations that had other functional currencies. The Group did not recognize any subsequent movements to the currency translation reserves, and the currency translation reserve has been recognized as part of share premium of NEPI Rockcastle.

4.21.2 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.

4.22 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.

4.23 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 contingent rental income which is recognised when it arises.

Service charges income from tenants

Income arising from expenses recharged to tenants is recognised on an accrual basis.

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. After the year-end, the annual service charge reconciliation is 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.

4.24 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an accrual basis.

4.25 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to the Statement of comprehensive income for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

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

Dividend/distribution income is recognised in the Statement of comprehensive income on the date the Group or Company's right to receive payment is established and is included in the line "Income from financial investments at fair value through profit or loss". It relates to the investments in listed securities, shown as "Financial investments at fair value through profit or loss", "Financial assets at fair value through profit or loss" and "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 line "Fair value and net result on sale of financial investments through profit or loss".

4.27 Dividend distributed

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 35.

4.28 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.

4.29 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 top 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 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.

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 gross rent and property 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, Poland, Romania, Serbia and Slovakia;
- Office segment: acquires, develops and leases office properties in Bulgaria, Romania, Slovakia and United Kingdom;
- Industrial segment: acquires, develops 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 Holding segment which includes entities located in the British Virgin Islands, 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.

4.30 Earnings per share

The Group presents basic and diluted earnings per share.

Basic earnings per share are calculated by dividing annual profit for the year attributable to equity holders by the weighted average number of shares in issue during the year. Diluted earnings per share is determined by adjusting the profit for the year and the weighted average number of shares in issue for the dilutive effects of all potential ordinary shares issued under the Initial Share Scheme, which has been fully redeemed during the comparative period.

4.31 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 2/2015 issued by South African Institute of Chartered Accountants (SAICA).

4.32 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 income statement.

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.

4.33 Standards issued but not yet effective and not early adopted

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The Company has assessed no material impact of the new standard on its financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company has assessed no material impact of the new standard on its financial statements.

Amendments to IFRS 3, Business Combinations (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after 1 January 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business

combinations for which the acquisition date is on or after the transition date.
There are no other standards and interpretations that are not yet effective and that would be expected to have an impact on the Group's financial position or performance.

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 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 reports prepared by international valuers 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 6.9% and 10.8% (2017: 5% and 11.5%). 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 tenant and lease length.

Further information relating to sensitivity of significant accounting estimates used in the valuation of investment properties is presented in Note 10.

Business combinations or asset acquisitions

The Group assesses for each property or entity acquired whether the transaction represents a business combination or an asset acquisition, taking into consideration the existence and level of inputs, processes and outputs in the respective property or entity. Additional information relating to the basis for this assessment is described in Note 4.32.

6 INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

The Company has direct investments and indirect holdings in other Group companies that were included in the consolidated financial statements, and are detailed below. The Group has considered all its shareholdings, both direct and indirect, and there are no unconsolidated holdings or entities that meet the criteria set out in IFRS. In addition, based on the Group's assessment there is no evidence that would indicate additional subsidiaries, joint ventures or associates other than those indicated in the table below.

No	Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2018	Immediate parent investment 31 Dec 2017
1	ACE3 sp.z.o.o. -	Jun 2013/Jul 2017	Poland	Property-owning	Indirect	85	14,027	2
2	Arena Center Zagreb d.o.o.	2006/ Nov 2016	Croatia	Property-owning	Indirect	100	54,369	54,369
3	Arena Property Kft****	Aug 2017	Hungary	Property-owning	Indirect	100	-	67,710
4	AUPARK Kosice SC, s.r.o.	Nov 2008/Dec 2014	Slovakia	Services	Indirect	100	3,235	3,235
5	AUPARK Kosice, spol. s.r.o.	Jan 2004/Dec 2014	Slovakia	Property-owning	Indirect	100	11,167	11,167
6	AUPARK Piestany SC, s.r.o.	Nov 2008/ Aug 2016	Slovakia	Services	Indirect	100	1,225	1,225
7	AUPARK Piestany, spol. s.r.o.	Apr 2004/ Aug 2016	Slovakia	Property-owning	Indirect	100	5,037	5,037
8	AUPARK Tower Kosice, s.r.o.	Nov 2008/Dec 2014	Slovakia	Property-owning	Indirect	100	3,401	3,401
9	AUPARK Žilina SC a.s.	Oct 2008/ Aug 2013	Slovakia	Services	Indirect	100	900	900
10	AUPARK Žilina spol. s.r.o.	Dec 2003/ Aug 2013	Slovakia	Property-owning	Indirect	100	16,963	16,963
11	Aurora Mall Buzau SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
12	Białystok Property sp. z.o.o.-	Apr 2017/Jul 2017	Poland	Property-owning	Indirect	100	1	3
13	Bonarka City Center sp.z.o.o. -	May 2014/Jul 2017	Poland	Property-owning	Indirect	100	78,435	86,101
14	Braila Promenada Mall SRL	Sep 2009	Romania	Property-owning	Indirect	100	8,300	8,300
15	Brasov Shopping City SRL	Jun 2011	Romania	Property-owning	Indirect	100	10	10
16	Bulfeld EOOD	Apr 2007/ Dec 2017	Bulgaria	Property-owning	Indirect	100	132,345	130,894
17	CEE Property Bulgaria EOOD	Jul 2008/ Aug 2017	Bulgaria	Property-owning	Indirect	100	17,927	17,927
18	City Park Constanta SRL	Feb 2005/ Nov 2013	Romania	Property-owning	Indirect	100	33,120	33,120
19	Cluj Business Centre SRL **	Jul 2012	Romania	Property-owning	Indirect	50	*	*
20	Constanta Shopping City SRL	Mar 2013	Romania	Property-owning	Indirect	100	2	2
21	Deva Shopping City SRL	Jul 2005/ Aug 2013	Romania	Property-owning	Indirect	100	2	2
22	Energit sp.z.o.o. -	Dec 2007/Jul 2017	Poland	Services	Indirect	100	345	345
23	E-power Supply Czech sro	Jul 2017	Czech Republic	Services	Indirect	100	*	*
24	E-Power Supply d.o.o. Beograd	Jul 2017	Serbia	Services	Indirect	100	*	*
25	E-power supply EOOD	Nov 2017	Bulgaria	Services	Indirect	100	*	*
26	E-power supply management doo	Sep 2017	Croatia	Services	Indirect	100	3	3
27	E-Power Supply s.r.o.	Nov 2015	Slovakia	Services	Indirect	100	155	105
28	FDC Braila B.V.	Sep 2009	Netherlands	Holding	Indirect	100	7,875	7,875
29	Festival Shopping Center SRL	Jun 2008/Feb 2018	Romania	Property-owning	Indirect	100	12,870	-
30	Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	Indirect	100	*	*
31	Floreasca Center SRL	Apr 2011/Nov 2014	Romania	Property-owning	Indirect	100	27,044	27,044
32	FORUM Usti s.r.o.	Jan 2005/ Feb 2016	Czech Republic	Property-owning	Indirect	100	37,840	37,840
33	Galati Shopping City SRL	Jun 2012	Romania	Property-owning	Indirect	100	2	2
34	General Building Management SRL	Aug 2004/ Jan 2008	Romania	Property-owning	Indirect	100	1,402	1,402

No	Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2018	Immediate parent investment 31 Dec 2017
35	General Investment SRL	Mar 2003/ Jan 2008	Romania	Property-owning	Indirect	100	19,708	19,708
36	Gontar sp.z.o.o. -	Mar 2013/Jul 2017	Poland	Property-owning	Indirect	100	11,521	11,521
37	HANSA Imobillien EOOD	Oct 2008/ Aug 2017	Bulgaria	Property-owning	Indirect	100	3,970	3,360
38	IGI Exclusive sp.z.o.o. -	Oct 2007/Jul 2017	Poland	Property-owning	Indirect	100	2,104	2,104
39	Ingen Europe B.V.	Dec 2010	Netherlands	Holding	Indirect	100	18,273	18,273
40	INLOGIS VI s.r.o.	Jun 2011/Dec 2014	Slovakia	Property-owning	Indirect	100	8,345	8,045
41	Iris Titan Shopping Center SRL	Apr 2005/Jul 2015	Romania	Property-owning	Indirect	100	43,078	43,078
42	Karolinka Property sp.z.o.o. -	Jul 2014/Jul 2017	Poland	Property-owning	Indirect	100	36,751	36,751
43	Lakeview Office Building SRL	Jul 2004/ Jan 2013	Romania	Property-owning	Indirect	100	13,529	13,529
44	Liberec Property s.r.o. -	Jan 2007/Jul 2017	Czech Republic	Property-owning	Indirect	100	7,754	7,754
45	Mammut Zrt	Aug 2011/ Sep 2018	Hungary	Property-owning	Indirect	100	47,184	-
46	Mammut Management Kft	Aug 2017/ Sep 2018	Hungary	Services	Indirect	100	10	-
47	Marapi sp.z.o.o. -	Apr 2017/Jul 2017	Poland	Property-owning	Indirect	100	1	2
48	Marketing Advisers SRL	Apr 2014	Romania	Services	Indirect	100	10	10
49	Mega Mall Bucuresti SRL	Feb 2007/ Aug 2013	Romania	Property-owning	Indirect	100	10,000	10,000
50	Milvus sp.zo.o	Aug 2008/ May 2018	Poland	Property-owning	Indirect	100	1,096	-
51	Mlyny a.s.	Mar 2006/ Aug 2018	Slovakia	Property-owning	Indirect	100	81,535	-
52	Modatim Business Facility SA	Nov 2015	Romania	Property-owning	Indirect	100	34,036	34,036
53	Monarda sp.z.o.o.	Jul 2015/Jul 2017	Poland	Property-owning	Indirect	90	29,791	91
54	NE Property BV (previously named NE Property Coöperatief U.A.)	Oct 2007	Netherlands	Holding	Indirect	100	827,067	827,067
55	NEPI Bucharest One SRL	Sep 2007	Romania	Property-owning	Indirect	100	3,845	3,845
56	NEPI Bucharest Two SRL	Dec 2007	Romania	Property-owning	Indirect	100	2,756	2,756
57	NEPI Croatia Management d.o.o.	Jan 2017	Croatia	Services	Indirect	100	3	3
58	NEPI Czech Management s.r.o.	Sep 2016	Czech Republic	Services	Indirect	100	*	*
59	Nepi Fifteen Real Estate Administration SRL	Jan 2014	Romania	Property-owning	Indirect	100	10	10
60	Nepi Four Real Estate Solutions SRL	Mar 2013	Romania	Property-owning	Indirect	100	10	10
61	Nepi Holdings Ltd	Apr 2012	Isle of Man	Holding	Direct	100	180,148	180,148
62	NEPI Investment Management Ltd (BVI)***	Jul 2007/Jun 2010	British Virgin Islands	Holding	Direct	100	6,826	6,826
63	NEPI Investment Management Ltd (liquidated in 2018)	Aug 2007/Jun 2010	Cyprus	Holding	Indirect	100	-	2
64	NEPI Investment Management SRL	Jun 2010	Romania	Services	Indirect	100	7,280	7,280
65	Nepi Investments Ltd	Apr 2012	Isle of Man	Holding	Direct	100	10	10
66	NEPI Project Four EOOD	Nov 2017	Bulgaria	Property-owning	Indirect	100	*	*
67	NEPI Project One EOOD	Mar 2017	Bulgaria	Property-owning	Indirect	100	*	*
68	NEPI Project Three EOOD	Nov 2017	Bulgaria	Services	Indirect	100	*	*
69	NEPI Project Two EOOD	May 2017	Bulgaria	Holding	Indirect	100	*	*
70	NEPI Real Estate Development d.o.o.	Nov 2014	Serbia	Services	Indirect	100	10	10
71	NEPI Real Estate Project One d.o.o.	Jan 2016	Serbia	Property-owning	Indirect	100	6,001	1
72	Nepi Real Estate Project Three d.o.o.	Oct 2016	Serbia	Property-owning	Indirect	100	1	1
73	NEPI Real Estate Project Two d.o.o.	Jan 2016	Serbia	Property-owning	Indirect	100	1	1
74	NEPI Rockcastle Hungary Kft.	Oct 2017	Hungary	Services	Indirect	100	10	10
75	NEPI Rockcastle Lithuania UAB	Oct 2018	Lithuania	Services	Indirect	100	5	-
76	NEPI Rockcastle Securities B.V	Dec 2018	Netherlands	Services	Indirect	100	10,000	-
77	Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	Indirect	100	10	10
78	NEPI Six Development SRL	May 2012	Romania	Property-owning	Indirect	100	10	10
79	Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	Indirect	100	10	10
80	Nepi Slovak Centres One a.s.	Jul 2014	Slovakia	Services	Indirect	100	25	25
81	NEPI Slovakia Management s.r.o.	Jun 2013/ Aug 2013	Slovakia	Services	Indirect	100	335	335
82	NEPI Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	Indirect	100	2	2
83	Nepi Three Building Management SRL	Mar 2013	Romania	Property-owning	Indirect	100	10	10
84	Nepi Twenty Real Estate Development SRL	Jul 2018	Romania	Services	Indirect	100	*	-
85	Nepi Twenty-One Investment Estate SRL	Jul 2018	Romania	Services	Indirect	100	*	-
86	NEPIOM Ltd	Sep 2012	Isle of Man	Services	Direct	100	78,553	78,553
87	New Energy Management SRL	Jan 2014	Romania	Services	Indirect	100	2	2
88	New Europe Property (BVI) Ltd***	Jul 2007	British Virgin Islands	Holding	Direct	100	*	*
89	Nobilia sp. z o.o. -	May 2017/Jul 2017	Poland	Services	Indirect	100	388	3
90	NRE Sibiu Shopping City SRL	Jan 2007/ Mar 2016	Romania	Property-owning	Indirect	100	35,377	35,377
91	NRP Shopping Centre Project Two s.r.o.	Jun 2018	Slovakia	Holding	Indirect	100	8,705	-
92	Olsztyn Property sp.z.o.o.-	Feb 2011/Jul 2017	Poland	Property-owning	Indirect	100	42,546	42,546
93	Otopeni Warehouse and Logistics SRL	Sep 2010	Romania	Property-owning	Indirect	100	1,807	1,807
94	Piotrków Property sp.z.o.o. -	Feb 2011/Jul 2017	Poland	Property-owning	Indirect	100	1	1
95	Platan Property sp.z.o.o. -	Jul 2015/Jul 2017	Poland	Property-owning	Indirect	100	15,401	15,401
96	Ploiesti Shopping City SRL **	Dec 2010/Feb 2012	Romania	Property-owning	Indirect	50	5,693	5,693
97	Plovdiv Project 1 EOOD	Feb 2018/Apr 2018	Bulgaria	Property-owning	Indirect	100	14,500	-

No	Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2018	Immediate parent investment 31 Dec 2017
98	Pogoria Property sp.z.o.o.-	Jun 2014/Jul 2017	Poland	Property-owning	Indirect	100	19,401	19,401
99	Promenada Mall Bucuresti SRL	Oct 2005/Oct 2014	Romania	Property-owning	Indirect	100	67,349	67,349
100	Ramnicu Valcea Shopping City SRL	Aug 2014	Romania	Property-owning	Indirect	100	20	14
101	Real Estate Asset Management SRL	Jul 2014	Romania	Services	Indirect	100	10	10
102	Retail Park Pitesti SRL	Jan 2010	Romania	Property-owning	Indirect	100	13,010	13,010
103	Rockcastle Europe Limited-	May 2014/ July 2017	Mauritius	Holding	Direct	100	*	*
104	Rockcastle Global Real Estate Company UK Limited-	Sep 2014/ Jul 2017	UK	Services	Indirect	100	196,999	196,999
105	Rockcastle Global Real Estate Holdings BV-	Oct2013/ Jul 2017	Netherlands	Holding	Indirect	100	196,776	196,776
106	Rockcastle Global Securities Limited-	Oct 2016/ Jul 2017	Mauritius	Services	Indirect	100	*	*
107	Rockcastle Poland sp.z.o.o. -	Jul 2015/Jul 2017	Poland	Services	Indirect	100	1	1
108	Rockcastle UK Property SPV Limited-	Oct 2014/ Jul2017	Mauritius	Property-owning	Direct	100	926	926
109	SCP s.r.o.	Apr 2006/ Jul 2016	Slovakia	Property-owning	Indirect	100	6,879	5,379
110	SEK d.o.o.	Jul 2007/Oct 2014	Serbia	Property-owning	Indirect	100	18,798	18,573
111	Serenada Property sp. z o.o. -	Apr 2017/Jul 2017	Poland	Property-owning	Indirect	100	1	3
112	Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	Indirect	100	8,002	8,002
113	Shopping City Piatra Neamt SRL	Jan 2014	Romania	Property-owning	Indirect	100	13,510	13,510
114	Sibiu Shopping City 2 SRL	Aug 2008/ Mar 2016	Romania	Property-owning	Indirect	100	6,637	6,637
115	Shopping City Timisoara SRL	Jun 2012	Romania	Property-owning	Indirect	100	17,302	17,302
116	Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Holding	Indirect	100	11	11
117	Symmetry Arena Kft****	Apr 2004/Sep 2017	Hungary	Property-owning	Indirect	100	67,710	*
118	Targu Jiu Development SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
119	Targu Mures Shopping City SRL	Feb 2016	Romania	Property-owning	Indirect	100	10	10
120	Timisoara City Business Center One SRL	Jan 2012	Romania	Property-owning	Indirect	100	12,324	12,324
121	Timisoara Office Building SRL	Jan 2012	Romania	Property-owning	Indirect	100	15,456	15,456
122	Tummam Kft	Dec 2016 / Sep 2018	Hungary	Property-owning	Indirect	100	3,036	-
123	Uždaroji akcinė bendrovė Ozantis	Oct 2003 / May 2018	Lithuania	Property-owning	Indirect	100	29,003	-
124	Victoriei Office Building SRL	Aug 2011	Romania	Property-owning	Indirect	100	4,795	4,795
125	Vulcan Residential Park SRL (previously named Nepi Eighteen Property Services SRL)	Feb 2016	Romania	Property-owning	Indirect	100	3,368	10
126	Vulcan Value Centre SRL	Apr 2012/ Sep 2013	Romania	Property-owning	Indirect	100	5,002	5,002
127	Zielona Góra Property sp.z.o.o.-	Dec 2011/Jul 2017	Poland	Property-owning	Indirect	100	23,001	23,001

** less than €1 thousand*

*** joint venture companies*

**** dormant companies, in process of liquidation*

***** Arena Property Kft merged with Symmetry Arena Kft in 2018*

-Subsidiaries acquired as a result of the merger between NEPI and Rockcastle in 2017

The Company's investments in subsidiaries, being the total of direct investments shown in the table above, are summarised below:

Company Dec-18	Nepi Holdings Ltd	NEPI Investment Management Ltd (BVI)***	Nepi Investments Ltd	NEPIOM Ltd	Rockcastle Europe Limited	Rockcastle UK Property SPV Limited	Total
Investments in subsidiaries - gross	180,148	6,826	10	78,553	300,385	926	**266,463**
Less: Impairment provision	-	-	-	-	(300,385)	-	**-**
Investments in subsidiaries - net of provision for impairment	**180,148**	**6,826**	**10**	**78,553**	-	**926**	**266,463**

Company Dec-17	Nepi Holdings Ltd	NEPI Investment Management Ltd (BVI)***	Nepi Investments Ltd	NEPIOM Ltd	Rockcastle Europe Limited	Rockcastle UK Property SPV Limited	Total
Investments in subsidiaries - gross	180,148	6,826	10	78,553	300,385	926	**566,848**
Less: Impairment write-off	-	-	-	-	(300,385)	-	**(300,385)**
Investments in subsidiaries - net of provision for impairment	**180,148**	**6,826**	**10**	**78,553**	-	**926**	**266,463**

The Company has given loans to subsidiaries as summarized below. Accrued interest on the loans amounted to €1,917 thousand (31 December 2017: €3,575 thousand).

Company Dec-18	NEPIOM Limited	Rockcastle Europe Limited	Rockcastle Global Real Estate Holdings BV	Total
Loans granted to subsidiaries - gross	1,734,146	1,958,362	2	**3,106,750**
Less: Impairment provision	(484)	(582,142)	-	**(586,626)**
Loans granted to subsidiaries - net of provision for impairment	**1,733,662**	**1,372,220**	**2**	**3,105,884**

Company Dec-17	NEPIOM Limited	Rockcastle Europe Limited	Rockcastle Global Real Estate Holdings BV	Total
Loans granted to subsidiaries - gross	1,764,428	2,186,413	2	**3,950,843**
Less: Impairment write-off	-	(585,760)	-	**(585,760)**
Loans granted to subsidiaries - net of provision for impairment	**1,764,428**	**1,600,653**	**2**	**3,365,083**

7 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 with regard to 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. The fair value of bonds is not considered relevant, its liability towards bonds holders does not vary in line with the market price of its listed notes. However, for reference, as at 31 December 2018, the €400,000 thousand bonds issued in 2015 were trading on the market at 94% (31 December 2017: 107%) and the €500,000 thousand bonds issued in 2017 were trading on the market at 83% (31 December 2017: 94%).

7.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants, investments in listed securities of property companies, financial assets arisen from equity swaps and cash and cash equivalents and equity derivative collateral.

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

Credit exposure on financial instruments	Note	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Loans granted to subsidiaries	6	–	–	3,107,801	3,368,658
Loans granted to joint ventures	34	21,311	25,792	–	–
Trade and other receivables	15	80,750	60,793	55,902	3,225
Cash and cash equivalents	16	96,924	195,544	1,257	510
Equity derivative collateral	14	27,784	265,541	–	–
TOTAL		**226,769**	**547,670**	**3,164,960**	**3,372,393**

The balance of loans to participants in the Current Share Scheme is not considered to present credit risk as these are guaranteed with shares (see details in Note 19).
As at 31 December 2018 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. Changes in counterparty credit risk had no material effect on the fair value of the derivatives and other financial instruments recognised at fair value through profit or loss.

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), but there is no concentration of credit risk with respect to trade debtors.

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 evaluation 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 investments. The carrying value of financial assets approximates their fair value.

The Group's exposure to credit risk associated to equity derivative collateral and cash and cash equivalents is limited through the use of financial institutions of good standing for investment and cash handling purposes.

Analysis by credit quality of financial assets is as follows:

	Note	Group 31 Dec 2018	Group 31 Dec 2017
Trade receivables - gross	15	52,062	42,182
Less: Impairment provision	15	(7,117)	(8,185)
TRADE RECEIVABLES - NET OF PROVISION FOR IMPAIRMENT		**44,945**	**33,997**

The expected loss rates are based on the payment profiles of tenants over a period of 12 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period. On that basis, the impairment provision as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

31 December 2018	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	0%	3%	6%	93%	
Gross carrying amount – trade receivables	35,787	7,250	1,122	333	7,570	52,062
Impairment provision	**-**	**-**	**(33)**	**(21)**	**(7,063)**	**(7,117)**

1 January 2018	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	0%	9%	25%	84%	
Gross carrying amount – trade receivables	26,684	4,866	746	410	9,476	42,182
Impairment provision	**(47)**	**(24)**	**(69)**	**(102)**	**(7,943)**	**(8,185)**

By using the simplified expected credit loss model, the Group assessed its receivables for impairment and concluded that a net amount of €738 thousand was considered unlikely to be recovered in respect of revenues for 2018, therefore an allowance for doubtful debts, including receivables write-offs, was charged to the Statement of comprehensive income (31 December 2017: €291 thousand).

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 2018, 92% of the Group's cash was held with investment-grade rated banks (31 December 2017: 99%).

7.2 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 sufficient 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.

The Group receives rental income on a monthly basis. Typically, the Group ensures it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Further reference to bank loan maturity analysis is made in Note 20.

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

Group 31 Dec 2018	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans (including interest)	20	131,553	290,036	1,284,693	620,809	2,327,091
Interest rate derivatives financial liabilities at fair value through profit or loss	21	-	-	2,725	-	2,725
Trade and other payables (excluding tenant deposits)	22	31,226	124,904	-	-	156,130
Other long-term liabilities	23	-	-	-	44,981	44,981
TOTAL		**162,779**	**414,940**	**1,287,418**	**665,790**	**2,530,927**

Group 31 Dec 2017	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans (including interest)	20	23,813	33,155	1,118,454	619,801	1,795,223
Interest rate derivatives financial liabilities at fair value through profit or loss	21	-	-	4,678	-	4,678
Financial liabilities at fair value through profit or loss	14	-	10,934	-	-	10,934
Trade and other payables (excluding tenant deposits)	22	22,119	88,477	-	-	110,596
Other long-term liabilities	23	-	-	-	37,089	37,089
TOTAL		**45,932**	**132,566**	**1,123,132**	**656,890**	**1,958,520**

7.3 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.

7.3.1 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 exposures in respect of monetary assets and liabilities denominated in currencies other than the one cash inflows are received in.

7.3.2 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 2018 and 31 December 2017, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 20 and 21.

	Group 31 Dec 2018	Group 31 Dec 2017
Bank loans*	967,795	516,455
— Rate capped	215,000	185,924
— Rate swapped	346,155	330,531
— Rate variable**	406,640	-

*The remaining balance relates to loans and borrowings with fixed interest rate.

**The balances exposed to variable rates relate to the outstanding revolving facilities and short-term loans (further details in Note 20).

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.

	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Loans to participants in Current Share Scheme (including accrued interest)	16,758	27,932	16,758	27,932
Loans and borrowings (variable or capped rate)	(621,640)	(113,054)	-	-
TOTAL	**(604,882)**	**(85,122)**	**16,758**	**27,932**

Group 31 Dec 2018	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	168	(168)	168	(168)
Loans and borrowings (variable or capped rate)	(6,216)	6,216	(6,216)	6,216
TOTAL	**(6,048)**	**6,048**	**(6,048)**	**6,048**

Group 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	279	(279)	279	(279)
Loans and borrowings (variable or capped rate)	(1,859)	1,859	(1,859)	1,859
TOTAL	**(852)**	**852**	**(852)**	**852**

Company 31 Dec 2018	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	168	(168)	168	(168)
TOTAL	**168**	**(168)**	**168**	**(168)-**

Company 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	279	(279)	279	(279)
TOTAL	**279**	**(279)**	**279**	**(279)**

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

A change of 100 basis points in the market values of the direct investment in listed property shares held by the Group 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 2018 and 31 December 2017. These balances are subject to changes over the year, therefore the calculations are not representative of the year as a whole. This analysis assumes that all other variables remain constant.

Group 31 Dec 2018	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial investments at fair value through profit or loss	1.683	(1,683)	1.683	(1,683)
TOTAL	**1.683**	**(1,683)**	**1.683**	**(1,683)**

Group 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial investments at fair value through profit or loss	3,266	(3,266)	3,266	(3,266)
TOTAL	**3,266**	**(3,266)**	**3,266**	**(3,266)**

7.3.4 Market risk for financial assets/liabilities at fair value through profit or loss (equity swaps)

The Group entered into equity swap derivatives with a gross exposure of €39,311 thousand as at 31 December 2018, (31 December 2017: €851,261 thousand) (Note 14).

A change of 100 basis points in the market values of gross exposure to listed securities obtained through the equity swaps, the Group would have increased/(decreased) equity and profit or loss by the amounts shown below.

Group 31 Dec 2018	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial assets/(liabilities) at fair value through profit or loss	393	(393)	393	(393)
TOTAL	393	(393)	393	(393)

Group 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial assets/(liabilities) at fair value through profit or loss	8,513	(8,513)	8,513	(8,513)
TOTAL	8,513	(8,513)	8,513	(8,513)

8 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 produces, 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.

9 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. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

Capital is primarily monitored using the gearing ratio, computed as interest bearing debt less cash divided by investment property and net listed securities, which increased to 33% (31 December 2017: 26%).

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 will retain comfortable levels of access to liquidity to finance the Group's development pipeline and to pursue further investment opportunities.

10 INVESTMENT PROPERTY IN USE

Movement in investment property at fair value	Group 31 Dec 2018	Group 31 Dec 2017
Carrying value at beginning of year	4,725,093	2,370,760
Additions from business combinations and asset deals (Note 33A)	593,199	2,045,286
Transferred from Investment property under development (Note 11)	267,922	151,135
Fair value adjustments (Note 29)	104,123	157,912
Investment property reclassified as held for sale	(1,727)	-
CARRYING VALUE	**5,688,610**	**4,725,093**

Investment property is carried at fair value and is assessed on a semi-annual basis.

All investment property in use is valued by the Income Method. For the year ended 31 December 2018, the applied method used for all investment property in use was discounted cash flow (DCF). For the year ended 31 December 2017, the applied approach was either discounted cash flow (DCF) or the capitalisation method.

The discounted cash flow method (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 approach to valuation, the DCF method involves the projection of a series of cash flows onto a real property interest. To these projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of cash inflows associated with the real 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.

The capitalisation method works on the basis of capitalising the passing income for the duration of the term and the reversionary market rental value into perpetuity. Explicit adjustments are made for letting voids, empty service charge, letting fees, fit-out contributions and irrecoverable operating costs. Income is capitalised at an equivalent yield, which is the constant capitalisation rate applied to all cash flows.
For the year ended 31 December 2018 the Group commissioned independent year-end appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners and Jones Lang LaSalle, and for the year ended 31 December 2017, the Group commissioned independent year-end appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners and Colliers International, all members of the Royal Institution of Chartered Surveyors (RICS). The fair value of investment property is based on these reports. The Group provides all information necessary for the valuations and all assets are valued on a semi-annual basis, as at 30 June and 31 December. Detailed tenancy schedules are made available, including information on occupied and vacant units, unit areas and numbers, lease commencement and expiry dates, break options, indexation clauses. All properties have been inspected by representatives of external valuers for the purpose of 31 December 2018 valuations. Valuations are prepared in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"). The Group's investment property is classified Level Three on the fair value hierarchy as defined in IFRS 13.

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

At each financial year-end the finance department:

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

As at 31 December 2018, the investment property at fair value portfolio had a vacancy rate of 2.8% (31 December 2017: 3.6%).

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

IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The Group currently discloses fair values according to a 'fair value hierarchy' (as per IFRS 13) which 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 that the entity can access at measurement date;
- Level 2: use of a model with inputs (other than quoted prices included within Level 1) that are directly, or indirectly, observable market data, and
- Level 3: use of a model with inputs not based on observable data.

The Group's investment property is categorised as Level 3. There were no transfers between hierarchy levels during the year.

The yield resulting from the market value and passing rent of the portfolio is between 5.11% and 13.10% (31 December 2017 between 5.32% and 14.19%). The Group's resulting weighted average yield was 6.84% for the entire property portfolio (retail: 6.74%; office: 7.89%; industrial: 12.80%). For the period ended 31 December 2017, the Group's resulting weighted average yield was 6.75% for the entire property portfolio (retail: 6.66%; office: 7.53%; industrial: 11.73%).

An increase/decrease of 25bps to the yield of 6.84% from above would result in a €200,735 thousand decrease/increase in the Group's property portfolio (2017: yield of 6.75%, increase of 25bps would have resulted in a €168,800 thousand decrease).

The significant unobservable inputs used in the fair value measurement categorised 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 2018 is presented in the table below:

Segment	Valuation technique	Estimated rental value (yearly amount in '000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail	Discounted cash flow	196 - 21.343 (12,038*)	6.9% - 10.30% (8.11*)	5.10% - 8.50% (6.86*)
Office	Discounted cash flow	1,524 - 10,580 (5,054*)	8.00% - 9.55% (8.75*)	6.50% - 8.075% (7.56*)
Industrial	Discounted cash flow	400 – 1,112 (903*)	10.30% – 10.80% (11.65*)	8.50% – 9.00% (8.85*)

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2017 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/ Capitalisation	196 – 19,945 (10,838*)	5.10 – 11.00 (7.96*)	5.10 – 9.50 (6.94*)
Office	Discounted cash flow	1,625 – 9,744 (5,916*)	8.00 – 9.50 (9.00*)	6.50 – 8.00 (7.50*)
Industrial	Discounted cash flow	504 – 1,316 (910*)	11.00 – 11.50 (11.25*)	9.00 – 10.50 (9.75*)

** Amounts or percentages represent weighted averages*

11 INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development Retail	Group 31 Dec 2018	Group 31 Dec 2017
Carrying value at beginning of year	202,416	144,082
Additions from business combinations (Note 33A)	575	10,819
Additions from asset deals and construction in progress	282,236	157,040
Fair value adjustments (Note 29)	4,514	4,943
Assets which became operational and were transferred to Investment property in use (Note 10)	(267,281)	(114,468)
CARRYING VALUE	**222,460**	**202,416**

Movement in Investment property under development Office	Group 31 Dec 2018	Group 31 Dec 2017
Carrying value at beginning of year	-	31,930
Additions from asset deals and construction in progress	641	4,860
Fair value adjustments (Note 29)	-	-
Assets which became operational and were transferred to Investment property in use (Note 10)	(641)	(36,667)
Investment property under development reclassified as held for sale (Note 17)	-	(123)
CARRYING VALUE	**-**	**-**

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 2018, the Group commissioned independent year-end reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners and Jones Lang LaSalle, based on which the fair value of investment property was adjusted. For the year ended 31 December 2017, the Group commissioned independent year-end reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners and Colliers International, based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level Three on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach.

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

Borrowing costs capitalised in 2018 amount to €5,790 thousand (2017: €4,350 thousand) and were calculated using an average annual interest rate of 2.3% (2017: 2.2%).

Balance of investment property under development	Group 31 Dec 2018	Group 31 Dec 2017
Retail	222,460	202,416
Office	-	-
TOTAL	**222,460**	**202,416**

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

Investment property under development	Group 31 Dec 2018	Group 31 Dec 2017
Land (at fair value)	149,783	137,106
Construction works (at cost)	72,677	65,310
TOTAL	**222,460**	**202,416**

12 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Loans to participants in the Current Share Scheme and management incentive (Note 19)	16,758	27,932	16,758	27,932
Non-current receivables	-	6,151	–	–
Property, plant and equipment and intangible assets	2,281	2,092	–	–
TOTAL	**19,039**	**36,175**	**16,758**	**27,932**

13 GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Segment	Balance at 1 Jan 2017	Additions	Impairment of goodwill	Balance at 31 Dec 2017	Additions	Balance at 31 Dec 2018
Pitesti Retail Park	Retail	1,671	–	–	1,671	–	1,671
Floreasca Business Park	Office	1,664	–	–	1,664	–	1,664
Internalisation of NEPI Investment Management	Corporate	5,882	–	–	5,882	–	5,882
City Business Centre	Office	4,747	–	–	4,747	–	4,747
The Lakeview	Office	3,899	–	–	3,899	–	3,899
Aupark Kosice Mall	Retail	5,189	–	–	5,189	–	5,189
Iris Titan Shopping Center	Retail	934	–	–	934	–	934
Forum Usti nad Labem	Retail	5,646	–	–	5,646	–	5,646
Shopping City Sibiu	Retail	9,850	–	–	9,850	–	9,850
Korzo Shopping Centrum	Retail	2,899	–	–	2,899	–	2,899
Aupark Shopping Center Piestany	Retail	2 ,497	–	–	2 ,497	–	2 ,497
Arena Centar	Retail	13,512	–	–	13,512	–	13,512
NEPI Rockcastle Merger	Corporate	–	886,167	(886,167)	–	–	-
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	10,488
TOTAL		**58,390**	**910,359**	**(886,167)**	**82,582**	**10,488**	**93,070**

No impairment charge arose as a result of the impairment test except for goodwill arising from NEPI Rockcastle Merger in 2017 (note 33B). The recoverable amounts of the CGUs, except for NEPI Investment Management and Energit, were based on their fair value less costs of disposal. The fair values of the properties were assessed based on reports by external valuers. The external valuations are determined using discounted cash flow (DCF) projections and capitalisation method based on significant unobservable inputs. For more information on the unobservable input used in the external valuation, reference is made to Note 10. The most relevant assumption is the terminal value capitalisation rate.

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 the CGU was based on its value in use, which requires the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated cash flow of year 5. The discount rate used is 8%.

14 INVESTMENTS IN LISTED SECURITIES AND NET RESULT FROM FINANCIAL INVESTMENTS

	31 Dec 18	31 Dec 17
Financial investments at fair value through profit or loss	168,339	326,565
Equity derivative collateral	27,784	265,541
Financial assets at fair value through profit or loss related to financial investments	831	11,923
Financial liabilities at fair value through profit or loss related to financial investments	-	(10,934)
	196,954	**593,095**

A. *Financial investments at fair value through profit or loss*

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

As at 31 December 2018, the Group held a portfolio of listed securities fair valued at €168,339 thousand (2017: €326,565 thousand). The portfolio is focused towards liquid counters in developed markets, with a strong emphasis on companies which dominate regionally. The entire balance of the portfolio as at 31 December 2018 represented physical listed securities held in two listed real estate companies, Unibail-Rodamco-Westfield and Klepierre (31 December 2017: over 95% of the investments in physical listed securities were held in Unibail-Rodamco, Westfield and Klepierre).

The highest holding of financial investments was in Unibail shares, which represented 0.9% of the respective entity's equity (31 December 2017: Unibail shares, which represented 1.1% of the respective entity's equity). The percentage of holding does not meet the definition of control as defined by IFRS, therefore it does not meet the requirement to consolidate the entity.

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.

B. *Financial assets and financial liabilities at fair value through profit or loss*

In addition to directly, physically held listed securities, the Group utilizes equity swap derivatives to obtain exposure mainly to listed real estate companies.

An equity swap is an exchange of future cash flows between two parties. The principal counterparty, the prime broker, is Morgan Stanley. The streams of payments in an equity swap are known as the legs. One leg is the payment stream of the performance of an equity security over a specified period, which is based on the specified notional value or a number of shares. The second leg contains a funding leg which serves as the determinant of the cost associated with the underlying exposure. The funding leg accrues interest based on the notional exposure underlying the equity swap at the benchmark rate plus a spread agreed for the particular currency and with the respective prime broker.

The Group is required to place cash as collateral (named "Equity derivative collateral" in the financial statements) under the equity swaps that is held with prime broker.

As the equity swaps qualify as derivatives, the gross investment and liability exposures are not separately recognised and only the net fair value is recognised in the statement of financial position. The Group's equity swap derivatives position is presented below:

31 December 2018	Financial assets	Financial liability	Total
Gross exposure – value of underlying listed investments	39,311	-	**39,311**
Funding leg	(38,480)	-	**(38,480)**
Fair value in the statement of financial position	831	-	**831**

31 December 2017	Financial assets	Financial liability	Total
Gross exposure – value of underlying listed investments	401,438	449,823	**851,261**
Funding leg	(389,515)	(460,757)	**(850,272)**
Fair value in the statement of financial position	11,923	(10,934)	**989**

The financial investments are not considered as long-term strategic investments and are expected to be sold in short term; therefore these and their related financial assets/liabilities have been accounted as financial assets/liabilities at fair value through profit or loss and classified as current assets/liabilities.

C. *Equity derivative collateral*

Equity derivative collateral comprises cash required to be held with prime broker in relation to equity swaps as described in Section b) above. The equity derivative collateral is split by currency as follows:

Details of equity derivative collateral by currencies	31 Dec 2018	31 Dec 2017
EUR	27,784	256,497
AUD	-	5,491
USD	-	1,905
GBP	-	1,644
PLN	-	4
TOTAL	**27,784**	**265,541**

D. *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.

The Income from financial investments at fair value through profit or loss of €29,132 thousand (2017: €18,084 thousand) includes finance costs of €1,327 thousand (2017: €7,192 thousand) on the funding leg of the equity swaps.

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 2018, the net capital and realized losses from the sale of investment in listed securities amounted to €152,047 thousand (2017: €24,112 thousand).

15 TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
VAT receivable	23,392	14,965	9	6
Tenant receivables	44,945	33,997	–	–
Other receivables	1,687	4,875	55,800	3,219
Prepaid property expenses	10,343	6,689	–	–
Other prepaid fees	383	267	93	–
TOTAL	**80,750**	**60,793**	**55,902**	**3,225**

16 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
EUR	45,163	137,005	1,028	457
RON	15,859	24,523	–	–
PLN	15,039	12,376	–	–
BGN	3,638	7,497	–	–
HUF	6,229	5,611	–	–
HRK	5,573	4,679	–	–
CZK	2,029	2,967	–	–
RSD	1,670	573	–	–
ZAR	212	38	212	38
USD	131	8	2	–
GBP	1,381	267	15	15
TOTAL	**96,924**	**195,544**	**1,257**	**510**

Details of cash and cash equivalents by type	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Current accounts	88,071	132,627	1,257	510
Restricted cash	7,210		–	–
Deposits	984	62,425	–	–
Petty cash and other values	659	492	–	–
TOTAL	**96,924**	**195,544**	**1,257**	**510**

17 INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale	Group 31 Dec 2018	Group 31 Dec 2017
Carrying value at beginning of year	10,238	15,525
Additions from investment property under development (Note 11)	-	123
Disposals	(636)	(4,577)
Additions from investment property at fair value (Note 10)	1,727	-
Additions from property, plant and equipment	844	-
Additions from held for sale	10	
Fair value adjustments (Note 29)	(226)	(833)
CARRYING VALUE	**11,957**	**10,238**

No properties were sold subsequent to the year end, however the Group is engaged in negotiations and is analysing offers received for the remaining balance, and is committed to disposal of the properties classified as held for sale.

18 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital €0.01/share	Share premium
Issued as of 1 January 2017	**3,215**	**1,368,171**
— Issued 5,691,549 ordinary shares at €9.88/share[1]	57	(57)
— Issued 9,305,725 ordinary shares at €11.00/share[1]	93	(93)
— Issued 6,849,315 ordinary shares at €10.57/share[2]	68	72,356
— Issued 29,541,215 ordinary shares at €11.10/share[2]	296	296,684
— Issue cost recognised to equity	–	26,706
— Issued 204,926,726 ordinary shares at €11.33/share[3]	2,049	2,320,230
— Reallocation of NEPI reserves to share premium	–	427,720
— Transfer of goodwill impairment on acquisition of Rockcastle Group to share premium	–	(886,167)
— Sale of shares issued under the Initial Share Scheme	–	18
CARRIED FORWARD AS AT 31 DECEMBER 2017	**5,778**	**3,625,568**

Movement of ordinary shares	Share capital €0.01/share	Share premium
CARRIED FORWARD AS AT 31 DECEMBER 2018	**5,778**	**3,625,568**

[1] The shares were issued in respect of the return of capital: 10 April, 12 October 2017.
[2] The shares were issued as part of the book builds: 10 March, 16 October 2017 pursuant to the general authority to issue shares for cash and a vendor consideration placement.
[3] The shares were issued for the acquisition of Rockcastle Group on 14 July 2017.

The Group had no issues of share capital, or options to receive capital return to its shareholders during 2018.

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

19 SHARE-BASED PAYMENTS

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

NEPI Rockcastle's current incentive plan was disclosed in the prospectus of the merger between NEPI and Rockcastle (the "2017 Incentive Plan"). The 2017 Incentive Plan 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 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 Incentive Plan, and the allocation of incentives is discretionary, based on key performance indicators and other considerations regarding the employees' performance.

No shares were issued under the 2017 Incentive Plan until 31 December 2018; the accrual for estimated performance Awards in respect of 2018 was included in staff costs (Note 27). All future share issues to directors and employees will be done under the 2017 Incentive Plan.

Following the merger, NEPI Rockcastle assumed the assets and liabilities of NEPI and Rockcastle, including the shares previously issued to directors and employees under NEPI's and Rockcastle's share purchase schemes (the "NEPI SPS" and "Rockcastle SPS"). All loans outstanding were assigned to NEPI Rockcastle and participants in the NEPI SPS and Rockcastle SPS received NEPI Rockcastle shares (as determined with reference to the swap ratio) in respect of all NEPI and Rockcastle shares held by them pursuant to the existing plans. The NEPI Rockcastle shares so received will remain subject to the rules of the NEPI SPS and Rockcastle SPS, on the basis that all the participants' rights and obligations under the existing plans will apply to such NEPI Rockcastle shares.

	Maximum number of shares which could be offered for subscription at 31 December 2018	No of shares outstanding 31 Dec 2018	Loans outstanding 31 Dec 2018	No of shares outstanding 31 Dec 2017	Loans outstanding 31 Dec 2017
2017 Incentive Plan	27,403,086	-	-	-	-
NEPI SPS	-	1,754,145	3,746	2,143,085	6,345
Rockcastle SPS	-	1,656,512	13,012	2,752,498	21,587
TOTAL	**27,403,086**	**3,410,657**	**16,758**	**4,895,583**	**27,932**

During 2018 and 2017, no shares were issued under the NEPI SPS or Rockcastle SPS.

The NEPI SPS was based on loans granted to participants in the share purchase schemes to buy shares, the repayment of which could be made in part out of the distribution payable in relation to the shares. Of the shares initially subscribed for, 20% vested annually. NEPI offered each participant the immediate right to subscribe for the permitted number of shares at their then 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 NEPI could borrow money. Loans were payable in full, together with interest, ten years after its subscription date, but could be repaid earlier. NEPI had security interests that ensured the repayment of the principal and interest on the loan given to participants. The NEPI 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 were used to repay loan interest. Any excess distribution after interest payment was used to repay the loan.

The Rockcastle SPS was based on loans granted to participants in the share purchase schemes to buy shares, the repayment of which could be made in part out of the distribution payable in relation to the shares. Rockcastle offered each participant the immediate right to subscribe for the permitted number of shares at their then market value together with a loan to fund the purchase. With effect from 2017, each loan carried interest at the weighted average rate that the Company can borrow money (previously at a fixed rate of 5%). Loans were payable in full, together with interest, ten years after its subscription date, but could be repaid earlier. Rockcastle had security interests that ensured the repayment of the principal and interest on the loan given to participants. The Rockcastle 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 were used to repay loan interest. Any excess distribution after interest payment was used to repay the loan and any shortfall in interest payable was advanced by Rockcastle as a bonus to the participant.

The accounting policy with respect to Share-Based Payments is described in Note 4.20.

20 BORROWINGS (BONDS AND BANK LOANS)

The Group was assigned long-term corporate credit ratings of Baa3 (stable outlook) from Moody's Investors Service, BBB (stable outlook) from Standard & Poor's Rating Services, and BBB (stable outlook) from Fitch Ratings.

In 2018 the Group decreased the interest margin for the three unsecured committed revolving credit facilities, and extended their availability for 2 or 3 years. Also the contracted amount for the revolving credit facility from Raiffeisen Bank International was increased.
As at year-end, the Group had undrawn amounts of €236,000 thousand from the unsecured revolving credit facilities.

The debt's average interest rate, including hedging costs, was approximately 2.3% during 2018, slightly up from 2.2% in 2017. As at 31 December 2018, fixed-coupon bonds represented 43% of NEPI Rockcastle's outstanding debt; out of the remaining long-term debt exposed to Euribor, 30% was hedged with interest rate caps, 48% with interest rate swaps and the difference relates to the outstanding revolving facilities.

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 34.

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

Interest bearing borrowings Group, 31 Dec 2017	**Type**	**Payable in less than 1 year**	**Payable in 1–5 years**	**Payable over 5 years**	**Total**
Netherlands	Unsecured fixed coupon bonds	-	400,000	500,000	900,000
Poland	Secured term loans	2,120	454,225	74,100	530,445
Slovakia	Secured term loans	8,301	167,455	-	175,756
Czech Republic	Secured term loans	-	2,307	38,693	41,000
Accrued interest on loans and deferred loan costs		147	(2,286)	-	(2,139)
Accrued interest on bonds		13,527	-	-	13,527
Deferred bond costs*		(1,751)	(4,699)	(782)	(7,232)
Issue discount on bonds		(1,031)	(3,378)	(1,224)	(5,633)
Total		**21,313**	**1,013,623**	**610,787**	**1,645,723**

* In the deferred bond costs above, the company incurred NIL (2017: EUR 194,450) for other assurance services rendered by PwC.

Debt reconciliation

This section sets out an analysis of debt and the movements in debt for the periods presented.

	Bank loans	**Bonds**	**Total**
Debt as at 31 December 2017	**745,061**	**900,662**	**1,645,723**
Cash repayments of principal	(12,165)	-	**(12,165)**
Cash proceeds from bank loans or bonds	414,000	-	**414,000**
Cash payments of interest on bank loans or coupon on bonds	(17,153)	(23,750)	**(40,903)**
Accrued interest or coupon / charge to accrued interest	(2,334)	3,038	**704**
Bank loans transferred through business combinations	48,353	-	**48,353**
Interest expense	16,814	24,849	**41,663**
Other non-cash items	2,478	(1,761)	**717**
Debt as at 31 December 2018	**1,195,054**	**903,038**	**2,098,092**

	Bank loans	**Bonds**	**Total**
Debt as at 31 December 2016	**278,592**	**455,976**	**734,568**
Cash repayments of principal	(113,952)	(50,000)	**(163,952)**
Cash proceeds from bank loans or bonds	86,000	500,000	**586,000**
Cash payments of interest on bank loans or coupon on bonds	(8,139)	(15,895)	**(24,034)**
Accrued interest or coupon / charge to accrued interest	147	10,745	**10,892**
Bank loans transferred through business combinations	500,625	-	**500,625**
Other non-cash items	1,788	(164)	**1,624**
Debt as at 31 December 2017	**745,061**	**900,662**	**1,645,723**

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

Secured term loans

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

Securities
- General security over the properties (fair values as at 31 December 2018), current assets, cash inflows from operating activities, accounts and receivables; and
- General security over the shares in the property-owning entities.

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

Unsecured term loan

In August 2018, the Group contracted an unsecured short-term loan which matures in August 2019.

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

Unsecured committed revolving facilities

In 2014 and 2017 the Group contracted unsecured committed revolving facilities. In 2018 all maturities were extended. At 31 December 2018, there were €236,000 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

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

In 2017, the Group successfully issued another 500,000 thousand of unsecured, 7-year Eurobonds. The bonds mature on 23 November 2024 and carry a 1.75% fixed coupon, with an issue price of 99.051%.

Covenants
- Solvency Ratio (Debt/Assets) of maximum 0.60;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 180% / 150%.

NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during 2018 and 2017. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:
- Solvency Ratio: 360% (31 December 2017: 310%);
- Consolidated Coverage Ratio: 738% (31 December 2017: 792%); and
- Unsecured Ratio: 315% (31 December 2017: 421%).

Due to the ongoing extension works in Solaris Shopping Centre (Poland), the leased area has temporarily decreased, and the financing bank waived certain performance covenants until end of June 2019. The extension is scheduled to open early in the second quarter of 2019.

21 INTEREST RATE DERIVATIVES FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Group 31 Dec 2018	Group 31 Dec 2017
Financial assets		
— Company	4,314	318
— Subsidiaries	4,331	1,475
TOTAL INTEREST RATE DERIVATIVE FINANCIAL ASSETS	**8,645**	**1,793**
Financial liabilities		
— Subsidiaries	2,725	4,678
TOTAL INTEREST RATE DERIVATIVE FINANCIAL LIABILITIES	**2,725**	**4,678**

These interest rate caps and fixed interest rate swaps are not designated as cash flow hedges, and are classified as Level Two of the fair value hierarchy as defined by IFRS 13.

22 TRADE AND OTHER PAYABLES

	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Advances from tenants	41,211	33,757	–	–
Payable for assets under construction	42,673	26,026	–	–
Property related payables	52,609	39,926	–	–
Deferred consideration on business combinations	11,602	5,014	–	–
Accrued administrative expenses	8,035	5,873	1,749	544
Tenant security deposits	3,656	2,957	–	–
TOTAL	**159,786**	**113,553**	**1,749**	**544**

23 OTHER LONG-TERM LIABILITIES

	Group 31 Dec 2018	Group 31 Dec 2017
Tenant security deposits	31,132	24,382
Other long-term liabilities	10,035	10,587
Provisions	3,814	2,120
TOTAL	**44,981**	**37,089**

24 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 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 utilise**D.**

	Group 31 Dec 2018	Group 31 Dec 2017
Current tax expense	9,482	1,671
Deferred tax expense	45,326	46,199
TAX EXPENSE	**54,808**	**47,870**
Deferred tax brought forward	258,615	158,863
Deferred tax acquired in business combinations (Note 33)	33,509	56,955
Other adjustments	(2)	(3,402)
Deferred tax expense	45,326	46,199
NET DEFERRED TAX LIABILITY CARRIED FORWARD, OUT OF WHICH:	**337,448**	**258,615**
DEFERRED TAX ASSET	(13,739)	(12,490)
DEFERRED TAX LIABILITY	351,187	271,105

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

	Group 31 Dec 2018	Group 31 Dec 2017
Fiscal losses	299,555	220,057
Other deductible temporary differences (*)	48,783	38,955
Deferred tax asset	**57,401**	**43,725**
Temporary differences between accounting and fiscal value of investment property	(2,583,061)	(1,883,871)
Other taxable temporary differences (*)	(10,708)	(26,810)
Deferred tax liability	**(394,849)**	**(302,340)**
NET DEFERRED TAX LIABILITY	**(337,448)**	**(258,615)**

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

The deferred tax balance as at 31 December 2018 is the net effect of deferred tax assets resulted from fiscal losses and deferred tax liabilities resulted from differences between the fiscal base and the accounting base of assets and liabilities, mainly investment 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 valuation of the investment property and other local tax adjustments (e.g. local tax depreciation charges, non-capitalisation or certain items, etc.) which diminish the tax value of the investment property.

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
Deferred tax liability (net)	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
Acquired under business combinations (Note 33)	(28,470)	(53,554)	-	-
Recognised unused tax losses	14,526	7,716	-	-
Deferred tax liability on investment property valuation	(44,679)	(70,152)	-	-
Deductible/taxable temporary differences (net)	1,683	8,882	-	-
Valuation of investment property at fair value	(343,011)	(227,137)	(45,722)	(39,060)
Adjustment of DTL for the amount recovered from seller, deducted from goodwill (no P&L impact)	(5,037)	-	-	-
Recognised unused tax losses	33,649	28,660	(2,727)	(1,649)
Deductible/Taxable temporary differences (incl. corrections)	5,421	(6,584)	3,123	(5,490)
Total	**(337,448)**	**(258,615)**	**(45,326)**	**(46,199)**

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

Corporate income tax rates	Group 31 Dec 2018	Group 31 Dec 2017
Isle of Man	0%	0%
Netherlands	25%[1]	25%
United Kingdom	19%	19%
Mauritius	15%[2]	15%[2]
Romania	16%	16%
Poland	19%	19%
Slovakia	21%[2]	21%[2]
Serbia	15%	15%
Czech Republic	19%	19%
Croatia	18%	18%
Bulgaria	10%	10%
Hungary	9%	9%
Lithuania	15%	-

1) As at 1 January 2011, the rate applying to taxable profits exceeding EUR 0.2 million has been reduced from 25.5% to 25%. Below this amount a 20% tax rate is applicable to taxable profit. For 2019, the corporate income tax rates will decrease from 25% to 21% (second bracket) and from 20% to 16% (first bracket of EUR 0.2 million of taxable income).
2) The corporate tax rate in Mauritius is 15%. As the company holds a Category One Global Business License, the Income Tax (Foreign Tax Credit) Regulations 1996 provides for the setting off of any underlying tax, withholding tax or tax sparing credit by the company against the 15% tax or a deemed 80% foreign tax credit on the company's foreign source income where written evidence of foreign tax charged is not presented to the tax authorities in Mauritius. Gains on sale of securities are exempted from tax in Mauritius.

A reconciliation between the current year income tax charge (current and deferred tax) and the Group consolidated profit before tax as at 31 December 2018 is presented below.

Profit Before Tax Reconciliation for 2018	EUR thousand
Group consolidated Profit Before Tax	276,513
Group weighted tax rate	25%
Group income tax (charge)/credit based on Group weighted tax rate	(69,128)
Effect in corporate income tax resulting from the following items:	
Group share in earnings from companies accounted for under equity method	1,606
DTA recognized as gain on acquisition of subsidiaries and additional deferred tax liability from newly acquired land	(1,976)
Tax value adjustments in local jurisdictions related to previous years	(2,577)
Tax depreciable goodwill recognised in local subsidiaries and not recognized at Group level	7,806
Fiscal losses expired and/or not utilised in 2018 (release of DTA not related to current year)	(2,896)
New tax losses in the year	11,152
Others	1,207
TOTAL Group tax charge (excluding minimum tax)	**(54,808)**
Effective tax rate (excluding the effect of minimum tax)	**19.82%**

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 €299,555 thousand (31 December 2017: €220,057 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 €66,780 thousand (31 December 2017: €1,263 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 or the tax legislation introduced starting 1 January 2019 will allow such losses to be recovered.

The Group does not withhold taxes on distribution paid.

25 NET ASSET VALUE PER SHARE

	Group 31 Dec 2018	Group 31 Dec 2017
Net Asset Value per the Statement of financial position	3,845,873	3,914,719
Deferred tax liabilities for controlled subsidiaries	351,187	271,105
Deferred tax assets for controlled subsidiaries	(13,739)	(12,490)
Goodwill	(93,070)	(82,582)
Interest rate derivatives financial assets at fair value through profit or loss	(8,645)	(1,793)
Interest rate derivatives financial liabilities at fair value through profit or loss	2,725	4,678
Deferred tax liabilities for joint ventures	10,744	8,856
Interest rate derivatives at fair value through profit or loss for joint ventures	916	1,056
Adjusted Net Asset Value	**4,095,991**	**4,103,549**
Net Asset Value per share (euro)	6.66	6.78
Adjusted Net Asset Value per share (euro)	7.09	7.10
Number of shares for Net Asset Value per share (Note 31)	577,800,734	577,800,734
Number of shares for Adjusted Net Asset Value per share (Note 31)	577,800,734	577,800,734

26 NET RENTAL AND RELATED INCOME

	Group 31 Dec 2018	Group 31 Dec 2017
Gross rental income	349,907	233,807
Service charge income	151,826	103,170
Gross rental and service charge income	**501,733**	**336,977**
Property management, tax, insurance and utilities	(85,079)	(53,809)
Property maintenance cost	(69,252)	(50,139)
Provisions and allowances for doubtful debts	(1,332)	(944)
Property operating expenses	**(155,663)**	**(104,892)**
TOTAL	**346,070**	**232,085**

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are detailed below.

	Group 31 Dec 2018	Group 31 Dec 2017
No later than 1 year	359,574	306,027
Later than 1 year and not later than 5 years	797,838	678,470
Later than 5 years	242,196	203,009
TOTAL	**1,399,608**	**1,187,506**

The Company is domiciled in Isle of Man but does not generate revenue there. The Group's revenue is primarily generated from property assets, which are held by Group companies domiciled in the same country as the relevant asset is located. The breakdown of the revenue from external customers by country is disclosed in Note 35.

27 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Staff costs*	(10,358)	(8,985)	–	–
Directors' remuneration (Note 37)	(4,596)	(1,727)	(1,847)	(879)
Audit services	(1,092)	(765)	–	–
Advisory services	(2,895)	(2,489)	(1,186)	(361)
Travel and accommodation	(854)	(370)	(356)	(148)
Companies administration	(1,318)	(710)	(2,907)	(3,008)
Stock exchange expenses	(909)	(145)	(909)	(854)
TOTAL	**(22,022)**	**(15,191)**	**(7,205)**	**(5,250)**

** Staff costs capitalised as investment property under development in 2018 amount to €2,541 thousand (2017: €1,961 thousand).*

Out of the above audit services, fees related to PwC, the Group's auditor represent:

	Group 31 Dec 2018	Group 31 Dec 2017
Audit fees	(845)	(760)
Other assurance services	(187)	-
Other consulting services	(60)	(5)
TOTAL	**(1,092)**	**(765)**

28 ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2018	Group 31 Dec 2017
Fees for finalised acquisitions	(4,453)	(9,620)
Fees for ongoing acquisitions	(1,421)	(498)
Fees for terminated acquisitions	(205)	(563)
TOTAL	**(6,079)**	**(10,681)**

Out of the above acquisition fees, €88 thousand (2017: €24 thousand) were related to advisory services rendered by PwC.

29 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

	Group 31 Dec 2018	Group 31 Dec 2017
Fair value adjustments of investment property in use (Note 10)	104,123	157,912
Fair value adjustments of investment property under development (Note 11)	4,514	4,943
Fair value adjustments of investment property held for sale (Note 17)	(226)	(833)
TOTAL	**108,411**	**162,022**

30 NET FINANCE INCOME/(EXPENSE)

	Group 31 Dec 2018	Group 31 Dec 2017	Company 31 Dec 2018	Company 31 Dec 2017
Interest income on loans granted	1,690	2,520	–	–
Interest on Current Share Scheme and management incentive loans	488	572	488	572
Interest on bank deposits	264	(566)	2	–
Interest income from subsidiaries	–	–	34,926	16,711
Interest and penalties on receivables	15	41	–	–
Other finance income from subsidiaries*	–	–	52,177	20,825
Finance income	**2,457**	**2,567**	**87,593**	**38,108**
Interest expense on financial liabilities measured at amortised cost	(18,343)	(9,146)	(375)	(662)
Interest expense capitalised on developments	5,770	4,350	–	–
Bonds borrowing costs**	(27,744)	(18,983)	–	–
Bank charges	(1,999)	(1,694)	(39)	(10)
Finance expense	**(42,316)**	**(25,473)**	**(414)**	**(672)**
TOTAL	**(39,859)**	**(22,906)**	**87,179**	**37,436**

** Other finance income from subsidiaries represent guarantee fees.*
*** Bonds borrowing costs include: coupon, amortisation of borrowing costs and debt discount.*

31 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2018 was based on the profit attributable to equity holders of €221,855 thousand (31 December 2017: loss of €579,694 thousand) and the weighted average of 577,800,734 (31 December 2017: 436,806,684) ordinary shares in issue during the year.

As the Group recognised a one-off goodwill impairment in 2017 of €886,167 thousand related to the NEPI Rockcastle merger (note 33B), the basic and diluted earnings per share do not show relevant and comparable indicators due to the justifiable loss for the year. The Group has also prepared the same ratios excluding the goodwill impairment.

	Group 31 Dec 2018	Group 31 Dec 2017
(Loss)/Profit for the year attributable to equity holders	221,855	(579,694)
Profit for the year attributable to equity holders excluding impairment of goodwill	221,855	306,473
Weighted average number of shares in issue	**577,800,734**	**436,806,684**
Diluted weighted average number of shares in issue	**577,800,734**	**436,809,203**
Basic/ diluted (loss)/earnings per share (euro cents)	38.4	(132.71)
Basic/ diluted earnings per share (euro cents) excluding impairment of goodwill	38.4	70.16

Weighted average number of shares (excluding the Initial Share Scheme shares) for basic earnings per share purposes:

2018	Event	Number of shares	% of period	Weighted average
01/01/18	Opening balance	577,800,734	100	577,800,734
31/12/2018	Closing balance			577,800,734

2017	Event	Number of shares	% of period	Weighted average
01/01/17	Opening balance	321,479,204	19	60,056,555
10/03/17	Accelerated book build	328,328,519	9	27,962,044
10/04/17	Return of capital	334,020,068	9	29,364,402
12/05/17	Sales of scheme 1 shares	334,027,068	16	55,059,407
11/07/17	Issue of shares for acquisition of Rockcastle Group	538,953,794	25	137,699,733
12/10/17	Return of capital	548,259,519	1	6,024,830
16/10/17	Accelerated book build	577,800,734	21	120,639,714
31/12/2017	Closing balance			436,806,684

Weighted average number of shares (including the Initial Share Scheme shares) for diluted earnings per share purposes:

2018	Event	Number of shares	% of period	Weighted average
01/01/18	Opening balance	577,800,734	100	577,800,734
31/12/2018	Closing balance			577,800,734

2017	Event	Number of shares	% of period	Weighted average
01/01/17	Opening balance	321,486,204	19	60,057,862
10/03/17	Accelerated book build	328,335,519	9	27,962,640
10/04/17	Return of capital	334,027,068	25	84,424,424
11/07/17	Issue of shares for acquisition of Rockcastle Group	538,953,794	25	137,699,733
12/10/17	Return of capital	548,259,519	1	6,024,830
16/10/17	Accelerated book build	577,800,734	21	120,639,714
31/12/2017	Closing balance			436,809,203

32 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2018 was based on headline earnings of €119,725 thousand (31 December 2017: €152,898 thousand) and the weighted average of 577,800,734 ordinary shares in issue during 2018 (2017: 436,806,684), excluding those issued under the Initial Share Scheme.

Reconciliation of profit for the year to headline earnings	Group 31 Dec 2018	Group 31 Dec 2017
(Loss)/Profit for the year attributable to equity holders	221,855	(579,694)
Fair value adjustments of investment property in use (Note 29)	(108,411)	(162,022)
(Gain)/Loss on disposal of investment property held for sale	-	(9)
Gain on acquisition of subsidiaries	(6,933)	-
Impairment of goodwill	-	886,167
Tax effects of adjustments for controlled subsidiaries	16,888	27,089
Fair value adjustment of investment property for joint ventures	(4,374)	(20,928)
Tax effects of adjustments for joint ventures	700	2,295
HEADLINE EARNINGS	**119,725**	**152,898**
Weighted average number of shares in issue	577,800,734	436,806,684
Diluted weighted average number of shares in issue	577,800,734	436,809,203
Headline earnings per share (euro cents)	20.72	35.00
Diluted headline earnings per share (euro cents)	20.72	35.00

33A BUSINESS COMBINATIONS AND SIGNIFICANT ASSET DEALS

During 2018, the Group acquired retail assets in Slovakia, Lithuania, Poland and Hungary. In all cases, 100% of equity interests were acquired. For further details see Note 13.

Mlyny

The Group acquired Galeria Mlyny, a modern shopping and entertainment mall having over 32,400m^2 GLA, being the main retail destination in city of Nitra and western Slovakia.

The effective date of acquisition was 31 May 2018 with the transaction being completed in July 2018. The Company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	128,400
Current assets*	4,566
Current liabilities	(3,525)
Non-current liabilities	(50,791)
Deferred tax liabilities	(17,100)
Total identifiable net assets at fair value	**61,550**
Goodwill arising on acquisition	10,488
Total consideration paid in cash	**72,038**

**out of which cash in the subsidiaries acquired in the transaction amounts to €3,865 thousand*

Ozas Shopping and Entertainment Centre

The Group acquired Ozas Shopping and Entertainment Centre, a shopping mall in Vilnius the capital city of Lithuania with 62,400m^2 GLA, enjoying a strong fashion and entertainment-oriented tenant mix.

The transaction effective date was 31 May 2018, and the Company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	124,828
Investment property under development	575
Current assets*	2,395
Current liabilities	(3,131)
Non-current liabilities	(560)
Deferred tax liabilities	(1,893)
Total consideration paid in cash	**122,214**

**out of which cash in the subsidiary acquired in the transaction amounts to €2,117 thousand*

Aura Centrum

The Group acquired Aura Centrum, a prominent shopping and entertainment destination in heart of Olsztyn city centre, with 25,400m^2 GLA, creating regional synergies for NEPI Rockcastle.

The transaction effective date was 30 May 2018, and the Company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	64,935
Current assets*	1,324
Current liabilities	(1,231)
Deferred tax assets	5,117
Total identifiable net assets at fair value	**70,145**
Bargain purchase revenue	(5,117)
Total consideration payable	**65,028**
Retained amount	(1,096)
Total consideration paid in cash	**63,932**

**out of which cash in the subsidiary acquired in the transaction amounts to €909 thousand*

Mammut Shopping Centre

The Group acquired 100% of Mammut 2 and 81% of Mammut 1, which jointly form Mammut Shopping Centre, one of the largest and most successful shopping and entertainment destination in Budapest, with 56,100m^2 GLA (weighted for control).

The transaction effective date was 11 September 2018, and the Company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	275,036
Current assets*	7,001
Current liabilities	(7,135)
Non-current liabilities	(247)
Deferred tax liabilities	(19,633)
Total identifiable net assets at fair value	**255,022**
Bargain purchase revenue	(871)
Total consideration paid in cash	**254,151**

**out of which cash in the subsidiary acquired in the transaction amounts to €4,711 thousand*

From the effective date of acquisition, the following contributions were made to profit after tax and to revenues from rent and recoveries:

	Mlyny	Ozas Shopping and Entertainment Centre	Aura Shopping Centre	Mammut Shopping Centre	Total
Profit after tax	4,717	6,918	3,707	4,917	**20,259**
Recoveries and contractual rental income	6,599	8,167	4,456	6,321	**25,543**

33B IMPAIRMENT

In relation to comparative amounts for 2017, the Group has recorded a significant amount of impairment in relation to the Rockcastle business combination. At the time of the merger, Rockcastle shares were trading at a premium to fair value of net asset value, generating a difference of €886,167, which was recognised as goodwill.

According to the Accounting policies set out in Note 4, goodwill is measured at cost less any accumulated impairment losses and is tested annually for impairment. Goodwill is allocated to cash-generating units ("CGU") for impairment testing which are represented by individual properties and listed securities business. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

In accordance with IFRS 3 – Business combination, the acquirer should finalise the accounting of the acquisition (including any adjustments to the goodwill) in one year from the date of combination. Thus, NEPI Rockcastle completed this purchase price allocation of the acquired business (Rockcastle) at 31 December 2017. The recoverable amount for the CGUs has been determined based on the net assets of each CGU, as difference between total assets and total liabilities. The most significant assumption was the valuation of its investment property portfolio, which was based on independent experts' valuation reports. As the assets and liabilities of the property portfolio acquired through the Rockcastle merger were measured at fair value, the goodwill resulting from this transaction could not be allocated to the CGUs at 31 December 2017 and was therefore impaired.

After the goodwill impairment through profit and loss, NEPI Rockcastle has transferred the loss arising from the goodwill impairment to share premium, off-setting the effect of the impairment charge within accumulated profit.

This impairment of goodwill does not impact any of the key indicators: recurring earnings per share, adjusted net asset value per share, cash flow, distributable earnings, overall financial profile, synergies from the merger or the forecasted earnings per share. Consequently, the Group's balance sheet includes almost exclusively tangible assets, marked to market every six months, in line with the industry practice.

At the Company level, NEPI Rockcastle Plc issued 538,953,857 shares in aggregate, to acquire the assets and liabilities of both New Europe Property Investments plc and Rockcastle Global Real Estate Company Limited parent companies.

In accordance with IFRS 13, the transaction price (Rockcastle market capitalisation) represents the best evidence of fair value of assets acquired ("Investments in subsidiaries" and "Loans granted to subsidiaries"). As the fair value of "Investments in subsidiaries" and "Loans granted to subsidiaries" cannot be measured using solely observable inputs, IFRS 13 prohibits to recognize differently than at the fair value of consideration paid.

At the Company level, in accordance with the Accounting policies set out in Note 4, non-financial assets are carried at cost less impairment. The impairment test of investment in subsidiaries is similar to the one for the goodwill at consolidation level: the carrying value of the investment in subsidiaries is compared to the recoverable value, being the net asset of the CGU. Further to the impairment test conducted, the Company recognised a write-off of €300,385 thousand relating to investment in subsidiaries.

In accordance with IAS 39, the Company assessed that the carrying value of the loans to subsidiaries were impaired on the grounds that the recoverable value of the financed CGUs was lower than the balance of the intercompany loans. The loans to subsidiary in an amount of €585,782 thousand were written off as there was no reasonable expectation of recovery of this amount. After the write-off of investment in subsidiaries and loans granted to joint ventures, the Company has transferred the impairment loss to share premium, off-setting the effect of the impairment charge within accumulated profit.

34 JOINT VENTURES

The summarised financial statements of the joint ventures are presented below at 100%. "Investments in joint ventures" line on the Statement of financial position represents 50% of the line "Equity attributable to equity holders" shown below and "Share of profit of joint ventures" line on the Statement of comprehensive income represents 50% of the line "Profit for the year attributable to equity holders" presented below.

Statement of financial position

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

31 Dec 2017	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Non-current assets	103,964	122,560	226,524
Current assets	7,776	14,456	22,232
TOTAL ASSETS	**111,740**	**137,016**	**248,756**
Non-current liabilities	(75,257)	(82,287)	(157,544)
Current liabilities	(3,257)	(6,243)	(9,500)
Total liabilities	**(78,514)**	**(88,530)**	**(167,044)**
Equity attributable to equity holders	**(33,226)**	**(48,486)**	**(81,712)**
TOTAL EQUITY AND LIABILITIES	**(111,740)**	**(137,016)**	**(248,756)**

Statement of comprehensive income

31 Dec 2018	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	11,067	12,765	23,832
Property operating expenses	(3,195)	(2,377)	(5,572)
Administrative expenses	148	(80)	68
Fair value adjustment investment property	955	7,793	8,748
Foreign exchange loss	(14)	(328)	(342)
Profit before net finance expense	**8,961**	**17,773**	**26,734**
Net finance expense	**(4,413)**	**(1,914)**	**(6,327)**
Finance income	68	-	68
Finance expense	(4,481)	(1,914)	(6,395)
Fair value adjustment of interest rate derivatives financial assets and liabilities	241	41	282
Profit before income tax	**4,789**	**15,900**	**20,689**
Tax release/(charge)	(1,178)	(2,850)	(4,028)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**3,611**	**13,050**	**16,661**

31 Dec 2017	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	14,440	10,108	24,548
Property operating expenses	(6,981)	(1,799)	(8,780)
Administrative expenses	(21)	(71)	(92)
Fair value adjustment investment property	11,938	16,750	28,688
Foreign exchange loss	(174)	(26)	(200)
Profit before net finance expense	**19,202**	**24,962**	**44,164**
Net finance expense	**(4,359)**	**(2,741)**	**(7,100)**
Finance income	12	3	15
Finance expense	(4,371)	(2,744)	(7,115)
Fair value adjustment of interest rate derivatives financial assets and liabilities	754	124	878
Profit before income tax	**15,597**	**22,345**	**37,942**
Tax release/(charge)	(2,538)	(3,268)	(5,806)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**13,059**	**19,077**	**32,136**

Shareholder loans to Ploiesti Shopping City and The Office Cluj-Napoca were granted by NE Property BV (former NE Property Cooperatief UA). All shareholder loans are subject to interest at 8% per annum (2017: 8% per annum). Interest income from joint ventures in 2018 amounted to €1,660 thousand (2017: €2,274 thousand).

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

31 Dec 2017	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Long-term loans granted to joint ventures	19,636	6,156	**25,792**

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

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

31 Dec 2017	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Cash and cash equivalents	6,685	13,660	**20,345**
Bank loans (non-current liabilities)	(25,878)	(58,575)	**(84,453)**
Bank loans (current liabilities)	(2,152)	(3,937)	**(6,089)**

Secured term loans

The Group has secured term loans contracted by its subsidiaries in joint-ventures.

Securities
- General security over the properties (fair values as at 31 December 2018), current assets, cash inflows from operating activities, accounts and receivables

Covenants
- Debt service cover ratio of a minimum between 120% and 125%, and
- Loan to value ratio of a maximum between 50% and 60%, and
- Interest coverage ratio of a minimum 170% (only applicable to the secured term loan agreement of one of the joint-ventures).

35 SEGMENT REPORTING

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

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

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

Segment results 31 Dec 2018	Retail	Office	Industrial	Corporate	Total
Net rental and related income	**314,229**	**29,946**	**1,895**	**-**	**346,070**
Gross rental income	318,498	29,510	1,899	-	349,907
Service charge income	140,488	11,118	220		151,826
Property operating expenses	(144,757)	(10,682)	(224)	-	(155,663)
Administrative expenses	(12,994)	(1,383)	(38)	(7,607)	(22, 022)
EBITDA*	**301,235**	**28,563**	**1,857**	**(7,607)**	**324,048**
Net result from financial investments	**-**	**-**	**-**	**(122,915)**	**(122,915)**
Income from financial investments at fair value through profit or loss	-	-	-	29,132	29,132
Fair value and net result on sale of financial investments at fair value through profit or loss	-	-	-	(152,047)	(152,047)
Acquisition fees	(6,079)	-	-	-	(6,079)
Fair value adjustments of investment property	120,665	(11,640)	(614)	-	108,411
Foreign exchange gain/(loss)	(1,162)	(134)	68	305	(923)
Gain on acquisition of subsidiaries	6,933	-	-	-	6,933
Profit before Net finance expense	**421,592**	**16,789**	**1,311**	**(130,217)**	**309,475**

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

Segment results 31 Dec 2017	Retail	Office	Industrial	Corporate	Total
Net rental and related income	**204,246**	**26,041**	**1,798**	**-**	**232,085**
Gross rental income	206,595	25,382	1,830	-	233,807
Service charge income	93,267	9,707	196		103,170
Property operating expenses	(95,616)	(9,048)	(228)	-	(104,892)
Administrative expenses	(7,547)	(1,359)	(30)	(6,255)	(15,191)
EBITDA*	**196,699**	**24,682**	**1,768**	**(6,255)**	**216,894**
Net result from financial investments	**-**	**-**	**-**	**(6,028)**	**(6,028)**
Income from financial investments at fair value through profit or loss	-	-	-	18,084	18,084
Fair value and net result on sale of financial investments at fair value through profit or loss	-	-	-	(24,112)	(24,112)
Acquisition fees	(5,946)	(175)	-	(4,560)	(10,681)
Fair value adjustments of investment property	148,889	12,674	459	-	162,022
Foreign exchange gain/(loss)	973	(137)	(22)	(2,069)	(1,255)
Gain/(Loss) on disposal of investment property	(531)	540	-	-	9
Profit before Net finance expense	**340,084**	**37,584**	**2,205**	**(18,912)**	**360,961**

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

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

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

Segment assets and liabilities 31 Dec 2017	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**4,636,132**	**437,567**	**16,234**	**37,264**	**5,127,197**
Investment property	4,516,718	394,557	16,234	-	4,927,509
— Investment property in use	4,314,302	394,557	16,234	-	4,725,093
— Investment property under development	202,416	-	-	-	202,416
Goodwill	66,390	10,310	-	5,882	82,582
Deferred tax assets	10,769	360	-	1,361	12,490
Investments in joint ventures	16,613	24,243	-	-	40,856
Long-term loans granted to joint ventures	19,636	6,156	-	-	25,792
Other long-term assets	5,927	1,941	-	28,307	36,175
Interest rate derivatives financial assets at fair value through profit or loss	79	-	-	1,714	1,793
Current assets	**124,713**	**15,461**	**672**	**719,520**	**860,366**
Trade and other receivables	50,618	5,815	91	4,269	60,793
Financial investments at fair value through profit or loss	-	-	-	326,565	326,565
Equity derivative collateral	-	-	-	265,541	265,541
Financial assets at fair value through profit or loss	-	-	-	11,923	11,923
Cash and cash equivalents	74,095	9,646	581	111,222	195,544
Investment property held for sale	**1,528**	**8,710**	**-**	**-**	**10,238**
TOTAL ASSETS	**4,762,373**	**461,738**	**16,906**	**756,784**	**5,997,801**

Segment assets and liabilities 31 Dec 2017	Retail	Office	Industrial	Corporate	Total
SEGMENT LIABILITIES					
Non-current liabilities	**1,000,715**	**39,965**	**2,175**	**894,427**	**1,937,282**
Bank loans	724,407	10,086	-	-	734,493
Bonds	-	-	-	889,917	889,917
Deferred tax liabilities	245,274	25,329	502	-	271,105
Other long-term liabilities	30,505	4,550	1,673	361	37,089
Interest rate derivatives financial liabilities at fair value through profit or loss	529	-	-	4,149	4,678
Current liabilities	**102,332**	**13,111**	**392**	**29,965**	**145,800**
Trade and other payables	92,384	12,491	392	8,286	113,553
Financial liabilities at fair value through profit or loss	-	-	-	10,934	10,934
Bank loans	9,948	620	-	-	10,568
Bonds	-	-	-	10,745	10,745
TOTAL LIABILITIES	**1,103,047**	**53,076**	**2,567**	**924,392**	**2,083,082**

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

Country results 31 Dec 2018	Net rental and related income	Profit before tax	Investment property
Romania	146,847	189,395	2,134,158
Poland	73,670	76,404	1,372,021
Bulgaria	33,176	45,218	507,752
Slovakia	32,570	42,542	550,884
Hungary	23,042	43,720	588,000
Croatia	15,836	17,572	264,909
Czech Republic	10,665	7,977	174,300
Lithuania	5,434	5,439	128,580
Serbia	4,867	15,227	190,466
United Kingdom	(37)	167	-
Holding	-	(167,148)	-
Total	**346,070**	**276,513**	**5,911,070**

Country results 31 Dec 2017	Net rental and related income	Profit before tax	Investment property
Romania	133,259	284,870	1,993,943
Poland	32,465	12,203	1,232,225
Bulgaria	7,297	10,385	476,180
Slovakia	26,633	47,894	405,065
Hungary	5,270	5,903	289,900
Croatia	15,679	20,685	245,275
Czech Republic	8,137	13,492	171,470
Serbia	3,313	5,206	111,724
United Kingdom	32	(1,080)	1,727
Holding	-	(931,102)	-
Total	**232,085**	**(531,544)**	**4,927,509**

The Holding segment represents management and holding entities in Isle of Man, The Netherlands, Mauritius, and United Kingdom

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS	Group 31 Dec 2018	Group 31 Dec 2017
Profit/(loss) for the year attributable to equity holders	**221,855**	**(579,694)**
Reverse indirect result	**58,876**	**776,019**
Foreign exchange loss	923	1,255
Acquisition fees	6,079	10,681
Fair value adjustments of investment property for controlled subsidiaries	(108,411)	(162,022)
Gain on disposal of investment property	-	(9)
Gain on acquisition of subsidiaries	(6,933)	-
Fair value and net result on sale of financial investments at fair value through profit or loss	152,047	24,112
Income from financial investments at fair value through profit or loss	(29,132)	(18,084)
Fair value adjustment of Interest rate derivatives financial assets and liabilities for controlled subsidiaries	1,432	(500)
Deferred tax expense for controlled subsidiaries	45,326	46,199
Impairment of goodwill	-	886,167
Adjustments related to joint ventures		
Fair value adjustments of investment property for joint ventures	(4,374)	(14,344)
Fair value adjustment of Interest rate derivatives financial assets and liabilities for joint ventures	(141)	(439)
Deferred tax expense for joint ventures	1,889	2,903
Foreign exchange loss for joint ventures	171	100
Company specific adjustments	**24,682**	**17,004**
Amortisation of financial assets	(2,292)	(1,807)
Realised foreign exchange loss for controlled subsidiaries	(912)	(769)
Realised foreign exchange (loss)/gain for joint ventures	(1)	3
Accrued dividend for financial investments	28,122	19,803
Fair value adjustment of Investment property for non-controlling interest	(350)	(392)
Deferred tax expense for non-controlling interest	115	166
Antecedent dividend	-	6,861
Antecedent dividend - Rockcastle distribution Jun 2017	-	49,531
Distributable earnings	**305,413**	**269,721**
Less: Distribution declared	(305,413)	(269,721)
Interim distribution*	(153,041)	(126,438)
Final distribution	(152,372)	(143,283)
Earnings not distributed	-	-
Number of shares entitled to interim distribution*	577,800,734	538,953,794
Number of shares entitled to final distribution	577,800,734	577,800,734
Distributable earnings per share (euro cents)	**52.86**	**48.26**
Less: Distribution declared per share (euro cents)	(26.49)	(48.26)
Interim distribution per share (euro cents)*	(26.37)	(23.46)

** Interim distribution, interim distribution per share and number of shares entitled to interim distribution computed on a combined basis for H1 2017.*

36 CONTINGENT ASSETS AND LIABILITIES

Guarantees

Group policy is to provide financial guarantees to subsidiaries to the extent required in the normal course of business.

As at 31 December 2018, the Group had received letters of guarantee from tenants worth €109,920 thousand (31 December 2017: €89,528 thousand) and from suppliers worth €31,577 thousand (31 December 2017: €23,273 thousand) related to ongoing developments.

The Company has an intercompany agreement with one of its subsidiaries pursuant to which it acts as Guarantor on all issued bonds and unsecured committed revolving facilities. In its capacity as Guarantor, the Company charges its subsidiary for a yearly fee. Borrowings are presented in Note 20.

37 RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The subsidiaries and Directors are related parties for the Company. The subsidiaries of the Company are detailed in Note 6. The Directors are related parties for the Group. Directors are presented in the 'Board of Directors' section.

Material related party transactions

For the Company, loans to, and investments in, subsidiaries are set out in Note 6. Fees paid to Directors during the current and previous year are detailed in the table below. NEPI and Rockcastle have paid bonuses to the Executive Directors for periods preceding the merger. No other payments were made to Directors by NEPI Rockcastle, except reimbursements for travel and accommodation.

Transactions with joint ventures are presented in Note 34.

Directors' fees	Total Group 31 Dec 18	Company 31 Dec 18	Subsidiaries 31 Dec 18	Total Group 31 Dec 17	Company 31 Dec 17	Subsidiaries 31 Dec 17
Alex Morar[2]	480	420	60	413	353	60
Spiro Noussis[2]	655	-	655	320	-	320
Mirela Covasa	370	292	78	315	212	103
Nick Matulovich	505	-	505	247	-	247
Marek Noetzel	247	-	247	118	-	118
Robert Emslie[3]	78	78	-	51	51	-
Dan Pascariu[3]	55	55	-	50	50	-
Michael Mills[4]	43	43	-	49	49	-
Antoine Dijkstra	60	60	-	48	48	-
Desmond de Beer	57	57	-	47	47	-
Andre van der Veer[4]	66	66	-	23	23	-
Sipho Vuso Majija[1]	23	23	-			
George Aase[5]	23	23	-			
Jeffrey Zidel*	-	-	-	23	23	-
Nevenka Pergar*	-	-	-	23	23	-
Total	**2,662**	**1,117**	**1,545**	**1,727**	**879**	**848**

** Jeffrey Zidel and Nevenka Pergar have been Directors only until the Merger date in July 2017.*
[1]Mr. Sipho Vuso Majija as a Non-Independent Non-Executive Director of the Company with effect from 6 June 2018.
[2]Mr. Alex Morar has been appointed as sole Chief Executive Officer with effect from 12 June 2018. Mr. Spiro Noussis has retired from his position as Executive Director with effect from 31 December 2018.
[3]Mr. Dan Pascariu has retired from his position as Independent Chairman of the Board of Directors of NEPI Rockcastle by not standing for re-election at the annual general meeting of shareholders to be held on 28 August 2018. The Board has appointed Mr. Robert Reinhardt Emslie as the new Independent Non-Executive Chairman of the Company, with effect from the date of the AGM.
[4]Mr. Michael Mills has retired from his position as Independent Non-Executive Director of the Company and Chairman of the Audit Committee with effect from the date of the AGM held on 28 August 2018. Mr. Andre van der Veer has been appointed Chairman of the Audit Committee, with effect from the date of the AGM.
[5]Mr. George Aase was appointed as an Independent Non-Executive Director of the Company with effect from the date of the AGM.

Name of Director	Bonuses paid for executive directors for 2017 performance	Company 31 Dec 18	Subsidiaries 31 Dec 18
Spiro Noussis	560	-	560
Alex Morar	407	407	-
Nick Matulovich	438	-	438
Mirela Covasa	323	323	-
Marek Noetzel	206	-	206
TOTAL	**1,934**	**730**	**1,204**

Shares held under the purchase schemes by the Directors or by entities in which they have an indirect beneficial interest

Name of Director	Number of shares held as at 31 Dec 2018
Spiro Noussis	889,788
Alex Morar	23,000
Mirela Covasa	25,000
Marek Noetzel	84,721
TOTAL	**1,022,509**

**There were no changes to the Directors' holdings from 31 Dec 2018 to the approval of the annual audited financial statements.*

Name of Director	Number of shares held as at 31 Dec 2017
Spiro Noussis	1,507,000
Alex Morar	101,000
Nick Matulovich	713,198
Mirela Covasa	75,000
Marek Noetzel	80,349
TOTAL	**2,476,547**

38 SUBSEQUENT EVENTS

The Directors are not aware of any other subsequent events from 31 December 2018 and up to the date of signing these financial statements which are likely to have a material effect on the financial information contained in this report, except for the advanced negotiations to repay over €100 million out of the debt maturing in 2019.

Financial statements

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of Directors’ responsibilities

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

The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS).

In preparing these financial statements, the Directors’ are responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether they have been prepared in accordance with International Financial Reporting Standards;
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- preparing financial statements which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

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

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

The Group and Company financial statements on pages 130 to 181 were approved and authorised for issue by the Board of Directors on 19 March 2018 and signed on its behalf by:

Alex Morar
Joint Chief Executive Officer

Spiro Noussis
Joint Chief Executive Officer

Mirela Covasa
Chief Financial Officer

Independent Auditor's report

to the members 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- the Company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

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

- the statements of financial position as at 31 December 2017;
- the statements of comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements 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.

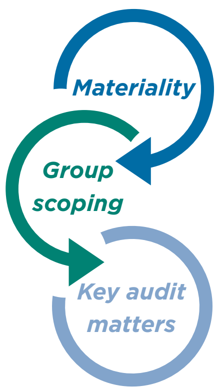
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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 Group materiality: €17.7 million which represents 5% of consolidated profit before tax excluding impairment of goodwill.

Overall Company materiality: €1.7 million which represents 5% of the company profit before tax excluding impairment of investments and loans to subsidiaries.

Audit scope

A full scope audit has been performed on 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

Group: Valuation of investment properties.

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.

Independent Auditor’s report

to the members of NEPI Rockcastle Plc » continued

	Consolidated financial statements	Company financial statements
Overall group materiality	€17.7 million.	€1.7 million.
How we determined it	5% of the consolidated profit before tax, adjusted for the one-off event referring to the goodwill impairment from the merger, detailed in note 32B, included in the consolidated statement of comprehensive income for the year ended 31 December 2017.	5% of the Company profit before tax, adjusted for the one-off event referring to the impairment of investments in and loans to subsidiaries, from the merger, detailed in note 32B included in the Company statement of comprehensive income for the year ended 31 December 2017.
Rationale for the materiality benchmark applied	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. On this basis we believe that total profit before tax (before one-off events as described above) is an important metric for the financial performance of the Group.	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. On this basis we believe that total profit before tax (before one-off events as described above) is an important metric for the financial performance of the Company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €887,000, 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 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 and retail parks in Romania, Poland, Croatia, Hungary and Bulgaria. These 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.

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
Valuation of investment properties The valuation of the investment properties is significant to our audit due to their magnitude and because their 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. Entities that invest in real estate inherently are 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 properties semi-annually. For more information on the valuation of the investment properties reference is made to notes 3.5, 3.6, 3.7, 4, 9 and 10.	Our procedures in relation to the directors' valuation of investment properties included: • evaluation of the objectivity, independence and expertise of the external appraisers; • assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; • using our own auditor's experts in valuation of real estate to assess the appropriateness of the estimates used in the calculation of the fair value of the investment properties (amongst others, rental value, vacancy rates, non-recoverable expenses, maintenance costs, discount rates and estimated terminal value); and • checking on a sample basis, the appropriateness of the inputs, by reconciling them with contracts and rent roll data. The main inputs consist of the property related data (such as rental income, operating costs, vacancy, etc.). We found that property related data and the key valuation assumptions were supported by available evidence: contracts, rent roll and external market evidence. We also assessed the appropriateness of the disclosures relating to the assumptions, as we consider them to be important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.

Other information

The directors are responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do 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, 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.

Independent Auditor’s report

to the members of NEPI Rockcastle Plc » continued

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 and Company’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 and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group’s and Company’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 and Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 and Company'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 and Company 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 consolidated 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, related safeguards.

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 members as a body in accordance with our engagement letter dated 10 January 2018 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
Chartered Accountants
Douglas, Isle of Man
20 March 2018

Statements of financial position

	Note	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
ASSETS					
Non-current assets		**5,127,197**	**2,674,176**	**3,659,796**	**9**
Investment property		4,927,509	2,546,772	-	-
— Investment property in use	9	4,725,093	2,370,760	-	-
— Investment property under development	10	202,416	176,012	-	-
Goodwill	12	82,582	58,390	-	-
Deferred tax assets	23	12,490	-	-	-
Investments in subsidiaries	5	-	-	266,463	-
Loans granted to subsidiaries	5	-	-	3,365,083	-
Investments in joint ventures	33	40,856	22,023	-	-
Long-term loans granted to joint ventures	33	25,792	31,015	-	-
Other long-term assets	11	36,175	15,299	27,932	-
Interest rate derivatives financial assets at fair value through profit or loss	20	1,793	677	318	9
Current assets		**860,366**	**107,538**	**7,310**	**1**
Trade and other receivables	14	60,793	40,539	3,225	-
Financial investments at fair value through profit or loss	13	326,565	18,979	-	-
Equity derivative collateral	13	265,541	-	-	-
Financial assets at fair value through profit or loss	13	11,923	-	-	-
Loans granted to subsidiaries	5	-	-	3,575	-
Cash and cash equivalents	15	195,544	48,020	510	1
Investment property held for sale	**16**	**10,238**	**15,525**	**-**	**-**
TOTAL ASSETS		**5,997,801**	**2,797,239**	**3,667,106**	**10**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**3,914,719**	**1,814,552**	**3,666,562**	**(14)**
Share capital	17	5,778	3,215	5,778	-
Share premium	17	3,625,568	1,368,171	3,625,568	-
Merger reserve		-	-	25,188	-
Share-based payment reserve		-	4,797	-	-
Currency translation reserve		-	(1,229)	-	-
Accumulated profit		282,897	439,598	10,028	(14)
Non-controlling interest		476	-	-	-
Total liabilities		**2,083,082**	**982,687**	**544**	**24**
Non-current liabilities		**1,937,282**	**831,995**	**-**	-
Bank loans	19	734,493	260,593	-	-
Bonds	19	889,917	394,819	-	-
Deferred tax liabilities	23	271,105	158,864	-	-
Other long-term liabilities	22	37,089	17,403	-	-
Interest rate derivatives financial liabilities at fair value through profit or loss	20	4,678	316	-	-
Current liabilities		**145,800**	**150,692**	**544**	**24**
Trade and other payables	21	113,553	71,536	544	24
Financial liabilities at fair value through profit or loss	13	10,934	-	-	-
Bank loans	19	10,568	17,999	-	-
Bonds	19	10,745	61,157	-	-
TOTAL EQUITY AND LIABILITIES		**5,997,801**	**2,797,239**	**3,667,106**	**10**
Net Asset Value per share (euro)	24	6.78	5.64		
Adjusted Net Asset Value per share (euro)	24	7.10	5.98		
Number of shares for Net Asset Value per share		577,800,734	321,479,204		
Number of shares for adjusted Net Asset Value per share		577,800,734	321,479,204		

All amounts in Thousand Euro unless otherwise stated
The notes on pages 135 to 181 are an integral part of these financial statements.

The Group and Company financial statements on pages 130 to 181 were approved and authorised for issue by the Board of Directors on 19 March 2018 and signed on its behalf by:

Alex Morar
Joint Chief Executive Officer

Spiro Noussis
Joint Chief Executive Officer

Mirela Covasa
Chief Financial Officer

Statements of comprehensive income

	Note	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
Revenues from rent and expense recoveries		336,977	209,890	–	–
Property operating expenses		(104,892)	(64,358)	–	–
Net rental and related income	**25**	**232,085**	**145,532**	**–**	**–**
Administrative expenses	26	(15,191)	(8,186)	(5,250)	(14)
EBITDA*		**216,894**	**137,346**	**(5,250)**	**(14)**
Net result from financial investments		**(6,028)**	**14**	**(156)**	**–**
Income from financial investments at fair value through profit or loss	13	18,084	738	201	–
Fair value and net result on sale of financial investments at fair value through profit or loss	13	(24,112)	(724)	(357)	–
Acquisition fees	27	(10, 681)	(4,339)	–	–
Fair value adjustments of investment property	28	162,022	143,163	–	–
Foreign exchange loss		(1,255)	(127)	(4)	–
Gain/(Loss) on disposal of investment property		9	(485)	(429)	–
Other operating income		–	–	2,787	–
Profit/(loss) before net finance (expense)/ income		**360,961**	**275,572**	**(3,052)**	**(14)**
Net finance (expense)/ income	**29**	**(22,906)**	**(13,059)**	**37,436**	–
Finance income		2,567	4,784	38,108	–
Finance expense		(25,473)	(17,843)	(672)	–
Fair value adjustment of Interest rate derivatives financial assets and liabilities		500	228	(274)	–
Share of profit of joint ventures	33	16,068	6,383	–	–
Impairment of goodwill**	32B	(886,167)	–	–	–
Impairment of investments in and loans to subsidiaries	32B	–	–	(886,167)	–
(Loss)/Profit before tax		**(531,544)**	**269,124**	**(852,057)**	**(14)**
Income tax expense		**(47,870)**	**(36,472)**	**-**	**-**
Current tax expense	23	(1,671)	(1,664)	–	–
Deferred tax expense	23	(46,199)	(34,808)	–	–
(Loss)/Profit after tax		**(579,414)**	**232,652**	**(852,057)**	**(14)**
Total comprehensive (loss)/profit for the year		**(579,414)**	**232,652**	**(852,057)**	**(14)**
Non-controlling interest		(280)	2,316	–	–
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**(579,694)**	**234,968**	**(852,057)**	**(14)**
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS EXCLUDING IMPAIRMENT OF GOODWILL		**306,473**	**234,968**	**(852,057)**	**(14)**
Weighted average number of shares in issue	30	436,806,684	309,760,628		
Diluted weighted average number of shares in issue	30	436,809,203	309,778,913		
Basic (loss)/earnings per share (euro cents)	30	(132.71)	75.85		
Diluted (loss)/earnings per share (euro cents)	30	(132.71)	75.85		
Basic earnings per share (euro cents) excluding impairment of goodwill	30	70.16	75.85		
Diluted earnings per share (euro cents) excluding impairment of goodwill	30	70.16	75.85		

All amounts in Thousand Euro unless otherwise stated
The notes on pages 135 to 181 are an integral part of these financial statements.

** EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.*
*** Impairment of goodwill arising from the merger with Rockcastle, computed as the difference between Rockcastle's market capitalisation and its net asset value at merger date.*

Statements of changes in equity

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2016	**2,986**	**1,213,325**	**4,797**	**(1,229)**	**275,042**	**1,629**	**1,496,550**
Transactions with owners	**229**	**154,846**	**–**	**–**	**(70,412)**	**687**	**85,350**
— Issue of shares	229	154,800	–	–	–	–	155,029
— Sale of shares issued under the Initial Share Scheme	–	46	–	–	–	–	46
— Earnings distribution	–	–	–	–	(48,288)	–	(48,288)
— Acquisition of non-controlling interest	–	–	–	–	(22,124)	687	(21,437)
Total comprehensive income	–	–	–	–	234,968	(2,316)	232,652
— Profit for the year	–	–	–	–	234,968	(2,316)	232,652
BALANCE AT 31 DECEMBER 2016	**3,215**	**1,368,171**	**4,797**	**(1,229)**	**439,598**	**–**	**1,814,552**
Balance at 1 January 2017	**3,215**	**1,368,171**	**4,797**	**(1,229)**	**439,598**	**–**	**1,814,552**
Transactions with owners	**2,563**	**2,257,397**	**(4,797)**	**1,229**	**422,993**	**196**	**2,679,581**
— Issue of shares	514	395,596	–	–	–	–	396,110
— Sale of shares issued under the Initial Share Scheme	–	18	–	–	–	–	18
— Issue of shares for the acquisition of Rockcastle	2,049	2,747,950	(4,797)	1,229	(424,152)	196	2,322,475
— Transfer of goodwill impairment on acquisition of Rockcastle Group to share premium	–	(886,167)	–	–	886,167	–	–
— Earnings distribution	–	–	–	–	(39,022)	–	(39,022)
Total comprehensive income	**–**	**–**	**–**	**–**	**(579,694)**	**280**	**(579,414)**
— Impairment of goodwill	–	–	–	–	(886,167)	–	(886,167)
— Profit for the year excluding impairment of goodwill	–	–	–	–	306,473	280	306,753
BALANCE AT 31 DECEMBER 2017	**5,778**	**3,625,568**	**–**	**–**	**282,897**	**476**	**3,914,719**

All amounts in Thousand Euro unless otherwise stated

Statements of changes in equity» continued

Company	Share capital	Share premium	Merger reserve	Accumulated profit	Total
Balance at 1 January 2016	**-**	**-**	**-**	**-**	**-**
Transactions with owners	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(14)**	**(14)**
— Profit for the year	-	-	-	**(14)**	**(14)**
BALANCE AT 31 DECEMBER 2016	-	-	**-**	**(14)**	**(14)**
Balance at 1 January 2017	-	-	**-**	**(14)**	**(14)**
Transactions with owners	**5,778**	**3,625,568**	**25,188**	**862,099**	**4,518,633**
— Issue of shares	388	324,047	-	-	324,435
— Issue of shares for the acquisition of Rockcastle	5,390	4,187,688	25,188	-	4,218,266
— Transfer of impairment of investments in and loans to subsidiaries on acquisition of Rockcastle Group to share premium	-	(886,167)	-	886,167	-
— Earnings distribution	-	-	-	(24,068)	(24,068)
Total comprehensive income	-	-	-	(852,057)	(852,057)
— Impairment of investments in and loans to subsidiaries	-	-	-	(886,167)	(886,167)
— Profit for the year (excluding impairment of investments in and loans to subsidiaries)	-	-	-	34,110	34,110
BALANCE AT 31 DECEMBER 2017	**5,778**	**3,625,568**	**25,188**	**10,028**	**3,666,562**

All amounts in Thousand Euro unless otherwise stated
The notes on pages 135 to 181 are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statements of cash flows

	Note	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
OPERATING ACTIVITIES					
(Loss)/Profit after tax		(579 414)	232,652	(852,057)	(14)
Adjustments					
Fair value adjustments of investment property for controlled subsidiaries	28	(162,022)	(143,163)	–	–
Fair value and net result on sale of financial investments at fair value through profit or loss	13	24,112	724	357	–
Income from financial investments at fair value through profit or loss	13	(18,084)	(738)	(201)	–
Foreign exchange loss		1,255	127	–	–
(Gain)/Loss on disposal of investment property		(9)	485	–	–
Other operating income		–	–	(2,787)	–
Impairment of goodwill		886,167	–	–	–
Impairment of investments in and loans to subsidiaries		–	–	886,167	–
Net finance (income)/expense	29	22,906	13,059	(37,436)	–
Fair value adjustment of Interest rate derivatives financial assets and liabilities for controlled subsidiaries		(500)	(228)	274	–
Deferred tax expense for controlled subsidiaries	23	46,199	34,808	–	–
Current tax expense	23	1,671	1,664	–	–
Operating profit before changes in working capital		**222,281**	**139,390**	**(5,683)**	–
Changes in working capital					
(Increase)/decrease in trade and other receivables		4,687	23,648	2,243	–
Increase/(decrease) in trade and other payables		11,618	(11,273)	380	14
Interest paid		(8,139)	(6,548)	(8)	–
Bond coupon paid		(15,895)	(3,616)	–	–
Income tax paid		(2,615)	(1,461)	–	–
Interest received		1,139	4,316	573	–
CASH FLOWS FROM OPERATING ACTIVITIES		**213,076**	**144,456**	**(2,495)**	**–**
INVESTING ACTIVITIES					
Investments in acquisitions and developments					
Additions of investment property		(157,169)	(169,594)	–	–
Payments for acquisition of subsidiaries less cash acquired during the year	32A	(788,364)	(448,958)	–	–
Settlements of deferred consideration for prior years acquisitions	21	(6,739)	(11,488)	–	–
Proceeds from sale of investment property held for sale (net of selling cost)	16	5,027	2,655	–	–
Other investments					
Loans granted to third parties		(4,208)	–	–	–
Loans to joint ventures – amounts granted	33	(2,818)	(3,041)	–	–
Loans to joint ventures – amounts repaid	33	6,657	9,164	–	–
Loans granted to subsidiaries	5	–	–	(297,564)	–
Net cash flow used in investments in financial assets					
Payments for financial investments at fair value through profit or loss	13	(41,123)	(23,620)	–	(10)
Income from financial investments at fair value through profit or loss	13	18,084	738	201	–
Proceeds from sale of financial investments at fair value through profit or loss	13	125,751	3,921	–	–
CASH FLOWS USED IN INVESTING ACTIVITIES		**(844,902)**	**(640,223)**	**(297,363)**	**(10)**
FINANCING ACTIVITIES					
Proceeds from issue of shares		396,128	155,075	324,435	–
Net movements in bank loans and bonds					
Proceeds from bank loans	19	86,000	176,320	–	–
Proceeds from bonds	19	500,000	50,000	–	–
Repayment of bank loans	19	(113,952)	(91,430)	–	–
Repayment of bonds		(50,000)	–	–	–
Other proceeds/(payments)					
Acquisition of non-controlling interest		196	(24,500)	–	–
Proceeds from third-party loans		–	–	–	11
Earnings distribution		(39,022)	(48,288)	(24,068)	–
CASH FLOWS FROM FINANCING ACTIVITIES		**779,350**	**217,177**	**300,367**	**11**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**147,524**	**(278,590)**	**509**	**1**
Cash and cash equivalents brought forward	15	48,020	326,610	1	–
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	**195,544**	**48,020**	**510**	**1**

All amounts in Thousand Euro unless otherwise stated
The notes on pages 135 to 181 are an integral part of these financial statements.

Notes to the financial statements

1. GENERAL

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

During the fourth quarter of 2016, New Europe Property Investments plc (NEPI), a property investment and development group incorporated in the Isle of Man and listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE) and the regulated market of the Bucharest Stock Exchange (BVB) and Rockcastle Global Real Estate Company Limited (Rockcastle), a property investment company established in Mauritius and listed on the JSE and the Stock Exchange of Mauritius (SEM), announced the conclusion of a framework agreement (Framework Agreement), pursuant to which their respective businesses would be merged into the Company.

One of the Group’s subsidiaries issued in 2015 and in 2017 debt instruments listed on the Irish Stock Exchange (Note 19). The Group includes the Company and its subsidiaries, as detailed in ‘Basis of consolidation’ in Note 3.4.

The Group’s consolidated financial statements and the Company’s separate financial statements are collectively referred to as the Financial Statements.

Group’s activities are detailed in the ‘Directors’ Report’.

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with the Directors’ resolution on 19 March 2018.

2. COMPARATIVE PERIOD

The comparatives are the audited consolidated financial results of NEPI group for the consolidated amounts, and the audited standalone financial results of NEPI Rockcastle plc, for the standalone amounts, for the year ended 31 December 2016. The comparatives do not include the results of former Rockcastle group or parent company.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Isle of Man company law and International Financial Reporting Standards (IFRS). The accounting policies set out below have been consistently applied to all periods presented unless otherwise stated.

3.1 Functional and presentation currency

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

The functional currency is determined by the relevant, primary economic environment of each entity. Other determining factor is the currency in which the majority of 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 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.

3.2 Basis of preparation

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.

Management prepared these financial statements on a going concern basis. There are no uncertainties relating to events and conditions that cast a significant doubt upon the Group’s ability to continue as a going concern.

The preparation of financial statements in conformity with IFRS 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.

3.3 Statement of compliance

The financial statements have been consistently prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of relevant Isle of Man company law.

3.4 Basis of consolidation

Subsidiaries

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

Subsidiaries are all entities, including those that are structured, over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over it. Subsidiaries are fully consolidated from the date control is transferred to the Group. They are deconsolidated from the date 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.

The accounting policies of the subsidiaries are consistent with those of the Company.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated when preparing the consolidated financial statements.

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.

3.5 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 either the discounted cash flow method, the capitalisation of net income method or a combination of both. 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, net of deferred tax, are classified as non-distributable in the accumulated profits. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve within the accumulated profit, up to, but not exceeding, the balance of the reserve.

Gains or losses on disposal of investment property are calculated as proceeds less carrying amount. Where the Group disposes of an investment property in use, the carrying value, immediately prior to the sale, is adjusted to the transaction price. The adjustment is recorded in the Statement of comprehensive income for the year within fair value adjustments of investment property.

3.6 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 done 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, net of deferred tax, are classified as non-distributable in the accumulated profits. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve up to, but not exceeding, the balance of the reserve.

3.7 Investment property held for sale

Investment property is classified as an asset held for sale if the majority of its carrying amount will be recovered through a sale transaction rather than continuing use. For this to apply, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. The sale will be considered highly probable if the following criteria are met:

- the Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the sale must be initiated;
- the property must be actively marketed at a price that is reasonable in relation to its current fair value, and
- the sale of property should be expected to qualify for recognition as a completed sale within one year of the date of classification.

On classification as held for sale, investment property that is measured at fair value continues to be so measured.

3.8 Goodwill

Goodwill arises on acquisition of subsidiaries that constitute a business. Goodwill represents the amount paid in excess of the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity. When the excess is negative (bargain purchase) it is recognised directly in the Statement of comprehensive income.

Subsequent measurement

Goodwill is not amortised, 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, from the date of acquisition, allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units.

The cash generating units are defined at the level of each individual property acquired through business combinations. The carrying amount of the cash generating unit includes the investment property, goodwill and the related deferred tax liability. Impairment testing is performed using the fair value less costs to sell approach where the fair value is the property value as determined in the external valuation reports. If this method results in impairment, then management compares the carrying amount of the CGU containing goodwill with its value in use to determine if this method generates a more favourable result.

The fair value disclosures presented in Note 9 Investment property in use are also relevant for goodwill impairment testing.

3.9 Loans to participants in the Current Share Scheme (as defined in Note 18)

Loans to participants in the Current Share Scheme are initially recognised at the amount granted, carried at amortised cost and tested for impairment when indicators exist.

3.10 Property, plant and equipment and intangible assets

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

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

3.11 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 stated at amortised cost using the effective interest method. Any difference between the fair value of the borrowing at initial recognition and the proceeds received is recognised in accordance with the substance of the transaction: to equity, if the premium or discount at initial recognition effectively represents a capital transaction with the Group's owners, or in the Statement of comprehensive income, within finance activity.

Foreign currency translation differences are recognised as foreign exchange differences within finance income or finance costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, such as properties developed for future sale, capital appreciation or rental income, are capitalised as part of the cost of these assets. The capitalisation of borrowing costs ceases when the majority of the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group derecognises its financial liability (or part of a financial liability) from its Statement of financial position when, and only when, it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires. An exchange between the Group and a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If the Group repurchases a part of a financial liability, it allocates the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid for the part derecognised, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of comprehensive income.

3.12 Tenant security deposits

Tenant security deposits represent financial advances made by lessees as guarantees during the lease and are settled by the Group upon termination of contracts. Tenant security deposits are recognised at nominal value.

3.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are initially recognized when the Group becomes a party to the contractual provisions of the instrument and include trade and other receivables, trade and other payables, derivative financial instruments, investments in listed securities of property companies, loans to participants in the share scheme, loans granted to joint ventures and loans granted by the Company to its subsidiaries. The Group enters into a variety of derivative financial instruments including equity swaps and hedge its interest rate risk arising from financing activities, via interest rate swaps or caps. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative, with the resulting gain or loss recognised in profit or loss immediately. The fair value of derivatives is the estimated amount that the group would receive or pay to transfer the derivative at the reporting date, taking into account factors such as current interest rates, exchange rates and fundamentals of the underlying asset.

Derivatives are classified as current or non-current on the basis of their maturity date.

The Company has investments in listed securities which are initially recognised and subsequently re-measured at fair value. The fair value of the listed securities is determined by referring to published price quotations in an active market.

These financial investments are classified as current or non-current assets, based on the estimated selling date.

3.13.1 Initial recognition and subsequent measurement

Financial instruments are initially measured at fair value, which include directly attributable transaction costs. In the case of financial instruments at fair value through profit or loss, however, transaction costs are recognised directly in profit or loss. Subsequent to initial recognition, financial instruments are measured as follows:

FINANCIAL INSTRUMENT	MEASUREMENT METHOD
Loans granted to subsidiaries (presented only in the Company's financial statements)	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Impairment of loans granted to subsidiaries line
Loans granted to joint ventures	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Impairment of loans granted to joint ventures line
Trade and other receivables	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income
Trade and other payables	Carried at amortised cost using the effective interest rate method
Loans granted to participants in the Current Share Scheme	Carried at amortised cost using the effective interest rate method, net of impairment losses
Bonds, bank loans and other financial liabilities	Measured at amortised cost using the effective interest rate method
Financial assets/financial liabilities through profit or loss	Carried at fair value with changes therein recognised in the Statement of Comprehensive Income, Fair value and net result of financial investments at fair value through profit or loss
Interest rate derivatives financial assets/liabilities at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of Comprehensive Income, Changes in fair value adjustment of Interest rate derivatives financial assets and liabilities; hedge accounting is not applied
Financial investments at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of Comprehensive Income, Fair value and net result of financial investments at fair value through profit or loss

Specific valuation techniques used to value financial instruments 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.

3.13.2 Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:
- the contractual rights to receive cash flows from the asset have expired, or
- the Group or Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of comprehensive income.

3.13.3 Offset

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when the Group and/or Company 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.

3.14 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at a specific asset level.

All receivables are individually assessed for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through the Statement of comprehensive income for the year.

Uncollectable assets are written-off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off are credited to the impairment loss account within the Statement of comprehensive income for the year.

3.15 Cash and cash equivalents and equity derivative 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. Equity derivative collateral is cash held as collateral against the Group's equity swap derivatives exposures. Cash and cash equivalents and equity derivative collateral are carried at amortised cost.

3.16 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. Following the NEPI Rockcastle merger, a goodwill impairment arose that was transferred from accumulated profit to share premium, as permitted by Isle of Man law both on the Group consolidated and the Company standalone financial statements.

3.17 Share-based payment reserve

The NEPI SPS is accounted for by recognising the value of the shares issued as an asset, classified as 'loan to participants in the Incentive Plans (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.

The Rockastle SPS is accounted for by recognising the value of the shares issued as an asset, classified as 'loan to participants in the Incentive Plans (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.

3.18 Other reserves

3.18.1 Currency translation reserves

The currency translation reserve within equity arose prior to 31 December 2012, on the translation of foreign operations that had other functional currencies. The Group did not recognize any subsequent movements to the currency translation reserves, and the currency translation reserve has been recognized as part of share premium of NEPI Rockcastle.

3.18.2 Accumulated profit

The balance on the Statement of comprehensive income is transferred to accumulated profit at the end of each financial period. Distribution 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.

3.19 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.

3.20 Revenue

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the Group/Company. 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 contingent rental income which is recognised when it arises.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised on an accrual basis.

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 bears the responsibility of meeting the contractual deadlines agreed in the contracts with its suppliers and is liable for payment of the services, regardless of whether they are able to recover these charges from the tenants. The Group also bears the inventory risk for the necessary spare parts purchased for the maintenance and repairs required by the tenants. The Group bears the credit risk for the amounts receivable from tenants. 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.

After the year-end, the annual service charge reconciliation is performed based on actual costs. 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. The Group therefore bears the risk of not collecting the service charge differences for non-performing tenants. The Group is considered principal in these transactions, in terms of the IAS 18 requirements.

3.21 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an accrual basis.

3.22 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to the Statement of comprehensive income for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

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

Dividend/distribution income is recognised in the Statement of comprehensive income on the date the Group or Company's right to receive payment is established and is included in the line "Income from financial investments at fair value through profit or loss". It relates to the investments in listed securities, shown as "Financial investments at fair value through profit or loss", "Financial assets at fair value through profit or loss" and "Financial liabilities 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 line "Fair value and net result on sale of financial investments through profit or loss".

3.24 Dividend distributed

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 30.

3.25 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 Romania, Poland, Bulgaria, Hungary, Croatia, Czech Republic, Slovakia, Serbia, United Kingdom, Mauritius and The Netherlands.

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.

3.26 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 top 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 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.

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 gross rent and property 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 Romania, Poland, Slovakia, Bulgaria, Czech Republic, Hungary, Serbia and Croatia;
- Office segment: acquires, develops and leases office properties in Romania, Bulgaria, United Kingdom and Slovakia;
- Industrial segment: acquires, develops 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 Romania, Poland, Serbia, Slovakia, Bulgaria, Hungary, Czech Republic, United Kingdom, Croatia and a "Holding" segment which includes Isle of Man, The Netherlands, Mauritius and holding entities located in United Kingdom.

3.27 Earnings per share

The Group presents basic and diluted earnings per share.

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

Diluted earnings per share is determined by adjusting the profit for the year and the weighted average number of shares in issue for the dilutive effects of all potential ordinary shares issued under the Initial Share Scheme (as defined in Note 18).

3.28 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 2/2015 issued by South African Institute of Chartered Accountants (SAICA).

3.29 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 income statement.
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.

3.30 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards and amendments which have been applied by the Group for the first time for the reporting period commencing 1 January 2017.

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and Disclosure initiative – amendments to IAS 7.
The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.
The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see note 19.

3.31 Standards issued but not yet effective and not early adopted

IFRS 9 Financial instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018)

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group has assessed the impact of the new standard on its financial statements and has concluded that the impact is immaterial. In respect of the Group's specific provisioning for Accounts Receivable, the impact of the Group having applied IFRS 9 for the purpose of recognising its tenants provisions, would have created an immaterial additional provision. The group has additionally assessed that IFRS 9 will have an immaterial impact on the accounting for its financial instruments and derivatives, as well as for loans to subsidiaries of the Company. The Group has not adopted IFRS 9 before its mandatory date.

IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018)

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group has assessed that this change has no significant impact on the Group's financial position or performance.

IFRS 16 Leases (issued on 13 January 2016 and effective for the periods beginning on or after 1 January 2019)

For lessees, it will result in almost all leases being recognised in the Statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group expects IFRS 16 to have an immaterial impact on its current accounting practices, as the standard is aimed at a change in recognition for lessees and the accounting for lessors will not significantly change.

There are no other standards and interpretations that are not yet effective and that would be expected to have an impact on the Group's financial position or performance.

4. 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 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 reports prepared by international valuers as at 30 June and 31 December each year. Valuations are based principally 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 5% and 11. 5% (2016: 8% and 11.75%). 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 tenant and lease length.

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

Business combinations or asset acquisitions

The Group assesses for each property or entity acquired whether the transaction represents a business combination or an asset acquisition, taking into consideration the existence and level of inputs, processes and outputs in the respective property or entity. Additional information relating to the basis for this assessment is described in Note 3.29.

5. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

The Company has direct investments and indirect holdings in other Group companies that were included in the consolidated financial statements, and are detailed below. The Group has considered all its shareholdings, both direct and indirect, and there are no unconsolidated holdings or entities that meet the criteria set out in IFRS. In addition, based on the Group's assessment there is no evidence that would indicate additional subsidiaries, joint ventures or associates other than those indicated in the table below.

No	Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2017	Immediate parent investment 31 Dec 2016
1	ACE3 sp.z.o.o.	Jun 2013/Jul 2017	Poland	Property-owning	Indirect	85	2	-
2	Arena Center Zagreb d.o.o.	2006/ Nov 2016	Croatia	Property-owning	Indirect	100	54,369	54,630
3	Arena Property Kft	Aug 2017	Hungary	Property-owning	Indirect	100	67,710	-
4	AUPARK Kosice SC, s.r.o.	Nov 2008/Dec 2014	Slovakia	Services	Indirect	100	3,235	2,735
5	AUPARK Kosice, spol. s.r.o.	Jan 2004/Dec 2014	Slovakia	Property-owning	Indirect	100	11,167	10,167
6	AUPARK Piestany SC, s.r.o.	Nov 2008/ Aug 2016	Slovakia	Services	Indirect	100	1,225	16,015
7	AUPARK Piestany, spol. s.r.o.	Apr 2004/ Aug 2016	Slovakia	Property-owning	Indirect	100	5,037	2,194
8	AUPARK Tower Kosice, s.r.o.	Nov 2008/Dec 2014	Slovakia	Property-owning	Indirect	100	3,401	3,401
9	AUPARK Žilina SC a.s.	Oct 2008/ Aug 2013	Slovakia	Services	Indirect	100	900	900
10	AUPARK Žilina spol. s.r.o.	Dec 2003/ Aug 2013	Slovakia	Property-owning	Indirect	100	16,963	16,963
11	Aurora Mall Buzau SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
12	Białystok Property sp. z.o.o.	Apr 2017/Jul 2017	Poland	Property-owning	Indirect	100	3	-
13	Bonarka City Center sp.z.o.o.	May 2014/Jul 2017	Poland	Property-owning	Indirect	100	86,101	-
14	Braila Promenada Mall SRL	Sep 2009	Romania	Property-owning	Indirect	100	8,300	8,300
15	Brasov Shopping City SRL	Jun 2011	Romania	Property-owning	Indirect	100	10	2
16	Bulfeld EOOD	April 2007/ Dec 2017	Bulgaria	Property-owning	Indirect	100	130,894	-
17	CEE Property Bulgaria EOOD	Jul 2008/ Aug 2017	Bulgaria	Property-owning	Indirect	100	17,927	-
18	City Park Constanta SRL (previously named Everest Investitii si Consultanta SRL)	Feb 2005/ Nov 2013	Romania	Property-owning	Indirect	100	33,120	28,975
19	Cluj Business Centre SRL **	Jul 2012	Romania	Property-owning	Indirect	50	*	*
20	Constanta Shopping City SRL (previously named Nepi Five Property Development SRL)	Mar 2013	Romania	Property-owning	Indirect	100	2	2
21	Deva Shopping City SRL (previously named Mercureal SRL)	Jul 2005/ Aug 2013	Romania	Property-owning	Indirect	100	2	2
22	Energit sp.z.o.o.	Dec 2007/Jul 2017	Poland	Services	Indirect	100	345	-
23	E-power Supply Czech sro	Jul 2017	Czech Republic	Services	Indirect	100	*	-
24	E-Power Supply d.o.o. Beograd	Jul 2017	Serbia	Services	Indirect	100	*	-
25	E-power supply EOOD	Nov 2017	Bulgaria	Services	Indirect	100	*	-
26	E-power supply management doo	Sept 2017	Croatia	Services	Indirect	100	3	-

No	Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2017	Immediate parent investment 31 Dec 2016
27	E-Power Supply s.r.o.	Nov 2015	Slovakia	Services	Indirect	100	105	55
28	FDC Braila B.V.	Sep 2009	Netherlands	Holding	Indirect	100	7,875	7,875
29	Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	Indirect	100	*	*
30	Floreasca Center SRL	Apr 2011/Nov 2014	Romania	Property-owning	Indirect	100	27,044	27,044
31	FORUM Usti s.r.o.	Jan 2005/ Feb 2016	Czech Republic	Property-owning	Indirect	100	37,840	37,840
32	Galati Shopping City SRL	Jun 2012	Romania	Property-owning	Indirect	100	2	2
33	General Building Management SRL	Aug 2004/ Jan 2008	Romania	Property-owning	Indirect	100	1,402	1,402
34	General Investment SRL	Mar 2003/ Jan 2008	Romania	Property-owning	Indirect	100	19,708	19,708
35	Gontar sp.z.o.o.	Mar 2013/Jul 2017	Poland	Property-owning	Indirect	100	11,521	-
36	HANSA Imobillien EOOD	Oct 2008/ Aug 2017	Bulgaria	Property-owning	Indirect	100	3,360	-
37	IGI Exclusive sp.z.o.o.	Oct 2007/Jul 2017	Poland	Property-owning	Indirect	100	2,104	-
38	Ingen Europe B.V.	Dec 2010	Netherlands	Holding	Indirect	100	18,273	18,273
39	INLOGIS VI s.r.o.	Jun 2011/Dec 2014	Slovakia	Property-owning	Indirect	100	8,045	7,245
40	Iris Titan Shopping Center SRL (previously named Degi Titan SRL)	Apr 2005/Jul 2015	Romania	Property-owning	Indirect	100	43,078	43,078
41	Karolinka Property sp.z.o.o.	Jul 2014/Jul 2017	Poland	Property-owning	Indirect	100	36,751	-
42	Lakeview Office Building SRL	Jul 2004/ Jan 2013	Romania	Property-owning	Indirect	100	13,529	13,529
43	Liberec Property s.r.o.	Jan 2007/Jul 2017	Czech Republic	Property-owning	Indirect	100	7,754	-
44	Marapi sp.z.o.o.	Apr 2017/Jul 2017	Poland	Property-owning	Indirect	100	2	-
45	Marketing Advisers SRL	Apr 2014	Romania	Services	Indirect	100	10	2
46	Mega Mall Bucuresti SRL (previously named ELJ Vatra SRL)	Feb 2007/ Aug 2013	Romania	Property-owning	Indirect	100	10,000	10,000
47	Modatim Business Facility SA	Nov 2015	Romania	Property-owning	Indirect	100	34,036	33,214
48	Monarda sp.z.o.o.	Jul 2015/Jul 2017	Poland	Property-owning	Indirect	90	91	-
49	NE Property Coöperatief U.A.	Oct 2007	Netherlands	Holding	Indirect	100	827,067	701,038
50	NEPI Bucharest One SRL	Sep 2007	Romania	Property-owning	Indirect	100	3,845	3,845
51	NEPI Bucharest Two SRL	Dec 2007	Romania	Property-owning	Indirect	100	2,756	2,756
52	NEPI Croatia Management d.o.o.	Jan 2017	Croatia	Services	Indirect	100	3	-
53	NEPI Czech Management s.r.o.	Sep 2016	Czech Republic	Services	Indirect	100	*	*
54	Nepi Eighteen Property Services SRL	Feb 2016	Romania	Property-owning	Indirect	100	10	*
55	Nepi Fifteen Real Estate Administration SRL	Jan 2014	Romania	Property-owning	Indirect	100	10	2
56	Nepi Four Real Estate Solutions SRL	Mar 2013	Romania	Property-owning	Indirect	100	10	2
57	Nepi Holdings Ltd	Apr 2012	Isle of Man	Holding	Direct	100	180,148	143,158

No	Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2017	Immediate parent investment 31 Dec 2016
58	NEPI Investment Management Ltd (BVI)***	Jul 2007/Jun 2010	British Virgin Islands	Holding	Direct	100	6,826	6,826
59	NEPI Investment Management Ltd (under liquidation)***	Aug 2007/Jun 2010	Cyprus	Holding	Indirect	100	2	2
60	NEPI Investment Management SRL	Jun 2010	Romania	Services	Indirect	100	7,280	7,280
61	Nepi Investments Ltd	Apr 2012	Isle of Man	Holding	Direct	100	10	10
62	NEPI Project Four EOOD	Nov 2017	Bulgaria	Property-owning	Indirect	100	*	-
63	NEPI Project One EOOD	Mar 2017	Bulgaria	Property-owning	Indirect	100	*	-
64	NEPI Project Three EOOD	Nov 2017	Bulgaria	Services	Indirect	100	*	-
65	NEPI Project Two EOOD	May 2017	Bulgaria	Holding	Indirect	100	*	-
66	NEPI Real Estate Development d.o.o.	Nov 2014	Serbia	Services	Indirect	100	10	10
67	NEPI Real Estate Project One d.o.o.	Jan 2016	Serbia	Property-owning	Indirect	100	1	2
68	Nepi Real Estate Project Three d.o.o.	Oct 2016	Serbia	Property-owning	Indirect	100	1	*
69	NEPI Real Estate Project Two d.o.o.	Jan 2016	Serbia	Property-owning	Indirect	100	1	2
70	NEPI Rockcastle Hungary Kft.	Oct 2017	Hungary	Services	Indirect	100	10	-
71	Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	Indirect	100	10	2
72	NEPI Six Development SRL	May 2012	Romania	Property-owning	Indirect	100	10	2
73	Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	Indirect	100	10	2
74	Nepi Slovak Centres One a.s.	Jul 2014	Slovakia	Services	Indirect	100	25	25
75	NEPI Slovakia Management s.r.o.	Jun 2013/ Aug 2013	Slovakia	Services	Indirect	100	335	335
76	NEPI Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	Indirect	100	2	2
77	Nepi Three Building Management SRL	Mar 2013	Romania	Property-owning	Indirect	100	10	2
78	NEPIOM Ltd	Sep 2012	Isle of Man	Services	Direct	100	78,553	78,553
79	New Energy Management SRL	Jan 2014	Romania	Services	Indirect	100	2	2
80	New Europe Property (BVI) Ltd	Jul 2007	British Virgin Islands	Holding	Direct	100	*	*
81	Nobilia sp. z o.o.	May 2017/Jul 2017	Poland	Services	Indirect	100	3	-
82	NRE Sibiu Shopping City SRL	Jan 2007/ Mar 2016	Romania	Property-owning	Indirect	100	35,377	35,377
83	Olsztyn Property sp.z.o.o.	Feb 2011/Jul 2017	Poland	Property-owning	Indirect	100	42,546	-
84	Otopeni Warehouse and Logistics SRL	Sep 2010	Romania	Property-owning	Indirect	100	1,807	1,807
85	Piotrków Property sp.z.o.o.	Feb 2011/Jul 2017	Poland	Property-owning	Indirect	100	1	-
86	Platan Property sp.z.o.o.	Jul 2015/Jul 2017	Poland	Property-owning	Indirect	100	15,401	-
87	Ploiesti Shopping City SRL **	Dec 2010/Feb 2012	Romania	Property-owning	Indirect	50	5,693	2,927
88	Pogoria Property sp.z.o.o.	Jun 2014/Jul 2017	Poland	Property-owning	Indirect	100	19,401	-

No	Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2017	Immediate parent investment 31 Dec 2016
89	Promenada Mall Bucuresti SRL (previously named Floreasca City Center SRL)	Oct 2005/Oct 2014	Romania	Property-owning	Indirect	100	67,349	67,349
90	Ramnicu Valcea Shopping City SRL	Aug 2014	Romania	Property-owning	Indirect	100	14	14
91	Real Estate Asset Management SRL	Jul 2014	Romania	Services	Indirect	100	10	2
92	Retail Park Pitesti SRL	Jan 2010	Romania	Property-owning	Indirect	100	13,010	4,010
93	Rockcastle Europe Limited	May 2014/ July 2017	Mauritius	Holding	Direct	100	*	-
94	Rockcastle Global Real Estate Company UK Limited	September 2014/ July 2017	UK	Services	Indirect	100	196,999	-
95	Rockcastle Global Real Estate Holdings BV	October 2013/ July 2017	Netherlands	Holding	Indirect	100	196,776	-
96	Rockcastle Global Securities Limited	October 2016/ July 2017	Mauritius	Services	Indirect	100	*	-
97	Rockcastle Poland sp.z.o.o.	Jul 2015/Jul 2017	Poland	Services	Indirect	100	1	-
98	Rockcastle UK Property SPV Limited	October 2014/ July 2017	UK	Property-owning	Direct	100	926	-
99	SCP s.r.o.	Apr 2006/ Jul 2016	Slovakia	Property-owning	Indirect	100	5,379	17,472
100	SEK d.o.o.	Jul 2007/Oct 2014	Serbia	Property-owning	Indirect	100	18,573	18,573
101	Serenada Property sp. z o.o.	Apr 2017/Jul 2017	Poland	Property-owning	Indirect	100	3	-
102	Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	Indirect	100	8,002	8,002
103	Shopping City Piatra Neamt SRL	Jan 2014	Romania	Property-owning	Indirect	100	13,510	2
104	Shopping City Sibiu (previously named Bel Rom Trei SRL)	Aug 2008/ Mar 2016	Romania	Property-owning	Indirect	100	6,637	6,637
105	Shopping City Timisoara SRL	Jun 2012	Romania	Property-owning	Indirect	100	17,302	2
106	Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Holding	Indirect	100	11	11
107	Symmetry Arena Kft	Apr 2004/Sep 2017	Hungary	Property-owning	Indirect	100	*	-
108	Targu Jiu Development SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
109	Targu Mures Shopping City SRL	Feb 2016	Romania	Property-owning	Indirect	100	10	*
110	Timisoara City Business Center One SRL	Jan 2012	Romania	Property-owning	Indirect	100	12,324	12,324
111	Timisoara Office Building SRL	Jan 2012	Romania	Property-owning	Indirect	100	15,456	15,456
112	Victoriei Office Building SRL	Aug 2011	Romania	Property-owning	Indirect	100	4,795	4,795
113	Vulcan Value Centre SRL	Apr 2012/ Sep 2013	Romania	Property-owning	Indirect	100	5,002	5,002
114	Zielona Góra Property sp.z.o.o.	Dec 2011/Jul 2017	Poland	Property-owning	Indirect	100	23,001	-

** less than €1 thousand*

*** joint venture companies*

**** dormant companies*

FINANCIAL STATEMENTS

The Company's investments in subsidiaries, being the total of direct investments shown in the table above, amount to €266,463 thousand.

The Company has given loans of €1,764,428 thousand to NEPIOM Limited, €1,600,653 thousand to Rockcastle Europe Limited and €2 thousand to Rockcastle Global Real Estate Holdings BV. Accrued interest on the loans amounted to €3,575 thousand.

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 with regard to 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. The fair value of bonds is not considered relevant, as the Group does not repurchase its own bonds, and, essentially, its liability towards bonds holders does not vary in line with the market price of its listed notes. However, for reference, as at 31 December 2017, the €400,000 thousand bonds issued in 2015 were trading on the market at 107% (31 December 2016: 106%) and the €500,000 thousand bonds issued in 2017 were trading on the market at 94%.

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 receivables from tenants, investments in listed securities of property companies, financial assets arisen from equity swaps and cash and cash equivalents and equity derivative collateral.

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

Credit exposure on financial instruments	**Note**	**Group 31 Dec 2017**	**Group 31 Dec 2016**	**Company 31 Dec 2017**	**Company 31 Dec 2016**
Loans granted to subsidiaries	5	–	–	3,368,658	–
Loans granted to joint ventures	33	25,792	31,015	–	–
Trade and other receivables	14	60,793	40,539	3,225	–
Cash and cash equivalents	15	195,544	48,020	510	1
Equity derivative collateral	13	265,541	–	–	–
TOTAL		**547,670**	**119,574**	**3,372,393**	**1**

The balance of loans to participants in the Current Share Scheme are not considered to present credit risk as these are guaranteed with shares (see details in Note 18).

As at 31 December 2017 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. Changes in counterparty credit risk had no material effect on the fair value of the derivatives and other financial instruments recognised at fair value through profit or loss.
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), but there is no concentration of credit risk with respect to trade debtors.

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 evaluation includes external ratings.

The Group establishes an allowance for impairment based on its estimate of incurred losses in respect of trade and other receivables and investments. The allowance's main element is a specific loss component that relates to individually significant exposures. The carrying value of financial assets approximates their fair value.

The Group's exposure to credit risk associated to equity derivative collateral and cash and cash equivalents is limited through the use of financial institutions of good standing for investment and cash handling purposes.

Ageing of trade receivables/past due but not impaired	**Group 31 Dec 2017**	**Group 31 Dec 2016**
Receivables not due	**26,637**	**15,883**
Receivables past due but not impaired	**7,360**	**4,409**
Under 30 days	4,842	3,720
30–60 days	677	245
60–90 days	308	93
Over 90 days	1,533	351
TOTAL TENANTS RECEIVABLES (NOTE 14)	**33,997**	**20,292**

Tenant receivables past due were not impaired because part of the amounts were collected after the balance sheet date or because the Group has received guarantees from tenants (in cash or letters of guarantee from banks) that are higher than the balance receivable.

The Group assessed its receivables for impairment and concluded that a net amount of €103 thousand was considered unlikely to be recovered in respect of revenues for 2017, therefore an allowance for doubtful debts was charged to the Statement of comprehensive income. As at 31 December 2016, an allowance for doubtful debts was charged to the Statement of comprehensive income of €1,160 thousand had been reconsidered as likely to be recovered from tenants in respect of the respective period revenues, therefore a reversal of allowance for doubtful debts was charged to the Statement of comprehensive income.

Loans granted to joint ventures are not past due or impaired.

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 2017, 99% of the Group's cash was held with investment-grade rated banks (31 December 2016: 96%).

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 sufficient 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 enables 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.

The Group receives rental income on a monthly basis. Typically, the Group ensures it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Further reference to bank loan maturity analysis is made in Note 19.

The table below presents undiscounted cash flows for bonds and bank loans, computed at the contractual rates as at 31 December 2017.

Group 31 Dec 2017	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans	19	23,813	33,155	1,118,454	619,801	1,795,223
Interest rate derivatives financial liabilities at fair value through profit or loss	20	-	-	4,678	-	4,678
Financial liabilities at fair value through profit or loss	13	-	10,934	-	-	10,934
Trade and other payables	21	22,119	88,477	-	-	110,596
Other long-term liabilities	22	-	-	-	37,089	37,089
TOTAL		**45,932**	**132,566**	**1,123,132**	**656,890**	**1,958,520**

Group 31 Dec 2016	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans	19	51,967	27,189	610,840	44,572	734,568
Interest rate derivatives financial liabilities at fair value through profit or loss	20	-	-	316	-	316
Trade and other payables	21	14,039	56,155	-	-	70,194
Other long-term liabilities	22	-	-	-	17,403	17,403
TOTAL		**66,006**	**83,344**	**611,156**	**61,975**	**822,481**

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.

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 exposures in respect of monetary assets and liabilities denominated in currencies other than the one cash inflows are received in.

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 2017 and 31 December 2016, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 19 and 20.

	Group 31 Dec 2017	Group 31 Dec 2016
Bank loans*	516,455	278,592
— Rate capped	185,924	174,976
— Rate swapped	330,531	93,367
— Rate variable	-	10,249

**The remaining balance relates to loans and borrowings with fixed interest rate.*

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.

	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
Loans to participants in Current Share Scheme (including accrued interest)	27,932	12,753	27,932	-
Loans and borrowings (variable or capped rate)	(113,054)	(185,225)	-	-
TOTAL	**(85,122)**	**(172,472)**	**27,932**	-

Group 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	279	(279)	279	(279)
Loans and borrowings (variable or capped rate)	(1,859)	1,859	(1,859)	1,859
TOTAL	**(852)**	**852**	**(852)**	**852**

Group 31 Dec 2016	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	128	(128)	128	(128)
Loans and borrowings (variable or capped rate)	(1,852)	1,852	(1,852)	1,852
TOTAL	**(1,724)**	**1,724**	**(1,724)**	**1,724**

Company 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	279	(279)	279	(279)
TOTAL	**279**	**(279)**	**279**	**(279)**

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

A change of 100 basis points in the market values of the direct investment in listed property shares held by the Group 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 2017 and 31 December 2016. These balances are subject to changes over the year, therefore the calculations are not representative of the year as a whole. This analysis assumes that all other variables remain constant.

Group 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial investments at fair value through profit or loss	3,266	(3,266)	3,266	(3,266)
TOTAL	**3,266**	**(3,266)**	**3,266**	**(3,2,66)**

Group 31 Dec 2016	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial investments at fair value through profit or loss	190	(190)	190	(190)
TOTAL	**190**	**(190)**	**190**	**(190)**

6.3.4 Market risk for financial assets/liabilities at fair value through profit or loss (equity swaps)

The Group entered into equity swap derivatives with a gross exposure of €851,261 thousand as at 31 December 2017 (Note 13).

A change of 100 basis points in the market values of gross exposure to listed securities obtained through the equity swaps, the Group would have increased/(decreased) equity and profit or loss by the amounts shown below.

Group 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial assets/(liabilities) at fair value through profit or loss	8,513	(8,513)	8,513	(8,513)
TOTAL	8,513	(8,513)	8,513	(8,513)

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 produces, 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. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

Capital is primarily monitored using the gearing ratio, computed as interest bearing debt less cash divided by investment property and net listed securities, which decreased to 26% (31 December 2016: 27%).

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 will retain comfortable levels of access to liquidity to finance the Group's development pipeline and to pursue further investment opportunities.

9. INVESTMENT PROPERTY IN USE

Movement in investment property at fair value	Group 31 Dec 2017	Group 31 Dec 2016
Carrying value at beginning of year	2,370,760	1,576,019
Additions from business combinations and asset deals (Note 32A)	2,045,286	470,100
Transferred from Investment property under development (Note 10)	151,135	164,959
Transferred from investment property held for sale as an effect of acquisition of non-controlling interest (Note 16)	-	1,291
Fair value adjustments (Note 28)	157,912	158,391
CARRYING VALUE	**4,725,093**	**2,370,760**

Investment property is carried at fair value and is assessed on a semi-annual basis.

All investment property in use is valued by the Income Method. The applied approach is either discounted cash flow (DCF) or the capitalisation method.

The discounted cash flow method (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 approach to valuation, the DCF method involves the projection of a series of cash flows onto a real property interest. To these projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of cash inflows associated with the real 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.

The capitalisation method works on the basis of capitalising the passing income for the duration of the term and the reversionary market rental value into perpetuity. Explicit adjustments are made for letting voids, empty service charge, letting fees, fit-out contributions and irrecoverable operating costs. Income is capitalised at an equivalent yield, which is the constant capitalisation rate applied to all cash flows.

For the year ended 31 December 2017 the Group commissioned independent year-end appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners and Colliers International, and for the year ended 31 December 2016, the Group commissioned independent year-end appraisal reports on its investment property from Cushman&Wakefield, all members of the Royal Institution of Chartered Surveyors (RICS). The fair value of investment property is based on these reports. The Group provides all information necessary for the valuations and all assets are valued on a semi-annual basis, as at 30 June and 31 December. Detailed tenancy schedules are made available, including information on occupied and vacant units, unit areas and numbers, lease commencement and expiry dates, break options, indexation clauses. All properties have been inspected for the 31 December 2017 valuations. Valuations are prepared in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"). The Group's investment property is classified Level Three on the fair value hierarchy as defined in IFRS 13.

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

At each financial year-end the finance department:

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

As at 31 December 2017, the investment property at fair value portfolio had a vacancy rate of 3.6% (31 December 2016: 2%).

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

IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The Group currently discloses fair values according to a 'fair value hierarchy' (as per IFRS 13) which 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 that the entity can access at measurement date;
- Level 2: use of a model with inputs (other than quoted prices included within Level 1) that are directly, or indirectly, observable market data, and
- Level 3: use of a model with inputs not based on observable data.

The Group's investment property is categorised as Level 3. There were no transfers between hierarchy levels during the year.

The yield resulted from the market value and passing rent of the portfolio is between 5.32% and 14.19% (31 December 2016 between 6.16% and 14.88%). The Group's resulting weighted average yield was 6.75% for the entire property portfolio (retail: 6.66%; office: 7.53%; industrial: 11.73%). For the period ended 31 December 2016, the Group's resulting weighted average yield was 7.32% for the entire property portfolio (retail: 7.23%; office: 7.72%; industrial: 11.59%).

An increase/decrease of 25bps to the yield of 6.75% from above would result in a €168,800 thousand decrease/increase in the Group's property portfolio (2016: yield of 7.32%, increase of 25bps would have resulted in a €78,271 thousand decrease).

The significant unobservable inputs used in the fair value measurement categorised 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 2017 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/ Capitalisation	196 – 19,945 (10,838*)	5.10 – 11.00 (7.96*)	5.10 – 9.50 (6.94*)
Office	Discounted cash flow	1,625 – 9,744 (5,916*)	8.00 – 9.50 (9.00*)	6.50 – 8.00 (7.50*)
Industrial	Discounted cash flow	504 – 1,316 (910*)	11.00 – 11.50 (11.25*)	9.00 – 10.50 (9.75*)

** Amounts or percentages represent weighted averages*

10. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development Retail	Group 31 Dec 2017	Group 31 Dec 2016
Carrying value at beginning of year	144,082	132,606
Additions from business combinations (Note 32A)	10,819	19,000
Additions from asset deals and construction in progress	157,040	162,867
Fair value adjustments (Note 28)	4,943	(5,672)
Assets which became operational and were transferred to Investment property in use (Note 9)	(114,468)	(164,719)
CARRYING VALUE	**202,416**	**144,082**

Movement in Investment property under development Office	Group 31 Dec 2017	Group 31 Dec 2016
Carrying value at beginning of year	31,930	24,135
Additions from asset deals and construction in progress	4,860	12,292
Fair value adjustments (Note 28)	-	(4,246)
Assets which became operational and were transferred to Investment property in use (Note 9)	(36,667)	(240)
Investment property under development reclassified as held for sale (Note 16)	(123)	(11)
CARRYING VALUE	**-**	**31,930**

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 2017, the Group commissioned independent year-end reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners and Colliers International, based on which the fair value of investment property was adjusted. For the year ended 31 December 2016, the Group commissioned independent year-end reports from Cushman&Wakefield, based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level Three on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach.

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

Borrowing costs capitalised in 2017 amount to €4,350 thousand (2016: €5,765 thousand) and were calculated using an average annual interest rate of 2.2% (2016: 3.7%).

Balance of investment property under development	Group 31 Dec 2017	Group 31 Dec 2016
Retail	202,416	144,082
Office	-	31,930
TOTAL	**202,416**	**176,012**

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

Investment property under development	Group 31 Dec 2017	Group 31 Dec 2016
Land (at fair value)	137,106	145,810
Construction works (at cost)	65,310	30,202
TOTAL	**202,416**	**176,012**

11. OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
Loans to participants in the Current Share Scheme and management incentive (Note 18)	27,932	12,753	27,932	–
Non-current receivables	6,151	1,744	–	–
Property, plant and equipment and intangible assets	2,092	802	–	–
TOTAL	**36,175**	**15,299**	**27,932**	–

12. GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Segment	Balance at 1 Jan 2016	Additions	Balance at 31 Dec 2016	Additions	Impairment of goodwill	Balance at 31 Dec 2017
Pitesti Retail Park	Retail	1,671	–	1,671	–	–	1,671
Floreasca Business Park	Office	1,664	–	1,664	–	–	1,664
Internalisation of NEPI Investment Management	Corporate	5,882	–	5,882	–	–	5,882
City Business Centre	Office	4,747	–	4,747	–	–	4,747
The Lakeview	Office	3,899	–	3,899	–	–	3,899
Aupark Kosice Mall	Retail	5,189	–	5,189	–	–	5,189
Iris Titan Shopping Center	Retail	934	–	934	–	–	934
Forum Usti nad Labem	Retail	–	5,646	5,646	–	–	5,646
Shopping City Sibiu	Retail	–	9,850	9,850	–	–	9,850
Korzo Shopping Center	Retail	–	2,899	2,899	–	–	2,899
Aupark Shopping Center Piestany	Retail	–	2,497	2 ,497	–	–	2 ,497
Arena Centar	Retail	–	13,512	13,512	–	–	13,512
NEPI Rockcastle Merger	Corporate	–	–	–	886,167	(886,167)	-
Energit	Retail	–	–	–	6,976	–	6,976
Paradise Center	Retail	–	–	–	9,311	–	9,311
Arena Plaza	Retail	–	–	–	7,905	–	7,905
TOTAL		**23,986**	**34,404**	**58,390**	**910,359**	**(886,167)**	**82,582**

No impairment charge arose as a result of the impairment test except for goodwill arising from NEPI Rockcastle Merger (note 32B). The recoverable amounts of the CGUs, except for NEPI Investment Management and Energit, were based on their fair value less costs of disposal. The fair values of the properties were assessed based on reports by external valuers. The external valuations are determined using discounted cash flow ("DCF") projections and capitalisation method based on significant unobservable inputs. For more information on the unobservable input used in the external valuation, reference is made to Note 9. The most relevant assumption is the terminal value capitalisation rate.

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 the CGU was based on its value in use, which requires the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated cash flow of year 5. The discount rate used is 8%.

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

	31-Dec-17	31-Dec-16
Financial investments at fair value through profit or loss	326,565	18,979
Equity derivative collateral	265,541	-
Financial assets at fair value through profit or loss related to financial investments	11,923	-
Financial liabilities at fair value through profit or loss related to financial investments	(10,934)	-
	593,095	**18,979**

A. Financial investments at fair value through profit or loss

The Group obtains exposure to listed real estate companies by holding direct, physical listed securities.
As at 31 December 2017, the Group held a portfolio of listed securities fair valued at €326,565 thousand (2016: €18,979 thousand). The portfolio is focused towards liquid counters in developed markets, with a strong emphasis on companies which dominate regionally. Over 95% of the investments in physical listed securities are held in three listed real estate companies: Unibail, Westfield and Klepierre.

The highest holding of financial investments was in Unibail shares, which represented 1.1% of the respective entity's equity. The percentage of holding does not meet the definition of control as defined by IFRS, therefore it does not meet the requirement to consolidate the entity.

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.

B. Financial assets and financial liabilities at fair value through profit or loss

In addition to directly, physically held listed securities, the Group utilises equity swap derivatives to obtain exposure mainly to listed real estate companies.

An equity swap is an exchange of future cash flows between two parties. The principal counterparties, the prime brokers, are Morgan Stanley, Goldman Sachs and BoA Merrill Lynch. The streams of payments in an equity swap are known as the legs. One leg is the payment stream of the performance of an equity security over a specified period, which is based on the specified notional value or a number of shares. The second leg contains a funding leg which serves as the determinant of the cost associated with the underlying exposure. The funding leg accrues interest based on the notional exposure underlying the equity swap at the benchmark rate plus a spread agreed for the particular currency and with the respective prime broker.

The Group is required to place cash as collateral (named “Equity derivative collateral” in the financial statements) under the equity swaps that is held with prime brokers.

As the equity swaps qualify as derivatives, the gross investment and liability exposures are not separately recognised and only the net fair value is recognised in the statement of financial position. The Group’s equity swap derivatives position as at 31 December 2017 is presented below:

	Financial assets	Financial liability	Total
Gross exposure – value of underlying listed investments	401,438	449,823	**851,261**
Funding leg	(389,515)	(460,757)	**(850,272)**
Fair value in the statement of financial position	11,923	(10,934)	**989**

The financial investments are not considered as long-term strategic investments and are expected to be sold in short term; therefore these have been accounted as financial assets at fair value through profit or loss and classified as current assets.

The Group’s strategy is to sell investments in listed securities, held directly or through equity swap derivatives, to partially fund the acquisition and development pipeline during 2018.

C. *Equity derivative collateral*

Equity derivative collateral comprises cash required to be held with prime brokers in relation to equity swaps as described in Section b) above. The equity derivative collateral is split by currency as follows:

Details of equity derivative collateral by currencies	**31 Dec 2017**
EUR	256,497
AUD	5,491
USD	1,905
GBP	1,644
PLN	4
TOTAL	**265,541**

D. *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.

The Income from financial investments at fair value through profit or loss of €18,084 thousand (2016: €738 thousand) includes finance costs of €7,192 thousand (2016: nil) on the funding leg of the equity swaps.

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 2017, the net capital and realised losses from the sale of investment in listed securities amounted to €24,112 (2016: €724 thousand).

14. TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2017	**Group 31 Dec 2016**	**Company 31 Dec 2017**	**Company 31 Dec 2016**
VAT receivable	14,965	16,538	6	–
Tenant receivables	33,997	20,292	–	–
Other receivables	4,875	1,105	3,219	–
Prepaid property expenses	6,689	2,419	–	–
Other prepaid fees	267	185	–	–
TOTAL	**60,793**	**40,539**	**3,225**	–

15. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	**Group 31 Dec 2017**	**Group 31 Dec 2016**	**Company 31 Dec 2017**	**Company 31 Dec 2016**
EUR	137,005	25,105	457	1
RON	24,523	18,361	–	–
PLN	12,376	–	–	–
BGN	7,497	–	–	–
HUF	5,611	–	–	–
HRK	4,679	3,027	–	–
CZK	2,967	892	–	–
RSD	573	365	–	–
ZAR	38	258	38	–
USD	8	10	–	–
GBP	267	2	15	–
TOTAL	**195,544**	**48,020**	**510**	**1**

Details of cash and cash equivalents by type	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
Current accounts	132,627	37,807	510	1
Deposits	62,425	10,094	-	-
Petty cash and other values	492	119	-	-
TOTAL	**195,544**	**48,020**	**510**	**1**

16. INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale	Group 31 Dec 2017	Group 31 Dec 2016
Carrying value at beginning of year	15,525	25,255
Additions from investment property under development (Note 10)	123	11
Disposals	(4,577)	(3,140)
Transferred from investment property held for sale as an effect of acquisition of non-controlling interest (Note 9)	-	(1,291)
Fair value adjustments (Note 28)	(833)	(5,310)
CARRYING VALUE	**10,238**	**15,525**

No properties were sold subsequent to the year end, however the Group is engaged in negotiations and is analysing offers received for the remaining balance, and is committed to disposal of the properties classified as held for sale.

17. SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital €0.01/share	Share premium
Issued as of 1 January 2016	**2,986**	**1,213,325**
— Issued 4,123,589 ordinary shares at €9.39/share*	41	(41)
— Issued 2,643,019 ordinary shares at €9.38/share*	27	(27)
— Issued 16,129,032 ordinary shares at €9.66/share**	161	155,729
— Issue cost recognised to equity	-	(888)
— Re-allocation of shares under Current Share Scheme	-	27
— Sale of shares issued under the Initial Share Scheme	-	46
CARRIED FORWARD AS AT 31 DECEMBER 2016	**3,215**	**1,368,171**

** The shares were issued in respect of the return of capital: 22 March, 3 October 2016.*
*** The shares were issued as part of the book build: 18 July 2016, of which 7,580,859 ordinary shares were issued pursuant to the general authority to issue shares for cash.*

— Issued 5,691,549 ordinary shares at €9.88/share[1]	57	(57)
— Issued 9,305,725 ordinary shares at €11.00/share[1]	93	(93)
— Issued 6,849,315 ordinary shares at €10.57/share[2]	68	72,356
— Issued 29,541,215 ordinary shares at €11.10/share[2]	296	296,684
— Issue cost recognised to equity	-	26,706
— Issued 204,926,726 ordinary shares at €11.33/share[3]	2,049	2,320,230
— Reallocation of NEPI reserves to share premium	-	427,720
— Transfer of goodwill impairment on acquisition of Rockcastle Group to share premium	-	(886,167)
— Sale of shares issued under the Initial Share Scheme	-	18
CARRIED FORWARD AS AT 31 DECEMBER 2017	**5,778**	**3,625,568**

[1] The shares were issued in respect of the return of capital: 10 April, 12 October 2017.
[2] The shares were issued as part of the book builds: 10 March, 16 October 2017 pursuant to the general authority to issue shares for cash and a vendor consideration placement.
[3] The shares were issued for the acquisition of Rockcastle Group on 14 July 2017.

[1]Option to receive capital return

Given the Group's ongoing development and acquisition programme, and following requests from shareholders, the Board explored alternatives to cash distributions to shareholders. As a result, shareholders had the option to receive:

21.82 euro cents per share distribution for the six months ended 31 December 2016 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 2.20913 new shares for every 100 shares, and

23.46 euro cents per share (combined) distribution for the six months ended 30 June 2017 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 2.13193 new shares for every 100 shares.

Shares were issued from the share premium account.

[2]Book build 10 March 2017

In order to seize potential acquisition and development opportunities the Company increased its cash reserves by issuing 6,849,315 ordinary shares through an accelerated book build process that generated over €72 million in March 2017.

[2]Book build 16 October 2017

In order to seize potential acquisition and development opportunities the Company increased its cash reserves by issuing 29,541,215 ordinary shares through an accelerated book build process that generated over €296 million in October 2017.

[3]NEPI Rockcastle Merger 11 July 2017

Following the approval of the NEPI and Rockcastle merger transaction, on Wednesday, 12 July 2017, 538 953 857 ordinary shares of NEPI Rockcastle were listed and commenced trading on the Main Board of the JSE Limited ("JSE") at an introductory price of ZAR175.60 per share, and on Euronext Amsterdam at an introductory price of €11.33 per share. NEPI shareholders received 1 NEPI Rockcastle share for every 1 NEPI share held on the record date of 14 July 2017. Rockcastle shareholders received 1 NEPI Rockcastle share for every 4.7 Rockcastle shares held on the record date of 14 July 2017, and any entitlement to a fraction of a NEPI Rockcastle share was rounded down to the nearest whole number (resulting in allocation of whole NEPI Rockcastle shares only) with a cash payment made to the relevant shareholders in respect of the fraction ("cash payment").

The issued share capital figure excludes shares issued under the Initial Share Scheme (set out in Note 18) but includes the shares sold by the participants in the Initial Share Scheme to other investors, and those issued under the Current Share Scheme.

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 uses incentive plans to reward performance and align the interests of executive directors and key individuals with those of the shareholders.

NEPI Rockcastle's current incentive plan was disclosed in the prospectus of the merger between NEPI and Rockcastle (the "2017 Incentive Plan"). The 2017 Incentive Plan 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 Incentive Plan, and the allocation of incentives is discretionary, based on key performance indicators. The executive directors determine which key employees are eligible to participate in the Incentive Plan, and the allocation of incentives is discretionary, based on their assessment of the employees' performance.

No shares were issued under the 2017 Incentive Plan until 31 December 2017; the accrual for estimated performance Awards in respect of 2017 was included in staff costs (Note 26). All future share issues to directors and employees will be done under the 2017 Incentive Plan.

Following the merger, NEPI Rockcastle assumed the assets and liabilities of NEPI and Rockcastle, including the shares previously issued to directors and employees under NEPI's and Rockcastle's share purchase schemes (the "NEPI SPS" and "Rockcastle SPS"). All loans outstanding were assigned to NEPI Rockcastle and participants in the NEPI SPS and Rockcastle SPS received NEPI Rockcastle shares (as determined with reference to the swap ratio) in respect of all NEPI and Rockcastle shares held by them pursuant to the existing plans. The NEPI Rockcastle shares so received will remain subject to the rules of the NEPI SPS and Rockcastle SPS, on the basis that all the participants' rights and obligations under the existing plans will apply to such NEPI Rockcastle shares.

	Maximum number of shares which could be offered for subscription at 31 December 2017	No of shares oustanding at 31 December 2017	Loans outstanding at 31 December 2017
2017 Incentive Plan	27,403,086	-	-
NEPI SPS	-	2,104,929	6,367
Rockcastle SPS	-	2,804,996	21,565
TOTAL	**27,403,086**	**4,909,925**	**27,932**

During 2017 and 2016, no shares were issued under the NEPI SPS or Rockcastle SPS.

The NEPI SPS was based on loans granted to participants in the share purchase schemes to buy shares, the repayment of which could be made in part out of the distribution payable in relation to the shares. Of the shares initially subscribed for, 20% vested annually. NEPI offered each participant the immediate right to subscribe for the permitted number of shares at their then 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 Company can borrow money. Loans were payable in full, together with interest, ten years after its subscription date, but could be repaid earlier. NEPI had security interests that ensured the repayment of the principal and interest on the loan given to participants. The NEPI SPS is a full non-recourse scheme (i.e. recourse in relation to loans issued is not limited to shares issued). Pending repayment of the loan, the distributions on such shares were used to repay loan interest. Any excess distribution after interest payment was used to repay the loan.

The Rockcastle SPS was based on loans granted to participants in the share purchase schemes to buy shares, the repayment of which could be made in part out of the distribution payable in relation to the shares. Rockcastle offered each participant the immediate right to subscribe for the permitted number of shares at their then market value together with a loan to fund the purchase. With effect from 2017, each loan carried interest at the weighted average rate that the Company can borrow money (previously at a fixed rate of 5%). Loans were payable in full, together with interest, ten years after its subscription date, but could be repaid earlier. Rockcastle had security interests that ensured the repayment of the principal and interest on the loan given to participants. The Rockcastle SPS is a full-recourse scheme (i.e. recourse in relation to loans issued is not limited to shares issued). Pending repayment of the loan, the distributions on such shares were used to repay loan interest. Any excess distribution after interest payment was used to repay the loan and any shortfall in interest payable was advanced by Rockcastle as a bonus to the participant.

The accounting policy with respect to Share-Based Payments is described in Note 3.17.

19. BORROWINGS (BONDS AND BANK LOANS)

In 2015 NEPI was assigned long-term corporate credit ratings of Baa3 (stable outlook) from Moody's Investors Service ("Moody's") and BBB- (stable outlook) from Standard & Poor's Rating Services ("S&P").

Following the merger, Moody's have revised the outlook on the Baa3 rating from stable to positive, and Standard and Poor's have upgraded NEPI Rockcastle's rating from BBB- to BBB, with a stable outlook. The Group also obtained a BBB rating with a stable outlook from Fitch. After a roadshow with European fixed-income investors in November 2017, the Group issued €500 million of unsecured, 7-year Eurobonds maturing on 23 November 2024, carrying a 1.75% fixed coupon, with an issue price of 99.051%. The proceeds were used to finance the acquisitions and developments pipeline. The Group also attracted additional unsecured committed revolving credit facilities from ING, Societe Generale and Garanti Bank, and a term loan from Berlin Hyp for Galeria Warminska of €76,000 thousand.
As at year-end, the Group had undrawn amounts of €380,000 thousand from the unsecured revolving credit facilities.

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.

The debt's average interest rate, including hedging costs, was approximately 2.2% during 2017, down from 3.7% in 2016, due to contracting new debt at lower rates and decreasing the interest margin on the existing debt. As at 31 December 2017, fixed-coupon bonds represented 55% of NEPI Rockcastle's outstanding debt, and out of the remaining debt exposed to Euribor, 36% was hedged with interest rate caps and 64% with interest rate swaps.

NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during 2017 and 2016.

Interest bearing borrowings Group, 31 Dec 2017	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
NE Property Cooperatief UA	Fixed coupon bonds	-	-	500,000	500,000
NE Property Cooperatief UA	Fixed coupon bonds	-	400,000	-	400,000
Bonarka City Center	Term loan	965	187,934	-	188,899
Aupark Kosice Mall & Tower	Term loan	5,526	88,421	-	93,947
Karolinka Shopping Centre	Term loan	436	86,764	-	87,200
Galeria Warminska	Term loan	-	1,900	74,100	76,000
Focus Park Zielona Gora	Term loan	336	66,809	-	67,145
Aupark Zilina	Term loan	2,379	60,323	-	62,702
Pogoria Shopping Centre	Term loan	225	44,675	-	44,900
Forum Liberec Shopping Centre	Term loan	-	2,307	38,693	41,000
Solaris Shopping Centre	Term loan	-	34,800	-	34,800
Platan Shopping Centre	Term loan	158	31,342	-	31,500
Aupark Shopping Center Piestany	Term loan	396	18,711	-	19,107
Accrued interest on loans and deferred loan costs		147	(2,286)	-	(2,139)
Accrued interest on bonds		13,527	-	-	13,527
Deferred bond costs		(1,751)	(4,699)	(782)	(7,232)
Issue discount on bonds		(1,031)	(3,378)	(1,224)	(5,633)
Total		**21,313**	**1,013,623**	**610,787**	**1,645,723**

Interest bearing borrowings Group, 31 Dec 2016	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
NE Property Cooperatief UA	Fixed coupon bonds	-	400,000	-	400,000
NE Property Cooperatief UA	Fixed coupon bonds	50,000	-	-	50,000
NE Property Cooperatief UA	Revolving facility	-	95,000	-	95,000
New Europe Property Investments plc	Revolving facility	10,249	-	-	10,249
Aupark Kosice Mall & Tower	Term loan	5,526	93,947	-	99,473
Aupark Zilina	Term loan	1,945	8,483	44,572	55,000
Aupark Shopping Center Piestany	Term loan	396	19,107	-	19,503
Accrued interest on loans and deferred loan costs		(117)	(516)	-	(633)
Accrued interest on bonds		12,852	-	-	12,852
Deferred bond costs		(1,366)	(4,216)	-	(5,582)
Issue discount on bonds		(329)	(965)	-	(1,294)
Total		**79,156**	**610,840**	**44,572**	**734,568**

Debt reconciliation

This section sets out an analysis of debt and the movements in debt for the period presented.

	Bank loans	Bonds	Total
Debt as at 31 December 2016	**278,592**	**455,976**	**734,568**
Cash repayments of principal	(113,952)	(50,000)	**(163,952)**
Cash proceeds from bank loans or bonds	86,000	500,000	**586,000**
Cash payments of interest on bank loans or coupon on bonds	(8,139)	(15,895)	**(24,034)**
Accrued interest or coupon / charge to accrued interest	147	10,745	**10,892**
Bank loans transferred through business combinations	500,625	-	**500,625**
Other non-cash items	1,788	(164)	**1,624**
Debt as at 31 December 2017	**745,061**	**900,662**	**1,645,723**

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

Aupark Zilina – VUB Banka loan
At the acquisition of Aupark Zilina in 2013, the Group took over two investment loans from Vseobecna Uverova Banka (VUB), which were subsequently renegociated in November 2016 and further decreased the margin, extending the loan period until December 2022 and increasing the loan amount to €65,000 thousands.
Security
— General security over the land and building (fair value as at 31 December 2017 of €124,800 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Zilina.
Covenants
— Debt service cover ratio of minimum 120%, and
— Loan to value ratio of maximum 70%.

Aupark Kosice - Tatra banka, a.s. and Ceskoslovenska obchodna banka, a.s.
In December 2014, the Group acquired Aupark Kosice Shopping Centre and Aupark Office Tower Kosice, and in December 2015 successfully refinanced the loan facilities from Tatra Banka and Ceskoslovenska Banka in a total amount of €105,000 thousand. The loans mature on 30 September 2020 and are payable in quarterly instalments.
Security
— General security over the land and buildings (total fair value as at 31 December 2017 of €187,350 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Kosice Shopping Centre and Aupark Office Tower Kosice
Covenants
— Debt service cover ratio of minimum 120%, and
— Loan to value of maximum 70% for 2016, and 65% thereafter.

Aupark Piešťany, spol. s r.o. and Aupark Piešťany SC, s.r.o. - Komerční banka, a. s.
In September 2016, the Group acquired Aupark Shopping Center Piešťany and took over the debt agreement from Komerční banka, a. s. with an outstanding amount of €19,107 thousand, which matures in March 2021.
Security
— General security over the land and building (fair value as at 31 December 2017 of €41,000 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Piešťany, spol. s r.o. and Aupark Piešťany SC, s.r.o.
Covenants
— Debt service cover ratio of minimum 150%, and
— Loan to value ratio of maximum 61%.

Solaris Shopping Centre - ING Bank Slaski
The Group contracted a loan facility from ING Bank Slaski for Solaris Shopping Centre, which matures during November 2020 and is repayable at final maturity.
Security
— General security over the property (fair value as at 31 December 2017 of €60,730 thousand), current assets, cash inflows from operating activities, accounts and receivables of Solaris Shopping Centre, and
— General security over the shares in the property-owning entity.
Covenants
— Interest coverage ratio of minimum 300%, and
— Loan to value of maximum 70% in year 1,69% in year 2,68% in year 3,67% in year 4 and 65% in year 5.

Karolinka Shopping Centre, Platan Shopping Centre, Pogoria Shopping Centre and Focus Mall Zielona Gora - ING Bank Slaski, Helaba and Deutsche Pfandbrief
The Group contracted a secured loan facility from the syndicate of banks mentioned above for a portfolio of assets including Karolinka Shopping Centre, Platan Shopping Centre, Pogoria Shopping Centre and Focus Mall Zielona Gora which matures during August 2021 and is repayable in quarterly instalments from September 2018 onwards at 1% per annum with a final bullet repayment.
Security
— General security over the properties (total fair value as at 31 December 2017 of €391,470 thousand), current assets, cash inflows from operating activities, accounts and receivables of Karolinka Shopping Centre, Platan Shopping Centre, Pogoria Shopping Centre and Focus Mall Zielona Gora, and
— General security over the shares in the respective property-owning entities in Poland.
Covenants
— Loan to value ratio of maximum 70%,

— Interest service cover ratio applicable for year 1 and year 2 of at least 200%; and
— Debt service cover ratio of minimum 150% applicable for years 3, 4 and 5.

Bonarka City Center - ING Bank Slaski, Berlin Hyp and Nationale Nederlanden
The Group assumed an existing loan facility from a syndicate of banks mentioned above as part of the acquisition of Bonarka City Center. The loan matures during February 2020 and is repayable in quarterly instalments.
Security
— General security over the property (fair value as at 31 December 2017 of €375,200 thousand), current assets, cash inflows from operating activities, accounts and receivables of Bonarka City Center, and
— General security over the shares in the property-owning entity
Covenants
— Loan to value ratio of maximum 80% in year 1,79% in year 2,78% in year 3,77% in year 4,76% in year 5, and
— Debt service cover ratio of minimum 120%.

Forum Liberec Shopping Centre – Erste Bank
The Group contracted a secured loan facility from Erste Bank. The loan matures during May 2024 and is repayable in quarterly instalments starting June 2019.
Security
— General security over the property (fair value as at 31 December 2017 of €83,500 thousand), current assets, cash inflows from operating activities, accounts and receivables of Forum Liberec Shopping Centre
Covenants
— Loan to value ratio of maximum 65%, and
— Debt service cover ratio of minimum 125%.

Galeria Warminska – Berlin Hyp
In October 2017, the Group contracted a secured loan facility from Berlin Hyp. The loan matures during December 2024 and is repayable in quarterly instalments starting December 2022.
Security
— General security over the property (fair value as at 31 December 2017 of €156,100 thousand), current assets, cash inflows from operating activities, accounts and receivables of Galeria Warminska
Covenants
— Loan to value ratio of maximum 62.5% in years 1-5 and 60% in years 6-7, and
— Debt service cover ratio of minimum 130%.

NE Property Cooperatief (fixed coupon bonds)
In 2015, the Group successfully issued 400,000 thousand of unsecured, 5.25 year Eurobonds. The bonds mature on 26 February 2021 and carry a 3.750% fixed coupon, with an issue price of 99.597%.
Covenants
— Solvency Ratio (Debt/Assets) of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 180% of Unsecured Consolidated Total Indebtedness.

NE Property Cooperatief (fixed coupon bonds)
In 2017, the Group successfully issued 500,000 thousand of unsecured, 7-year Eurobonds. The bonds mature on 23 November 2024 and carry a 1.75% fixed coupon, with an issue price of 99.051 %.
Covenants
— Solvency Ratio (Debt/Assets) of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 150% of Unsecured Consolidated Total Indebtedness.

NE Property Cooperatief - Raiffeisen Bank International unsecured committed revolving facility
In 2014, Raiffeisen Bank International underwrote a €80,000 thousand, unsecured committed revolving facility. In October 2016 the availability was extended until December 2018 and the facility amount increased to €130,000 thousand. The revolving facility was undrawn at 31 December 2017.
Covenants
— Solvency Ratio of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 180% of Unsecured Consolidated Total Indebtedness.

NE Property Cooperatief - ING unsecured committed revolving facility
In 2017, ING Bank underwrote a €100,000 thousand, unsecured committed revolving facility, which matured in March 2018. The facility was recently extended for a three year period. At 31 December 2017, the facility was undrawn.
Covenants
— Solvency Ratio of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 180% of Unsecured Consolidated Total Indebtedness. After the extension of the facility in March 2018, the Unsecured Consolidated Total Assets ratio was changed to 150%.

NE Property Cooperatief - Societe Generale/Garanti unsecured committed revolving facility
In 2017, Societe Generale and Garanti Bank underwrote a €150,000 thousand, unsecured committed revolving facility, which matures in June 2018. At 31 December 2017, the facility was undrawn.
Covenants
— Solvency Ratio of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 180% of Unsecured Consolidated Total Indebtedness.

20. INTEREST RATE DERIVATIVES FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Group 31 Dec 2017	Group 31 Dec 2016
Financial assets		
— Company	318	–
— Subsidiaries	1,475	677
TOTAL INTEREST RATE DERIVATIVE FINANCIAL ASSETS	**1,793**	**677**
Financial liabilities		
— Subsidiaries	4,678	316
TOTAL INTEREST RATE DERIVATIVE FINANCIAL LIABILITIES	**4,678**	**316**

These interest rate caps and fixed interest rate swaps are not designated as cash flow hedges, and are classified as Level Two of the fair value hierarchy as defined by IFRS 7.

21. TRADE AND OTHER PAYABLES

	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
Advances from tenants	33,757	22,619	–	–
Payable for assets under construction	26,026	18,960	–	–
Property related payables	39,926	16,374	–	–
Deferred consideration on business combinations	5,014	9,630	–	–
Accrued administrative expenses	5,873	2,611	544	24
Tenant deposits	2,957	1,342	–	–
TOTAL	**113,553**	**71,536**	**544**	**24**

22. OTHER LONG-TERM LIABILITIES

	Group 31 Dec 2017	Group 31 Dec 2016
Tenant deposits	24,382	15,205
Other long-term liabilities	10,587	-
Provisions	2,120	2,198
TOTAL	**37,089**	**17,403**

23. CURRENT AND DEFERRED INCOME TAX

	Group 31 Dec 2017	Group 31 Dec 2016
Current tax expense	1,671	1,664
Deferred tax expense	46,199	34,808
TAX EXPENSE	**47,870**	**36,472**
Deferred tax brought forward	158,864	89,652
Deferred tax acquired in business combinations (Note 32A)	56,955	34,404
Other adjustments	(3,403)	-
NET DEFERRED TAX LIABILITY CARRIED FORWARD, OUT OF WHICH:	**258,615**	**158,864**
DEFERRED TAX ASSET	(12,490)	-
DEFERRED TAX LIABILITY	271,105	158,864

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

	Group 31 Dec 2017	Group 31 Dec 2016
Tax losses	220,057	185,204
Other deductible temporary differences*	38,955	-
Temporary differences between accounting and tax value of investment property	(1,883,871)	(1,110,121)
Other taxable temporary differences*	(26,810)	-
NET DEFERRED TAX LIABILITY	**(258,615)**	**(158,864)**

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

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

Corporate income tax rates	Group 31 Dec 2017	Group 31 Dec 2016
Isle of Man	0%	0%
Netherlands	25%[1]	25%[1]
United Kingdom	19%[2]	-
Mauritius	15%[3]	-
Romania	16%	16%
Poland	19%	-
Slovakia	21%[4]	22%[4]
Serbia	15%	15%
Czech Republic	19%	19%
Croatia	18%	20%[5]
Bulgaria	10%	-
Hungary	9%	-

1) This rate applies to taxable profits above €0.2million and a 20% tax rate to lower amounts.
2) Starting April 2017, the corporate tax rate in the United Kingdom was reduced from 20% to 19%.
3) The corporate tax rate in Mauritius is 15%. As the Company holds a Category One Global Business License, the Income Tax (Foreign Tax Credit) Regulations 1996 provides for the setting off of any underlying tax, withholding tax or tax sparing credit by the Company against the 15% tax or a deemed 80% foreign tax credit on the Company's foreign source income where written evidence of foreign tax charged is not presented to the tax authorities in Mauritius. Gains on sale of securities are exempted from tax in Mauritius.
4) As at 1 January 2017, the rate applying to taxable profits in Slovakia has been reduced from 22% to 21%. The reduced tax rate of 21% was considered for computation of deferred tax balance as of 31 December 2016.
5) As at 1 January 2017, the rate applying to taxable profits in Croatia has been reduced from 20% to 18%. The reduced tax rate of 18% was considered for computation of deferred tax balance as of 31 December 2016.

Reconciliation between applicable and effective tax rate

The reconciliation between the tax expense and the Group's gross accounting profit multiplied by the Company's income tax rate for the year ended 31 December 2017 and the year ended 31 December 2016 is as follows:

	31-Dec-2017	31-Dec-16
Group (Loss)/Profit before taxation*	354,623	269,124
At Company's income tax rate 0% (2016: 0%)	-	-
Effect of higher tax rates in foreign jurisdictions:		
Tax in Romania		
- Corporate income tax	(1,698)	(1,325)
- Deferred tax expense for taxable temporary differences (net)	(35,010)	(24,244)
Tax in Poland		
- Corporate income tax	(174)	-
- Deferred tax expense for taxable temporary differences (net)	4,183	-
Tax in Slovakia		
- Corporate income tax	(460)	(333)
- Deferred tax expense for taxable temporary differences (net)	(9,718)	(8,304)
Tax in Serbia		
- Corporate income tax	-	-
- Deferred tax expense for taxable temporary differences (net)	(252)	(1,201)
Tax in Czech Republic		
- Corporate income tax	(479)	(6)
- Deferred tax expense for taxable temporary differences (net)	(1,004)	(147)
Tax in Croatia		
- Corporate income tax	(9)	-
- Deferred tax expense for taxable temporary differences (net)	(4,736)	(912)
Tax in Bulgaria		
- Corporate income tax	(50)	-
- Deferred tax expense for taxable temporary differences (net)	(906)	-
Tax in Hungary		
- Corporate income tax	(15)	-
- Deferred tax expense for taxable temporary differences (net)	(5)	-
Tax in UK		
- Corporate income tax	-	-
- Deferred tax expense for taxable temporary differences (net)	68	-
Tax in Mauritius		
- Corporate income tax	1,214	-
Tax in Netherlands		
- Corporate income tax	-	-
- Deferred tax expense for taxable temporary differences (net)	1,181	-
Tax expense reported in the income statement	**(47,870)**	**(36,472)**
Effective tax rate, including deferred tax expense (%)*	***13.50%***	***13.55%***

** excluding goodwill impairment*

Deferred tax liability (net)	Consolidated statement of financial position 31-Dec-17	31-Dec-16	Consolidated statement of comprehensive income 31-Dec-17	31-Dec-16
Acquired under business combinations (note 32A)	(53.554)	(34,404)	-	-
Recognised unused tax losses	*7,716*	*3,953*	-	-
Deferred tax liability on investment property valuation	*(70,152)*	*(38,357)*	-	-
Deductible/taxable temporary differences (net)	*8,882*	-	-	-
Valuation of investment property at fair value	(227,137)	(149,722)	(39,060)	(26,370)
Recognised unused tax losses	28,660	26,356	(1,649)	(7,344)
Corrections	(1,356)	(1,094)	(262)	(1,094)
Deductible/taxable temporary differences (net)	(5,228)	-	(5,228)	-
Total	**(258,615)**	**(158,864)**	**(46,199)**	**(34,808)**

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate fiscal losses of €220,057 thousand (31 December 2016: €189,520 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 €1,263 thousand (31 December 2016: €4,316 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 generate taxable profit in the future.

The deferred tax balance as at 31 December 2017 is the net effect of deferred tax assets resulted from fiscal losses and deferred tax liabilities resulted from differences between the fiscal base and the accounting base of assets and liabilities, mainly investment property. Deferred tax liabilities are not expected to be settled within the following five years from the reporting date.

The Group does not withhold taxes on distribution paid.

24. NET ASSET VALUE PER SHARE

	Group 31 Dec 2017	Group 31 Dec 2016
Net Asset Value per the Statement of financial position	3,914,719	1,814,552
Loans in respect of the Initial Share Scheme (Note 18)	-	18
Deferred tax liabilities for controlled subsidiaries	271,105	158,864
Deferred tax assets for controlled subsidiaries	(12,490)	-
Goodwill	(82,582)	(58,390)
Deferred tax liabilities for joint ventures	8,856	5,952
Adjusted Net Asset Value	**4,099,608**	**1,920,996**
Net Asset Value per share (euro)	6.78	5.64
Adjusted Net Asset Value per share (euro)	7.10	5.98
Number of shares for Net Asset Value per share (Note 30)	577,800,734	321,479,204
Number of shares for Adjusted Net Asset Value per share (Note 30)	577,800,734	321,486,204

25. NET RENTAL AND RELATED INCOME

	Group 31 Dec 2017	Group 31 Dec 2016
Rent	233,808	147,454
Service charge recoveries	54,687	32,751
Other recoveries	48,482	29,685
Revenues from rent and recoveries	**336,977**	**209,890**
Property management, tax, insurance and utilities	(53,809)	(38,119)
Property maintenance cost	(50,139)	(25,395)
Provisions and allowances for doubtful debts	(944)	(844)
Property operating expenses	**(104,892)**	**(64,358)**
TOTAL	**232,085**	**145,532**

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are detailed below.

	Group 31 Dec 2017	Group 31 Dec 2016
No later than 1 year	306,027	171,536
Later than 1 year and not later than 5 years	678,470	438,508
Later than 5 years	203,009	294,721
TOTAL	**1,187,506**	**904,765**

26. ADMINISTRATIVE EXPENSES

	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
Staff costs*	(8,985)	(3,851)	–	–
Directors' remuneration (Note 36)	(1,727)	(1,082)	(879)	–
Audit and advisory services	(3,254)	(2,055)	(361)	(14)
Travel and accommodation	(370)	(520)	(148)	–
Companies administration	(710)	(461)	(3,008)	–
Stock exchange expenses	(145)	(217)	(854)	–
TOTAL	**(15,191)**	**(8,186)**	**(5,250)**	**(14)**

** Staff costs capitalised as investment property under development in 2017 amount to €1,961 thousand (2016: €2,014 thousand).*

27. ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2017	Group 31 Dec 2016
Fees for finalised acquisitions	(9,620)	(2,794)
Fees for ongoing acquisitions	(498)	(1,249)
Fees for terminated acquisitions	(563)	(296)
TOTAL	**(10,681)**	**(4,339)**

28. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

	Group 31 Dec 2017	Group 31 Dec 2016
Fair value adjustments of investment property in use (Note 9)	157,912	158,391
Fair value adjustments of investment property under development (Note 10)	4,943	(9,918)
Fair value adjustments of investment property held for sale (Note 16)	(833)	(5,310)
TOTAL	**162,022**	**143,163**

29. NET FINANCE INCOME/(EXPENSE)

	Group 31 Dec 2017	Group 31 Dec 2016	Company 31 Dec 2017	Company 31 Dec 2016
Interest income on loans granted	2,520	3,650	–	–
Interest on Current Share Scheme and management incentive loans	572	529	572	–
Interest on bank deposits	(566)	592	–	–
Interest income from subsidiaries	–	–	16,711	–
Interest and penalties on receivables	41	13	–	–
Other finance income from subsidiaries*	–	–	20,825	–
Finance income	**2,567**	**4,784**	**38,108**	–
Interest expense on financial liabilities measured at amortised cost	(9,146)	(6,158)	(662)	–
Interest expense capitalised on developments	4,350	5,765	–	–
Bonds borrowing costs**	(18,983)	(16,788)	–	–
Bank charges	(1,694)	(662)	(10)	–
Finance expense	**(25,473)**	**(17,843)**	**(672)**	–
TOTAL	**(22,906)**	**(13,059)**	**37,436**	–

** Other finance income from subsidiaries represent guarantee fees.*

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

30. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2017 was based on the loss attributable to equity holders of €579,694 thousand (31 December 2016: profit of €234,968 thousand) and the weighted average of 436,806,684 (31 December 2016: 309,760,628) ordinary shares in issue during the year, excluding shares issued under the Initial Share Scheme. The calculation of diluted earnings per share for the year ended 31 December 2017 was based on the loss attributable to equity holders of €579,694thousand (31 December 2016: profit of €234,968 thousand) and the weighted average of 436,809,203 (31 December 2016: 309,778,913) ordinary shares in issue during the year, including shares issued under the Initial Share Scheme.

As the Group recognised a one-off goodwill impairment in 2017 of €886,167 thousand related to the NEPI Rockcastle merger (note 32B), the basic and diluted earnings per share do not show relevant and comparable indicators due to the justifiable loss for the year. The Group has also prepared the same ratios excluding the goodwill impairment.

	Group 31 Dec 2017	Group 31 Dec 2016
(Loss)/Profit for the year attributable to equity holders	(579,694)	234,968
Profit for the year attributable to equity holders excluding impairment of goodwill	306,473	234,968
Weighted average number of shares in issue	436,806,684	309,760,628
Diluted weighted average number of shares in issue	436,809,203	309,778,913
Basic (loss)/earnings per share (euro cents)	(132.71)	75.85
Diluted (loss)/earnings per share (euro cents)	(132.71)	75.85
Basic earnings per share (euro cents) excluding impairment of goodwill	70.16	75.85
Diluted earnings per share (euro cents) excluding impairment of goodwill	70.16	75.85

Weighted average number of shares (excluding the Initial Share Scheme shares) for basic earnings per share purposes

2017	Event	Number of shares	% of period	Weighted average
01/01/17	Opening balance	321,479,204	19	60,056,555
10/03/17	Accelerated book build	328,328,519	9	27,962,044
10/04/17	Return of capital	334,020,068	9	29,364,402
12/05/17	Sales of scheme 1 shares	334,027,068	16	55,059,407
11/07/17	Issue of shares for acquisition of Rockcastle Group	538,953,794	25	137,699,733
12/10/17	Return of capital	548,259,519	1	6,024,830
16/10/17	Accelerated book build	577,800,734	21	120,639,714
31/12/2017	Closing balance			436,806,684

2016	Event	Number of shares	% of period	Weighted average
01/01/16	Opening balance	298,565,564	21	66,257,016
22/03/16	Return of capital	302,689,153	20	59,708,545
02/06/16	Sales of scheme 1 shares	302,700,153	13	38,148,512
18/07/16	Accelerated book build	318,829,185	20	67,259,855
03/10/16	Return of capital	321,472,204	20	63,413,695
14/12/16	Sales of scheme 1 shares	321,479,204	6	14,973,004
31/12/2016	Closing balance			309,760,628

Weighted average number of shares (including the Initial Share Scheme shares) for diluted earnings per share purposes

2017	Event	Number of shares	% of period	Weighted average
01/01/17	Opening balance	321,486,204	19	60,057,862
10/03/17	Accelerated book build	328,335,519	9	27,962,640
10/04/17	Return of capital	334,027,068	25	84,424,424
11/07/17	Issue of shares for acquisition of Rockcastle Group	538,953,794	25	137,699,733
12/10/17	Return of capital	548,259,519	1	6,024,830
16/10/17	Accelerated book build	577,800,734	21	120,639,714
31/12/2017	Closing balance			436,809,203

2016	Event	Number of shares	% of period	Weighted average
01/01/16	Opening balance	298,590,564	22	66,262,564
22/03/16	Return of capital	302,714,153	32	97,863,754
18/07/16	Accelerated book build	318,843,185	22	67,262,809
03/10/16	Return of capital	321,486,204	24	78,389,787
31/12/2016	Closing balance			309,778,913

31. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2017 was based on headline earnings of €152,898 thousand (31 December 2016: €110,644 thousand) and the weighted average of 436,806,684 ordinary shares in issue during 2017 (2016: 309,760,628), excluding those issued under the Initial Share Scheme.

Reconciliation of profit for the year to headline earnings	Group 31 Dec 2017	Group 31 Dec 2016
(Loss)/Profit for the year attributable to equity holders	(579,694)	234,968
Fair value adjustments of investment property in use (Note 28)	(162,022)	(143,163)
(Gain)/Loss on disposal of investment property held for sale	(9)	485
Impairment of goodwill	886,167	-
Tax effects of adjustments for controlled subsidiaries	27,089	24,446
Fair value adjustment of investment property for joint ventures	(20,928)	(7,252)
Tax effects of adjustments for joint ventures	2,295	1,160
HEADLINE EARNINGS	**152,898**	**110,644**
Weighted average number of shares in issue	436,806,684	309,760,628
Diluted weighted average number of shares in issue	436,809,203	309,778,913
Headline earnings per share (euro cents)	35.00	35.72
Diluted headline earnings per share (euro cents)	35.00	35.72

32A. BUSINESS COMBINATIONS AND SIGNIFICANT ASSET DEALS

During 2017, the Group acquired retail assets in Bulgaria, Hungary and Poland. In some cases, 100% of equity interests were acquired, whereas in others the Group acquired investment property. For further details see Note 12.

Rockcastle merger

The merger of New Europe Property Investments plc (NEPI) and Rockcastle Global Real Estate Company Limited (Rockcastle) was successfully concluded with effect from 11 July 2017. The new holding company, NEPI Rockcastle plc, acquired the businesses of NEPI and Rockcastle (including all properties and listed shares portfolios) thereby becoming the largest listed real estate player in Central and Eastern Europe (CEE) and one of the top ten listed real estate companies in Continental Europe by market capitalisation.

Following approvals in the Annual General Meetings of shareholders of the respective entities as well as all outstanding conditions precedent to the merger transaction having been fulfilled or waived, the merger transaction was implemented with reference to an effective share swap ratio of 4.7 Rockcastle shares for one NEPI share (the Swap Ratio). NEPI and Rockcastle have transferred all assets and liabilities, including ownership interests in their respective subsidiaries, effectively transferring their entire businesses to the Company. In exchange, the Company has issued ordinary shares (Company Shares) to NEPI and Rockcastle, in line with the Swap Ratio.

In accordance with IFRS 3 – Business Combinations, the merger between NEPI and Rockcastle was classified as a purchase of Rockcastle by NEPI, with NEPI Rockcastle being assessed in substance as a continuation of NEPI. Consequently, in these consolidated financial statements, in accordance with IFRS, NEPI Rockcastle presents the results of former NEPI Group before the merger date (11 July 2017), and the results of the combined Group from the merger date onwards.

The transaction effective date was 11 July 2017, and the Rockcastle's fair value of identifiable assets and liabilities at the merger date are detailed below:

Investment property	1,205,521
Investment property under development	10,819
Other non-current assets*	340,358
Non-current liabilities, excluding deferred tax	(501,398)
Current assets**	430,389
Current liabilities	(23,217)
Deferred tax liabilities	(26,359)
Total identifiable net assets at fair value	**1,436,113**
Goodwill arising on acquisition	886,167
Total consideration paid through issue of shares	**2,322,280**

**out of which Financial investments at fair value through profit or loss of €302,808 thousand*

***out of which cash in the subsidiaries acquired in the transaction amounts to €23,421 thousand and Equity derivative collateral of €383,619 thousand*

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Serdika Center and Office

The Group acquired Serdika Center, a 51,500m^2 GLA modern shopping centre with a strong tenant mix, benefiting from an excellent location close to Sofia's city centre and Serdika Office, a Class A office situated atop the shopping centre, with 28,500m^2 GLA.
The transaction effective date was 22 August 2017, and the Company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	206,978
Current assets*	2,920
Current liabilities	(3,044)
Deferred tax liabilities	(2,465)
Total identifiable net assets at fair value	**204,389**
Total consideration paid in cash	**204,389**

out of which cash in the subsidiaries acquired in the transaction amounts to €2,885 thousand

Arena Plaza

The Group acquired Arena Plaza, a shopping mall in Budapest with 66,000m^2 GLA, enjoying a modern layout over two floors, convenient parking and an attractive tenant mix.

The transaction effective date was 15 September 2017, and the Company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	285,794
Current assets*	10,909
Current liabilities	(8,212)
Non-current liabilities	(1,247)
Deferred tax liabilities	(17,472)
Total identifiable net assets at fair value	**269,772**
Goodwill arising on acquisition	7,905
Total consideration paid in cash	**277,677**

out of which cash in the subsidiary acquired in the transaction amounts to €9,329 thousand

Paradise Center

The Group acquired Paradise Center, the largest modern shopping centre in Sofia with 82,000m^2 GLA, which consolidated its position in the Bulgarian market.

The transaction effective date was 1 December 2017, and the Company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	254,700
Current assets*	3,614
Current liabilities	(2,824)
Deferred tax liabilities	(10,659)
Total identifiable net assets at fair value	**244,831**
Goodwill arising on acquisition	9,311
Total consideration payable	**254,142**
Receivable from sellers	(1,508)
Total consideration paid in cash	**252,634**

out of which cash in the subsidiary acquired in the transaction amounts to €2,994 thousand

Alfa Bialystok

In November 2017, the Group entered into a business transfer agreement to take over the operating activity and assets of Alfa Bialystok for an aggregated purchase price of €92,293 thousand.

Investment property	92,293
Total consideration paid in cash	**92,293**

From the effective date of acquisition, the following contributions were made to profit after tax and to revenues from rent and recoveries:

	Serdika Center and Office	Arena Plaza	Paradise Center	Alfa Bialystok	Total
Profit after tax	13,042	16,231	2,724	(28)	**31,969**
Recoveries and contractual rental income	8,207	7,899	1,755	1,888	**19,749**

In respect of the Rockcastle merger it is impracticable to disclose the equivalent information as the combined group has been strategically integrated and all operational, financing and investment decisions have been optimised, producing different results than if the two entities had not been merged.

32B. IMPAIRMENT

At the time of the merger, Rockcastle shares were trading at a premium to fair value of net asset value, generating a difference which was recognised as goodwill. As a consequence, goodwill of €886,167 thousand resulted from Rockcastle's premium to net asset value at the date of the merger. The completion of the purchase price allocation based on Rockcastle's financial statements as at 11 July 2017, which were stated at fair value, in combination with the most recent external valuation which incorporated all known relevant valuation elements at 31 December 2017, indicated that the goodwill arose as a mechanical result of the merger accounting, and consequently was unallocated and requiring an accounting impairment. After the goodwill impairment through profit and loss, NEPI Rockcastle has transferred the loss arising from the goodwill impairment to share premium, off-setting the effect of the impairment charge within accumulated profit.

This impairment of goodwill does not impact any of the key indicators: recurring earnings per share, adjusted net asset value per share, cash flow, distributable earnings, overall financial profile, synergies from the merger or the forecasted earnings per share. Consequently, the Group's balance sheet includes almost exclusively tangible assets, marked to market every six months, in line with the industry practice.

The impairment of investments in and loans to subsidiaries recognised in the Financial Statements of the Company represents impairment of investments of €300,385 thousand and impairment of loans to subsidiaries of €585,782 thousand following the NEPI Rockcastle merger.

33. JOINT VENTURES

The summarised financial statements of the joint ventures are presented below at 100%.

Statement of financial position

31 Dec 2017	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Non-current assets	103,964	122,560	226,524
Current assets	7,776	14,456	22,232
TOTAL ASSETS	**111,740**	**137,016**	**248,756**
Non-current liabilities	(75,257)	(82,287)	(157,544)
Current liabilities	(3,257)	(6,243)	(9,500)
Total liabilities	**(78,514)**	**(88,530)**	**(167,044)**
Equity attributable to equity holders	**(33,226)**	**(48,486)**	**(81,712)**
TOTAL EQUITY AND LIABILITIES	**(111,740)**	**(137,016)**	**(248,756)**

31 Dec 2016	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Non-current assets	91,837	95,985	187,822
Current assets	4,406	5,664	10,070
TOTAL ASSETS	**96,243**	**101,649**	**197,892**
Non-current liabilities	(80,773)	(63,323)	(144,096)
Current liabilities	(4,111)	(5,639)	(9,750)
Total liabilities	**(84,884)**	**(68,962)**	**(153,846)**
Equity attributable to equity holders	**(11,359)**	**(32,687)**	**(44,046)**
TOTAL EQUITY AND LIABILITIES	**(96,243)**	**(101,649)**	**(197,892)**

Statement of comprehensive income

31 Dec 2017	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	14,440	10,108	24,548
Property operating expenses	(6,981)	(1,799)	(8,780)
Administrative expenses	(21)	(71)	(92)
Fair value adjustment investment property	11,938	16,750	28,688
Foreign exchange loss	(174)	(26)	(200)
Profit before net finance expense	**19,202**	**24,962**	**44,164**
Net finance expense	**(4,359)**	**(2,741)**	**(7,100)**
Finance income	12	3	15
Finance expense	(4,371)	(2,744)	(7,115)
Fair value adjustment of interest rate derivatives financial assets and liabilities	754	124	878
Profit before income tax	**15,597**	**22,345**	**37,942**
Tax release/(charge)	(2,538)	(3,268)	(5,806)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**13,059**	**19,077**	**32,136**

31 Dec 2016	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	10,335	6,800	17,135
Property operating expenses	(2,965)	(1,627)	(4,592)
Administrative expenses	(75)	167	92
Fair value adjustment investment property	7,528	6,976	14,504
Foreign exchange gain/loss	(5)	96	91
Profit before net finance expense	**14,818**	**12,412**	**27,230**
Net finance expense	**(6,171)**	**(3,770)**	**(9,941)**
Finance income	3	1	4
Finance expense	(6,174)	(3,771)	(9,945)
Fair value adjustment of interest rate derivatives financial assets and liabilities	(349)	(107)	(456)
Profit before income tax	**8,298**	**8,535**	**16,833**
Tax release/(charge)	(2,285)	(1,782)	(4,067)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**6,013**	**6,753**	**12,766**

Shareholder loans to Ploiesti Shopping City and The Office Cluj-Napoca were granted by NE Property Cooperatief. All shareholder loans are subject to interest at 8% per annum (2016: 8% per annum). Interest income from joint ventures in 2017 amounted to €2,274 thousand (2016: €3,624 thousand).

31 Dec 2017	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Long-term loans granted to joint ventures	19,636	6,156	25,792

31 Dec 2016	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Long-term loans granted to joint ventures	20,979	10,036	31,015

Ploiesti Shopping City – BRD Groupe Societe Generale loan
Ploiesti Shopping City entered into a loan facility agreement for a total amount of €36,500 thousand from BRD Groupe Societe Generale. The credit facility matures in 2024 and is repayable in quarterly instalments.
Security
— General security over the property (weighted fair value as at 31 December 2017 of €51,005 thousand), current assets, cash inflows from operating activities, accounts and receivables of Ploiesti Shopping City.
Covenants
— Loan to value ratio of maximum 50%,
— Debt service cover ratio of minimum 120%, and
— Interest coverage ratio of minimum 170%.

The Office, Cluj-Napoca – Raiffeisen Bank loan
In 2014, The Office entered into a credit facility agreement with a total value of €18,000 thousand with Raiffeisen Bank, which was subsequently increased by two additional credit facilities of €17,000 thousand and €8,500 thousand in 2016, and one additional credit facility of €12,000 thousand in October 2017. The loan matures in June 2022.
Security
— General security over the property (weighted fair value as at 31 December 201 of €61,145 thousand), current assets, cash inflows from operating activities, accounts and receivables of Cluj Business Centre.
Covenants
— Loan to value ratio of maximum 60%, and
— Debt service cover ratio of minimum 125%.

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.

Segment results 31 Dec 2017	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
Net rental and related income	**204,246**	**26,041**	**1,798**	**-**	**232,085**
Revenue from rent and recoveries	299,862	35,089	2,026	-	336,977
Property operating expenses	(95,616)	(9,048)	(228)	-	(104,892)
Administrative expenses	(7,547)	(1,359)	(30)	(6,255)	(15,191)
EBITDA*	**196,699**	**24,682**	**1,768**	**(6,255)**	**216,894**
Net result from financial investments	**-**	**-**	**-**	**(6,028)**	**(6,028)**
Income from financial investments at fair value through profit or loss	-	-	-	18,084	18,084
Fair value and net result on sale of financial investments at fair value through profit or loss	-	-	-	(24,112)	(24,112)
Acquisition fees	(5,946)	(175)	-	(4,560)	(10,681)
Fair value adjustments of investment property	148,889	12,674	459	-	162,022
Foreign exchange gain/(loss)	973	(137)	(22)	(2,069)	(1,255)
Gain/(Loss) on disposal of investment property	(531)	540	-	-	9
Profit before Net finance expense	**340,084**	**37,584**	**2,205**	**(18,912)**	**360,961**

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

Segment results 31 Dec 2016	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
Net rental and related income	**121,376**	**22,356**	**1,800**	**-**	**145,532**
Revenue from rent and recoveries	177,614	30,263	2,013	-	209,890
Property operating expenses	(56,238)	(7,907)	(213)	-	(64,358)
Administrative expenses	(5,147)	(563)	(48)	(2,428)	(8,186)
EBITDA*	**116,229**	**21,793**	**1,752**	**(2,428)**	**137,346**
Net result from financial investments	**-**	**-**	**-**	**14**	**14**
Income from financial investments at fair value through profit or loss	-	-	-	738	738
Fair value and net result on sale of financial investments at fair value through profit or loss	-	-	-	(724)	(724)
Acquisition fees	(4,339)	-	-	-	(4,339)
Fair value adjustments of investment property	138,196	5,700	(733)	-	143,163
Foreign exchange gain/(loss)	(177)	4	3	43	(127)
Loss on disposal of investment property held for sale	(140)	(345)	-	-	(485)
Other operating income	(16)	15	1	-	-
Profit before Net finance expense	**249,753**	**27,167**	**1,023**	**(2,371)**	**275,572**

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

Segment assets and liabilities 31 Dec 2017	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**4,636,132**	**437,567**	**16,234**	**37,264**	**5,127,197**
Investment property	4,516,718	394,557	16,234	-	4,927,509
— Investment property in use	4,314,302	394,557	16,234	-	4,725,093
— Investment property under development	202,416	-	-	-	202,416
Goodwill	66,390	10,310	-	5,882	82,582
Deferred tax assets	10,769	360	-	1,361	12,490
Investments in joint ventures	16,613	24,243	-	-	40,856
Long-term loans granted to joint ventures	19,636	6,156	-	-	25,792
Other long-term assets	5,927	1,941	-	28,307	36,175
Interest rate derivatives financial assets at fair value through profit or loss	79	-	-	1,714	1,793
Current assets	**124,713**	**15,461**	**672**	**719,520**	**860,366**
Trade and other receivables	50,618	5,815	91	4,269	60,793
Financial investments at fair value through profit or loss	-	-	-	326,565	326,565
Equity derivative collateral	-	-	-	265,541	265,541
Financial assets at fair value through profit or loss	-	-	-	11,923	11,923
Cash and cash equivalents	74,095	9,646	581	111,222	195,544
Investment property held for sale	**1,528**	**8,710**	**-**	**-**	**10,238**
TOTAL ASSETS	**4,762,373**	**461,738**	**16,906**	**756,784**	**5,997,801**
SEGMENT LIABILITIES					
Non-current liabilities	**1,000,715**	**39,965**	**2,175**	**894,427**	**1,937,282**
Bank loans	724,407	10,086	-	-	734,493
Bonds	-	-	-	889,917	889,917
Deferred tax liabilities	245,274	25,329	502	-	271,105
Other long-term liabilities	30,505	4,550	1,673	361	37,089
Interest rate derivatives financial liabilities at fair value through profit or loss	529	-	-	4,149	4,678
Current liabilities	**102,332**	**13,111**	**392**	**29,965**	**145,800**
Trade and other payables	92,384	12,491	392	8,286	113,553
Financial liabilities at fair value through profit or loss	-	-	-	10,934	10,934
Bank loans	9,948	620	-	-	10,568
Bonds	-	-	-	10,745	10,745
TOTAL LIABILITIES	**1,103,047**	**53,076**	**2,567**	**924,392**	**2,083,082**

Segment assets and liabilities 31 Dec 2016	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**2,272,377**	**366,165**	**15,775**	**19,859**	**2,674,176**
Investment property	2,202,742	328,255	15,775	-	2,546,772
— Investment property in use	2,058,660	296,325	15,775	-	2,370,760
— Investment property under development	144,082	31,930	-	-	176,012
Goodwill	42,198	10,310	-	5,882	58,390
Investments in joint ventures	5,679	16,344	-	-	22,023
Long-term loans granted to joint ventures	20,979	10,036	-	-	31,015
Other long-term assets	776	1,217	-	13,306	15,299
Financial assets at fair value through profit or loss	3	3	-	671	677
Current assets	**63,692**	**9,568**	**468**	**33,810**	**107,538**
Trade and other receivables	35,457	4,366	80	636	40,539
Financial investments at fair value through profit or loss	-	-	-	18,979	18,979
Cash and cash equivalents	28,235	5,202	388	14,195	48,020
Investment property held for sale	**2,375**	**13,150**	**-**	**-**	**15,525**
TOTAL ASSETS	**2,338,444**	**388,883**	**16,243**	**53,669**	**2,797,239**
SEGMENT LIABILITIES					
Non-current liabilities	**304,312**	**36,279**	**2,101**	**489,303**	**831,995**
Bank loans	154,886	10,707	-	95,000	260,593
Bonds	727	125	5	393,962	394,819
Deferred tax liabilities	136,642	21,769	428	25	158,864
Other long-term liabilities	12,057	3,678	1,668	-	17,403
Financial liabilities at fair value through profit or loss	-	-	-	316	316
Current liabilities	**64,715**	**12,826**	**418**	**72,733**	**150,692**
Trade and other payables	57,554	12,205	418	1,359	71,536
Bank loans	7,161	621	-	10,217	17,999
Bonds	-	-	-	61,157	61,157
TOTAL LIABILITIES	**369,027**	**49,105**	**2,519**	**562,036**	**982,687**

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

Country results 31 Dec 2017	**Net rental and related income**	**Profit before tax**	**Investment property**
Romania	133,259	284,870	1,993,943
Poland	32,465	12,203	1,232,225
Bulgaria	7,297	10,385	476,180
Slovakia	26,633	47,894	405,065
Hungary	5,270	5,903	289,900
Croatia	15,679	20,685	245,275
Czech Republic	8,137	13,492	171,470
Serbia	3,313	5,206	111,724
United Kingdom	32	(1,080)	1,727
Holding	-	(931,102)	-
Total	**232,085**	**(531,544)**	**4,927,509**

Country results 31 Dec 2016	**Net rental and related income**	**Profit before tax**	**Investment property**
Romania	113,780	221,898	1,771,863
Slovakia	21,426	48,218	376,301
Croatia	2,599	7,557	239,125
Czech Republic	4,517	4,436	82,725
Serbia	3,210	3,644	76,758
Holding	-	(16,629)	-
Total	145,532	269,124	2,546,772

**The Holding segment represents management and holding entities in Isle of Man,The Netherlands, Mauritius, and United Kingdom*

35. CONTINGENT ASSETS AND LIABILITIES

Guarantees

Group policy is to provide financial guarantees to subsidiaries to the extent required in the normal course of business.

As at 31 December 2017, the Group had received letters of guarantee from tenants worth €89,528 thousand (31 December 2016: €37,671 thousand) and from suppliers worth €23,273 thousand (31 December 2016: €11,212 thousand) related to ongoing developments.

The Company has an intercompany agreement with one of its subsidiaries pursuant to which it acts as Guarantor on all issued bonds and unsecured committed revolving facilities. In its capacity as Guarantor, the Company charges its subsidiary for a yearly fee. Borrowings are presented in Note 19.

36. RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The subsidiaries and Directors are related parties for the Company. The subsidiaries of the Company are detailed in Note 5. The Directors are related parties for the Group. Directors are presented in the 'Board of Directors' section.

Material related party transactions

For the Company, loans to, and investments in, subsidiaries are set out in Note 5. Fees paid to Directors during the current and previous year are detailed in the table below. NEPI and Rockcastle have paid bonuses to the Executive Directors for periods preceding the merger. No other payments were made to Directors by NEPI Rockcastle, except reimbursements for travel and accommodation.

Transactions with joint ventures are presented in Note 33.

Directors' fees	Total Group 31 Dec 17	Company 31 Dec 17	Subsidiaries 31 Dec 17	Total Group 31 Dec 16	Company 31 Dec 16	Subsidiaries 31 Dec 16
Alex Morar	413	353	60	345	-	345
Spiro Noussis***	320	-	320	-	-	-
Mirela Covasa	315	212	103	260	-	260
Nick Matulovich***	247	-	247	-	-	-
Marek Noetzel***	118	-	118	-	-	-
Robert Emslie**	51	51	-	43	-	43
Dan Pascariu	50	50	-	50	-	50
Michael Mills	49	49	-	48	-	48
Antoine Dijkstra	48	48	-	23	-	23
Desmond de Beer	47	47	-	47	-	47
Andre van der Veer***	23	23	-	-	-	-
Jeffrey Zidel	23	23	-	47	-	47
Nevenka Pergar	23	23	-	46	-	46
Andries de Lange**	-	-	-	-	-	-
Tiberiu Smaranda*	-	-	-	173	-	173
Total	**1,727**	**879**	**848**	**1,082**	**-**	**1,082**

** Tiberiu Smaranda, executive director of New Europe Property Investments plc, has resigned with effect from 1 September 2016.*

*** For the comparatives relating to New Europe Property Investments plc, Robert Emslie was appointed as a non-executive director on 4 February 2016, Antoine Dijkstra was appointed as a non-executive director on 13 June 2016 and Andries de Lange was appointed as an alternate director to Mr Desmond de Beer, a non-executive director of NEPI, with effect from 9 August 2016.*

**** The fees represent the remuneration applicable to the respective Directors from the merger date onwards.*

As the merger between NEPI and Rockcastle was only effective 11 July 2017, no Directors fees for the comparative period are available for NEPI Rockcastle. In accordance with IFRS 3, the remuneration paid to directors of NEPI for the year ended 31 December 2016 are included in the table above. As disclosed in Rockcastle's Integrated Annual Report for the 18 months ended 31 December 2016, the following Directors received remuneration from Rockcastle in their capacity as directors of Rockcastle for the 18 months ended 31 December 2016 as follows: Spiros Noussis – USD 1,126,000; Nicholas Matulovich – USD 576,000; Marek Noetzel (appointed August 2016) – USD 137,000; Andries de Lange – USD 6,000; Andre van der Veer (resigned September 2015) – USD 33,000.

Remuneration that accrued to directors of NEPI during the year ended 31 December 2016 was paid to such directors by NEPI prior to the merger implementation date.

Shares held under the purchase schemes by the Directors or by entities in which they have an indirect beneficial interest

Name of Director	Number of shares held as at 31 Dec 2017
Spiro Noussis	1,507,000
Alex Morar	101,000
Nick Matulovich	713,198
Mirela Covasa	75,000
Marek Noetzel	80,349
TOTAL	**2,476,547**

Name of Director	Number of shares held as at 31 Dec 2016
Tiberiu Smaranda*	488,478
Alex Morar	229,000
Mirela Covasa	271,629
TOTAL	**989,107**

** Tiberiu Smaranda, executive director, has resigned with effect from 1 September 2016.*

37. SUBSEQUENT EVENTS

In March 2018, the Group has extended its revolving credit facility of €100 million with ING, for an additional term of three years.

The Directors are not aware of any other subsequent events from 31 December 2017 and up to the date of signing these financial statements which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the Directors' report.

Registered Office of the Issuer	Registered Office of the Guarantor
NE Property B.V. Claude Debussylaan 7, 1082MC, Amsterdam The Netherlands	**NEPI Rockcastle plc** 2nd Floor, 30 Athol Street, Douglas, Isle of Man, IM1 1JB

Arranger

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Dealers

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

ING Bank N.V., London Branch
8 – 10 Moorgate
London
EC2R 6DA
United Kingdom

Raiffeisen Bank International AG
Am Stadtpark 9
1030 Vienna
Austria

Société Générale
29 boulevard Haussmann
75009 Paris
France

Trustee

BNY Mellon Corporate Trustee Services Limited
1 Canada Square
London E14 5AL
United Kingdom

Issuing and Paying Agent and Paying Agent

The Bank of New York Mellon, London Branch
1 Canada Square
London E14 5AL
United Kingdom

Registrar and Transfer Agent
The Bank of New York Mellon, SA/NV
Luxembourg Branch
2-4 Rue Eugène Ruppert
L-2453 Luxembourg

Listing Agent
Arthur Cox Listing Services Limited
Ten Earlsfort Terrace,
Dublin 2,
Ireland

Auditors

To the Issuer
PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
The Netherlands

To the Guarantor
PricewaterhouseCoopers LLC
Sixty Circular Road
Douglas, IM1 1SA
Isle of Man

Legal Advisers

To the Issuer and the Guarantor

To the Issuer and to the Guarantor as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Issuer and to the Guarantor as to Dutch law:

Clifford Chance
Droogbak 1A
1013 GE Amsterdam
The Netherlands

To the Guarantor as to Manx law:

Appleby (Isle of Man) LLC
33-37 Athol Street
Douglas
IM1 1LB
Isle of Man

To the Dealers

To the Dealers and the Trustee as to English law:

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

To the Dealers as to Dutch law:

Linklaters LLP
Zuidplein 180
1077 XV Amsterdam
The Netherlands

To the Dealers as to Manx law:

Cains Advocates Limited
Fort Anne
South Quay
Douglas
IM1 5PD
Isle of Man