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NE PROPERTY COÖPERATIEF UA

Kamer van Koophandel	
KvK-nummer	34.285770
Datum ontvangst	3 1 MEI 2018
Datum vaststelling	31/5/2018

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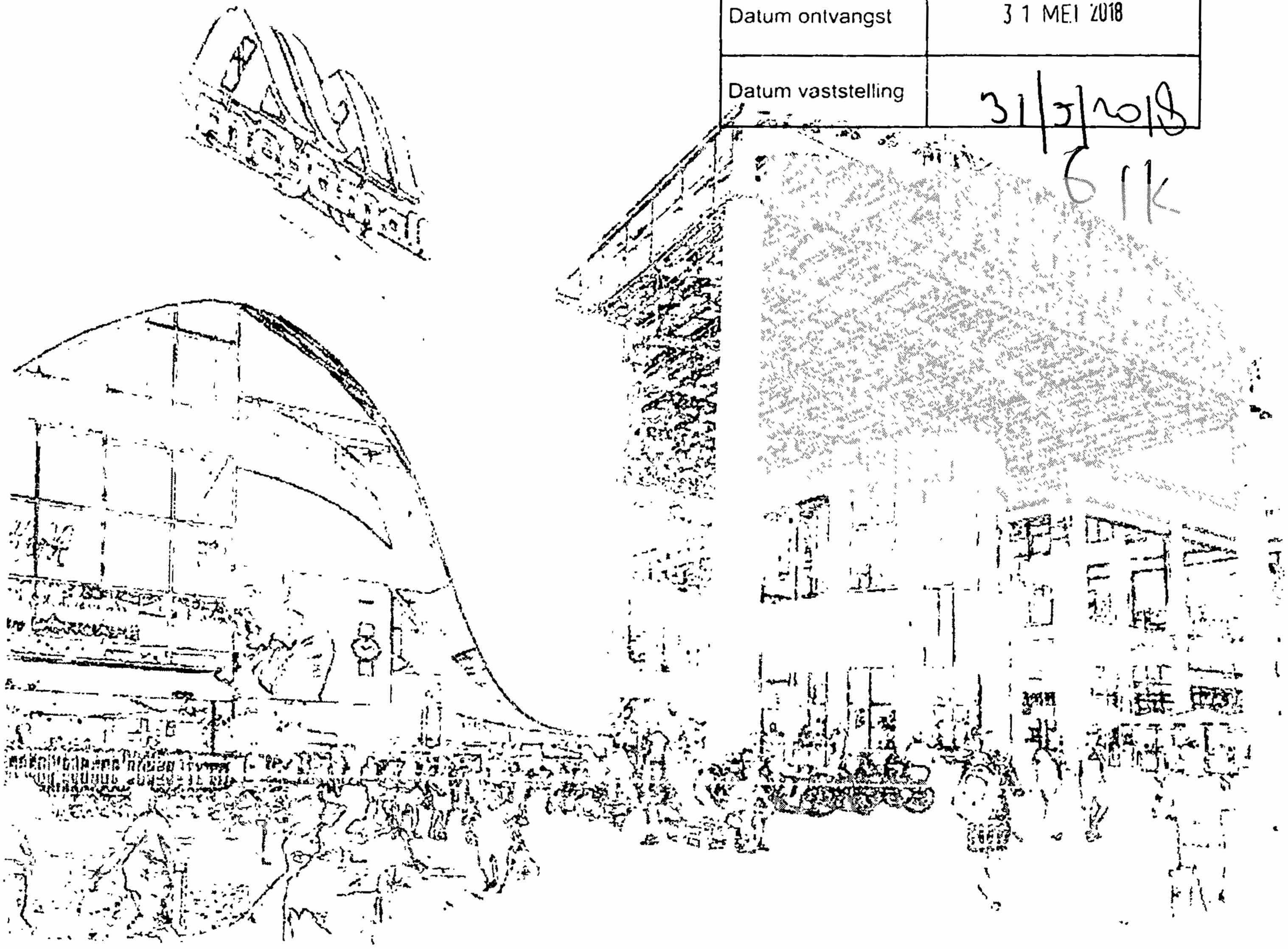

ANNUAL REPORT

2017

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OVERVIEW

CORPORATE GOVERNANCE

NEPI ROCKCASTLE

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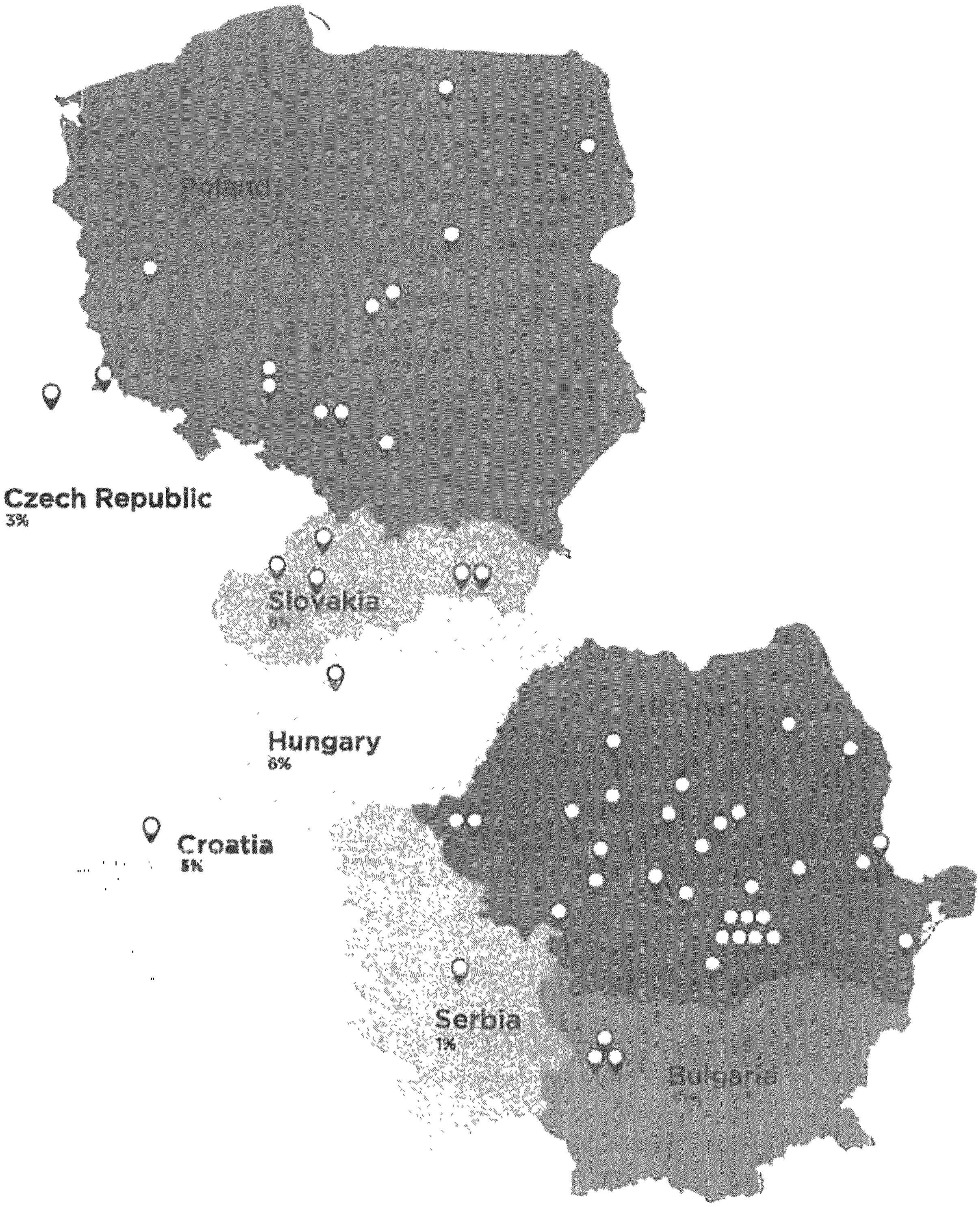
www.nepirockcastle.com

NEPI ROCKCASTLE GROUP
GEOGRAPHIC PROPERTY PORTFOLIO AND MAIN INDICATORS
(by market value)



€3.5 billion*
value of investment property

over
1,250,000
m² GLA of income-producing properties

nearly
250,000
m² GLA of developments and extensions

over
400
employees

99.9%
collection rate

97%*
occupancy rate

over
272 million
visits in 2017

** Including joint ventures*

Company profile

NE PROPERTY COÖPERATIEF U.A ("the Company") is a cooperative with the exclusion of liability incorporated in the Netherlands on 22 October 2007 and domiciled at Paulus Potterstraat 32-2, 1071DB Amsterdam, the Netherlands.

The Company is part of the NE Property Coöperatief U.A. Group (further referred to as the "Group"), having the ultimate parent NEPI Rockcastle plc (further referred to as "NRP"), a limited liability company incorporated in the Isle of Man. NRP is listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE) and on Euronext Amsterdam ("Euronext"). The group of companies which include the Group and other related companies up to the level of NRP is further referred to as the "NRP Group".

The merger of New Europe Property Investments plc ("NEPI") and Rockcastle Global Real Estate Company ("Rockcastle") created in NEPI Rockcastle plc the largest retail real estate group in Central and Eastern Europe, and this strategic rationale was supported by the shareholders.

The Group owns and manages a portfolio of dominant retail properties in the following high-growth CEE countries: Romania, Bulgaria, Slovakia, Croatia, Czech Republic and Serbia.

The Group benefits from a highly-skilled internal management team which combines asset management, development, investment, leasing and financial expertise. Geographically diverse management skills allow NRP Group to pursue Central and Eastern European (CEE) property opportunities more efficiently, benefiting from a strategic advantage in the acquisition, development and management of properties.

The Group is well positioned for growth, driven by its best-in-class operating platform, as well as its historically proven capacity to deploy existing capital resources into attractive direct property investments.

The Group's financial profile includes maintaining high liquidity, low gearing, and a diverse debt structure, which combines secured and unsecured bank debt with unsecured bonds listed on the Irish Stock Exchange. NRP Group is investment-grade rated by Moody's (Baa3, positive outlook), Standard & Poor's (BBB, stable outlook) and Fitch (BBB, stable outlook).

At 31 December 2017, the Company had 3 members of the Board of Directors - Mirela Covasa, Eugen Barba and Jan van Vollenhoven.

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Strong strategic positioning oriented towards long-term growth

The Group's strategy is based on a sustainable business model which combines the high-quality of assets with the success of the tenants and prudent financial management, enabling the Group to deliver sustainable income growth over the long-term.

INVESTMENT APPROACH

The Group is committed to invest selectively in assets that meet its rigorous investment criteria. Retail assets must be or have the potential to be dominant. Size is critical to achieve comprehensive offering and an optimum tenant mix, including large proportion of food and fashion anchors with a substantial leisure and entertainment area. Good location, access, visibility, design and technical specifications, and potential for extension reduce the threat of significant future competition.
Professional active management of such properties creates significant and valuable growth opportunities

The Group pursues low-risk development, redevelopment and extension opportunities, in a non-speculative phased manner. Construction costs are committed to on a gradual basis, following the achievement of pre-leasing targets and are limited to the availability of internal sources of financing.

The Group also owns and manages an office portfolio; office buildings are located in large cities, in central locations, and have excellent access to public transportation, up-to-date technical specifications, large floor areas, high efficiency rates and high parking ratios. The Company has pursued office acquisitions and developments on rare occasions, and the proportion of offices, as a percentage of total assets, is expected to further decrease.

OPERATIONAL EXCELLENCE

The Group's strong corporate culture is focused on planning, quality of execution, sustainability, ethics and early risk assessment.

The Group has in-house expertise in all key functions, combining investment, development, asset and property management, leasing, accounting and finance skills, in an integrated approach.

Outstanding knowledge and expertise in the CEE retail markets is illustrated by best-in-class indicators, such as consistently high collection and occupancy rates, low occupancy cost for tenants, increase in tenant sales and footfall and strong organic growth despite operating in low inflation environments. Preventive maintenance decreases long-term capital expenditure, service charge levels and non-recoverable expenses.

With a broad platform across six CEE countries and over 270 million visits, the Group is focused on building strong, trust-based relationships with leading retailers across CEE, sharing both a long-term vision and the capacity for innovation.

PRUDENT FINANCIAL STRATEGY

The debt strategy focuses on a targeted 35% loan-to-value (LTV), maintaining high interest coverage ratios and diversifying financing sources to optimise cost of debt. Debt funding is biased towards group-level unsecured bonds and revolving facilities, adding secured bank debt only when it decreases the overall cost of funding. As at 31 December 2017, the LTV ratio was 28%.
The investment-grade credit ratings (currently limited by Romania's sovereign rating) are expected to improve as the portfolio is further diversified.

The Group maintains a prudent liquidity profile which includes cash accounts and deposits held with investment-grade banks, and significant committed unsecured revolving facilities (€380 million at 31 December 2017).

Enriching the shopping experience

A SUCCESSFUL TENANT MIX

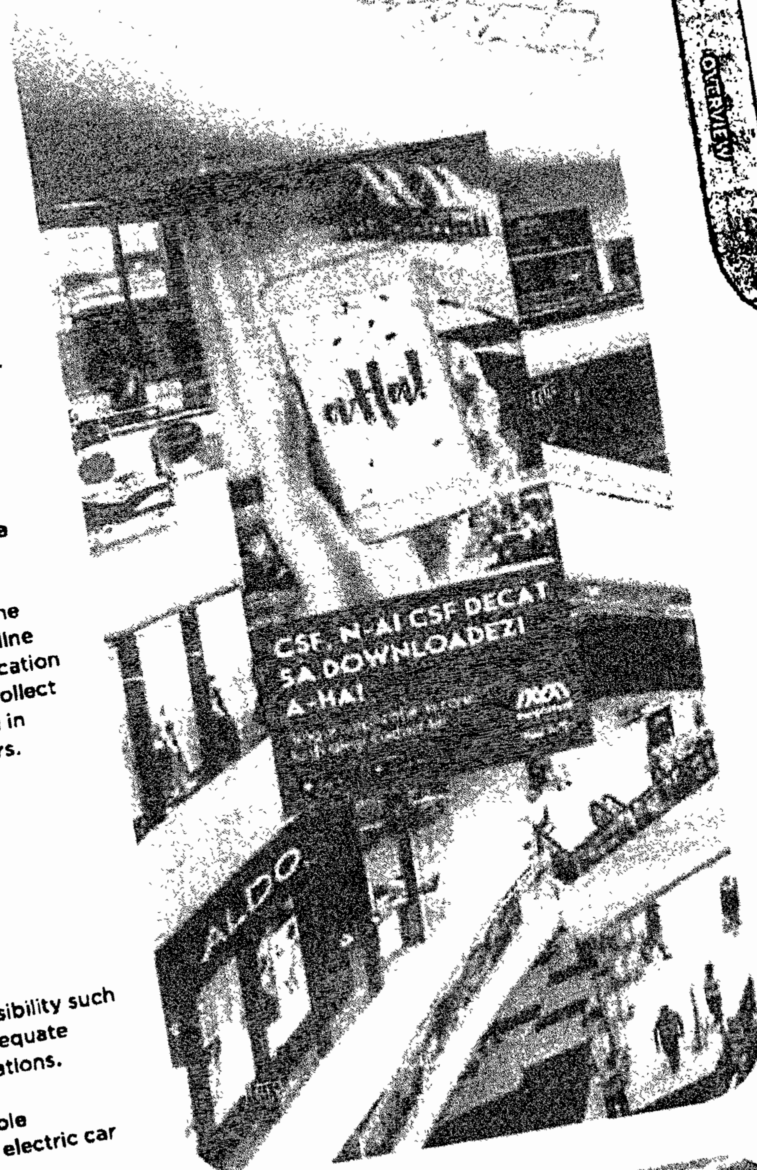
Shopping centres are becoming urban lifestyle hubs, combining the shopping experience with leisure, cultural activities and services.

An excellent tenant mix is a critical success factor, and this target is reflected in an adaptive and flexible tenant approach:

- Focused on newer "Millennial" concepts, the shopping centers host broader offers such as events, pop-up stores, demo rooms and food halls;
- The shopping centres provide everyday conveniences as they are anchored by hypermarkets or supermarkets, and satisfy daily needs such as offering a wide range of services which include banks, insurance, travel agencies, hairdressers, dry cleaning, small repairs, gym;
- Many shopping centres are anchored by a strong and well known fashion offering. The shopping centres feature diverse activities such as cinemas (including 3D, 4DX and IMAX concepts), gyms and restaurant areas as well as enhanced services including pleasant relaxation spots, beauty services, children's play areas, amenities, spacious parking places and entertainment to create excitement and an optimal customer experience.

DESIGN AND CONCEPT

The Group focuses on creating social spaces, seamlessly integrated in the lifestyle of its customers. Open-air terraces have been added to all new developments and there is an ongoing effort to add them into existing assets. Food-courts are turned into social gathering points, enticing customers to increase their dwell time and spending. In addition, the Group strives to improve continuously the access and internal flow of customers by improving constantly the existing assets.



DIGITAL EXPERIENCE

As the shopping experience evolves, malls start to combine online and physical services for optimal customer experience.

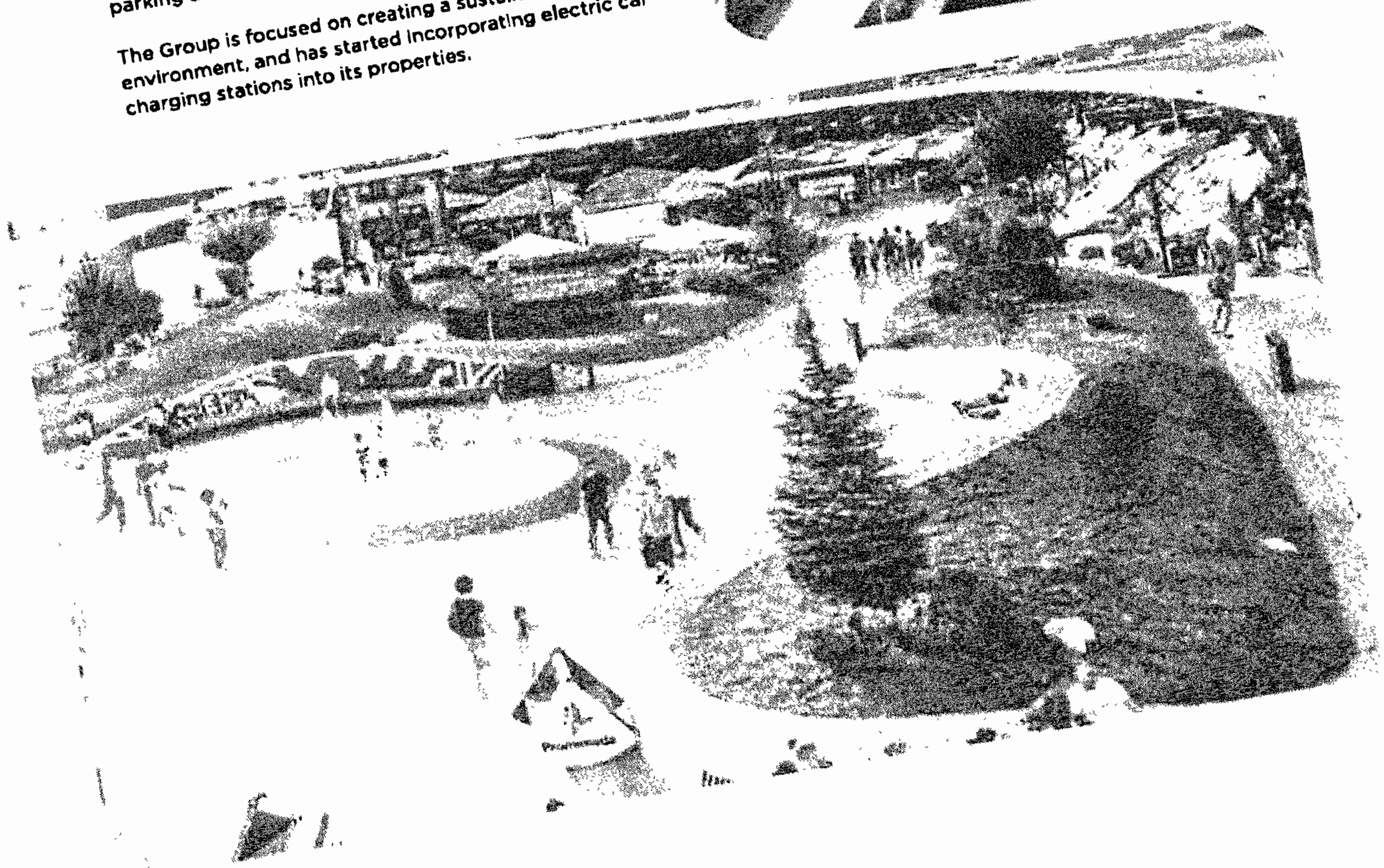
Digital integration tools such as loyalty programs, Customer Relationship Management (CRM) programs and Artificial Intelligence (AI) based media buying are already being used generated great results.

Moreover, the group is investing in new digital income streams capable of capitalizing on the growth in online activity and customer presence (advertising, geolocation marketing). Innovative programs regarding click&collect and omnichannel distribution are being developed in partnership with our most important retail partners.

MOBILITY AND ACCESSIBILITY

Special attention is given to properties' accessibility such as ease of access to public transportation, adequate parking areas and Google maps featured locations.

The Group is focused on creating a sustainable environment, and has started incorporating electric car charging stations into its properties.



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Directors' report*

FINANCIAL HIGHLIGHTS

• Total value of direct property portfolio owned and managed by the Group of **over €3.5 billion** (including joint ventures);

• Acquisitions and developments finalised during 2017 of €594 million, with 239,200m² added to Gross Lettable Area ("GLA");

• Net Operating Income ("NOI") of €192 million in 2017; **annualised passing rent amounts to €227.7 million** (including joint ventures);

• **Collection of 99.91%** of annual contractual rental income and expense recoveries;

• Service charge costs 98% recovered;

• **Occupancy of 97%**;

• **Loan to Value ratio ("LTV") of 28%**, below the Group's target of 35%;

• **Investment-grade credit rating issued by all three major rating agencies;**

• **Successful €500 million Eurobond issue** in November 2017, further reducing weighted average cost of debt to 2.9%, and increasing the remaining weighted average maturity to 4.8 years;

• Currently, all interest rate exposure related to long-term loans is **100% hedged**, with a remaining weighted average hedge term of 5.1 years.

OPERATIONAL HIGHLIGHTS

• **Market entry into Bulgaria**, with the acquisition of prime assets in Sofia. The Group now controls the two leading shopping centres in the Bulgarian capital (Serdika Center and Paradise Center);

• **Completion of five developments or extensions,** primarily in Romania, with lettings to leading international retailers including Carrefour, Cinema City, Douglas, Hervis, New Yorker, Orsay, Sephora, Starbucks, and multiple Inditex brands;

• **Tenants' turnover increased by 9.0%**, while turnover/m² increased by 7.4% (like-for-like);

• **Footfall increased by 2.9%** (like-for-like).

**All information in the Directors' report excludes joint ventures, unless otherwise stated*

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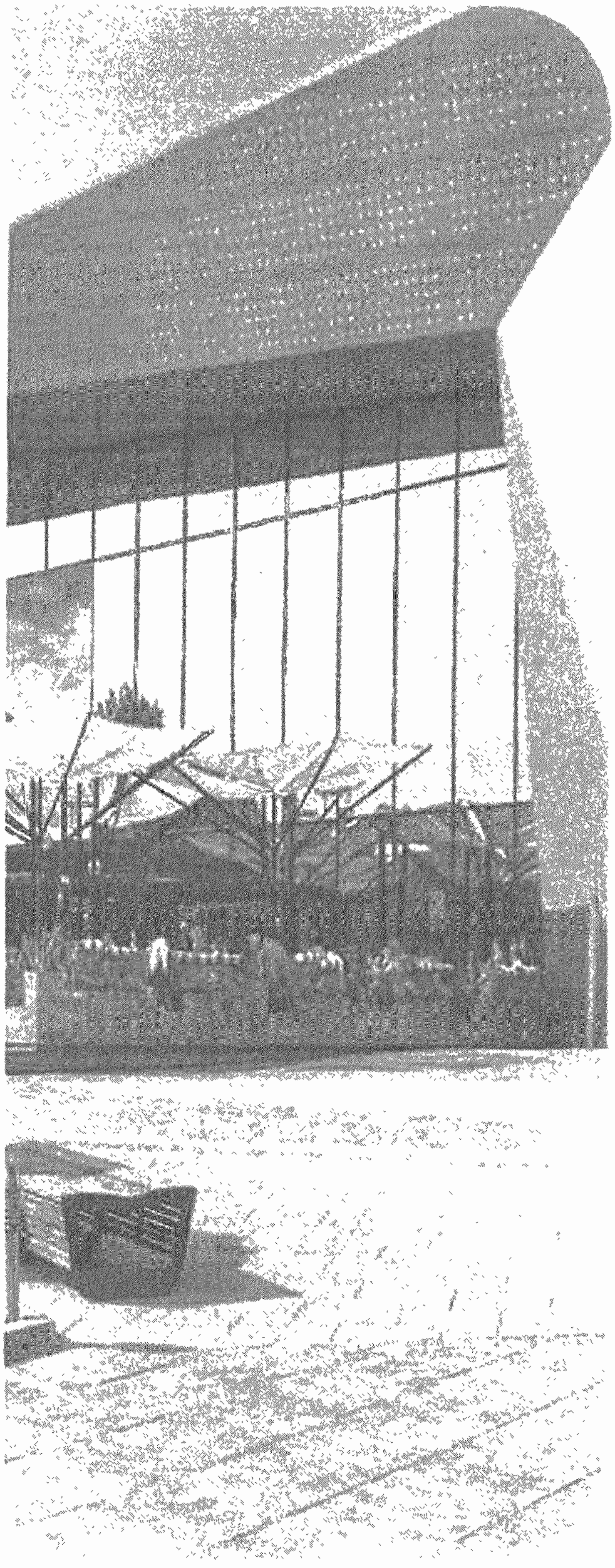
CITY PARK
BOSS



Directors' report» continued

ACQUISITIONS

The Group completed acquisitions of €457 million during 2017, adding a total of over 162,000m² GLA to its direct property portfolio. The Group entered the Bulgarian market through the acquisition of Serdika Center, and a few months later consolidated its dominant position in Bulgaria by acquiring Paradise Center, Sofia.

SERDIKA CENTER AND OFFICE

Sofia, Bulgaria
Acquisition date: 22 August 2017

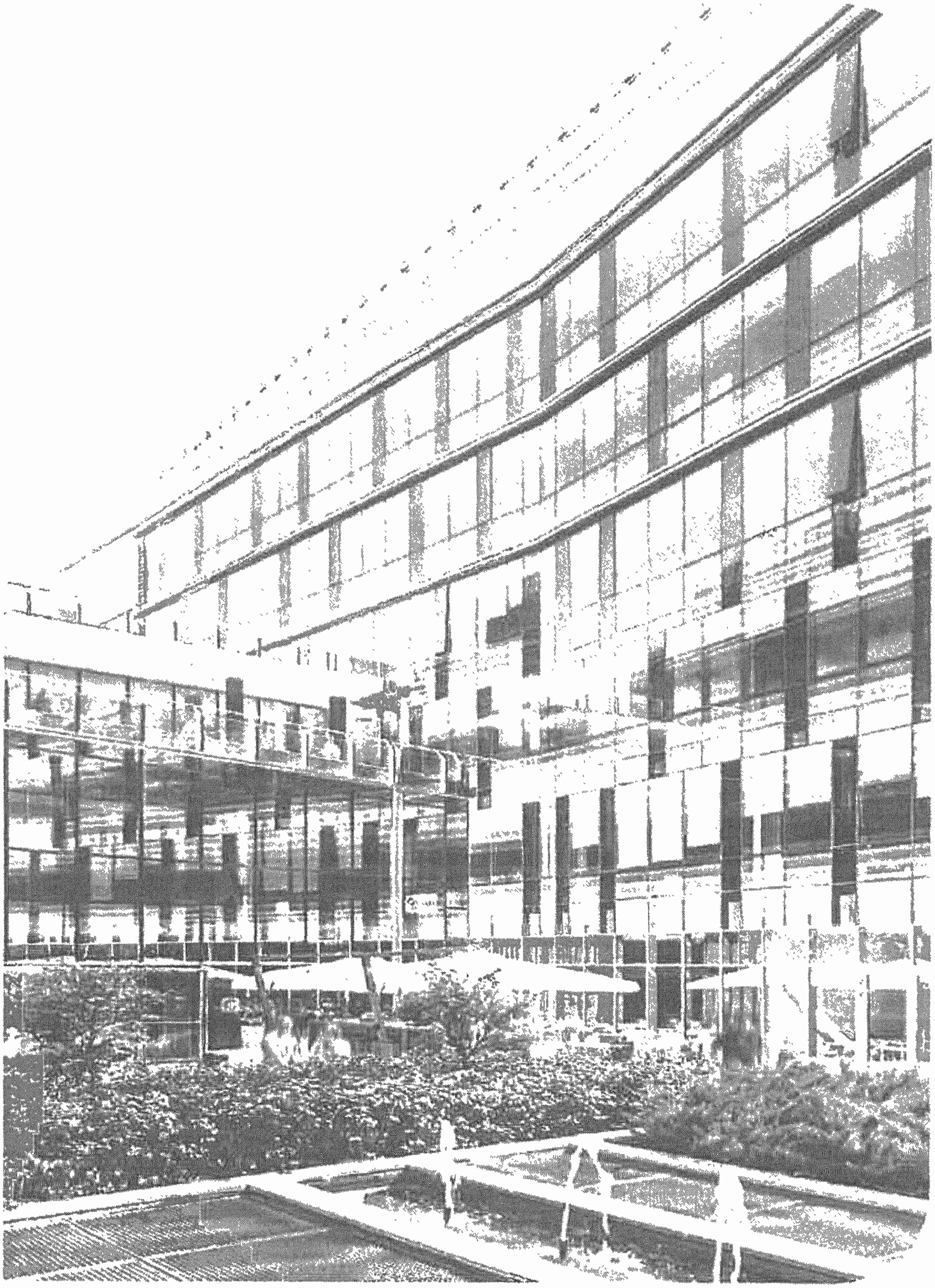
The Group acquired Serdika Center, a 51,500m² GLA modern shopping centre with a strong tenant mix, benefiting from an excellent location close to Sofia's city centre and Serdika Office, a Class A office situated atop the shopping centre, with 28,500m² GLA. Sofia, the capital city of Bulgaria, has a population of 1.32 million residents, with 327,000 inhabitants within a 15-minute drive from Serdika Center. The centre has an annual footfall in excess of 6.5 million people.

PARADISE CENTER

Sofia, Bulgaria
Acquisition date: 1 December 2017

The Group acquired Paradise Center, the largest modern shopping centre in Sofia with 82,000m² GLA, and consolidated its position in the Bulgarian market with ownership of the two best performing retail assets in the capital city. Paradise Center is the best performing shopping centre in Sofia, a city-wide destination located in the wealthy southern part of the city, with an annual footfall in excess of 10.4 million visitors. Over 286,000 inhabitants are located within a 15-minute drive from the shopping centre.

The country and effective or opening date are included in brackets. Populations are estimates.



Directors' report» continued

DEVELOPMENTS AND EXTENSIONS

The Group is pursuing a development pipeline which exceeds €1,020 million (including redevelopments and extensions, estimated at cost), of which €176 million was spent during 2017. Undertaking redevelopments and extensions to existing properties is a driver for future growth, ensuring that the Group maintains its pre-eminent position in the market and its superior retail relationships, thus de-risking the business and delivering higher quality earnings.

COMPLETED DEVELOPMENTS AND EXTENSIONS

THE OFFICE CLUJ-NAPOCA THIRD PHASE

Romania
Opening date: Romania, 30 June 2017

The Group, together with its joint venture partner, completed the 20,200m² GLA third phase of The Office, Cluj-Napoca. The total GLA of the office complex is now 63,600m². The building is 99% let. Tenants include renowned corporations such as 3 Pillar Global, 8x8, Betfair, Bombardier, Magneti Marelli, Telenav, Thomsons and Wolters Kluwer.

SHOPPING CITY GALATI EXTENSION

Romania
Opening date: 26 November 2017

The Group successfully completed construction of the 21,000m² GLA extension to Shopping City Galati. Shopping City Galati is now a 49,100m² GLA regional mall, located in Galati, a city of 305,000 residents. The centre is the prime shopping destination for the 559,000 inhabitants that live within a 45-minute catchment area. The centre is 84.9% let. The extension was leased to tenants such as: Bershka, Cinema City, Douglas, Hervis, Pandora, Pull&Bear, Sephora, Sport Vision, Starbucks and Stradivarius.

VICTORIEI OFFICE BUCHAREST

Romania
Opening date: 30 June 2017

Outstanding permits for internal fit-out of the 7,800m² GLA landmark office located in central Bucharest were received and the development was completed during the year. The building is fully let to major corporations such as Fitbit, General Electric and Philip Morris.

SHOPPING CITY RAMNICU VALCEA

Romania
Opening date: 7 December 2017

The Group completed the 28,200m² GLA regional mall in Ramnicu Valcea, a city of 119,000 residents. The centre services 315,000 inhabitants within a 45-minute catchment area. 95.3% of the centre is leased to tenants such as: Altex, Carrefour, Cinema City (not yet opened), Douglas, Hervis, Jysk, NewYorker and Orsay.

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Directors' report » continued

DEVELOPMENTS AND EXTENSIONS PIPELINE

SHOPPING CITY SATU MARE
Romania

The Group has received the required permits for the development of a 28,700m² shopping mall in Satu Mare. The city has a population of 123,000 residents and 288,000 inhabitants live within a 45-minute drive thereof. Tenants include: Carrefour, with a 10,000m² hypermarket, and key fashion retailers. Construction works started in March 2018, and management targets opening by the end of 2018.

PROMENADA NOVI SAD
Serbia

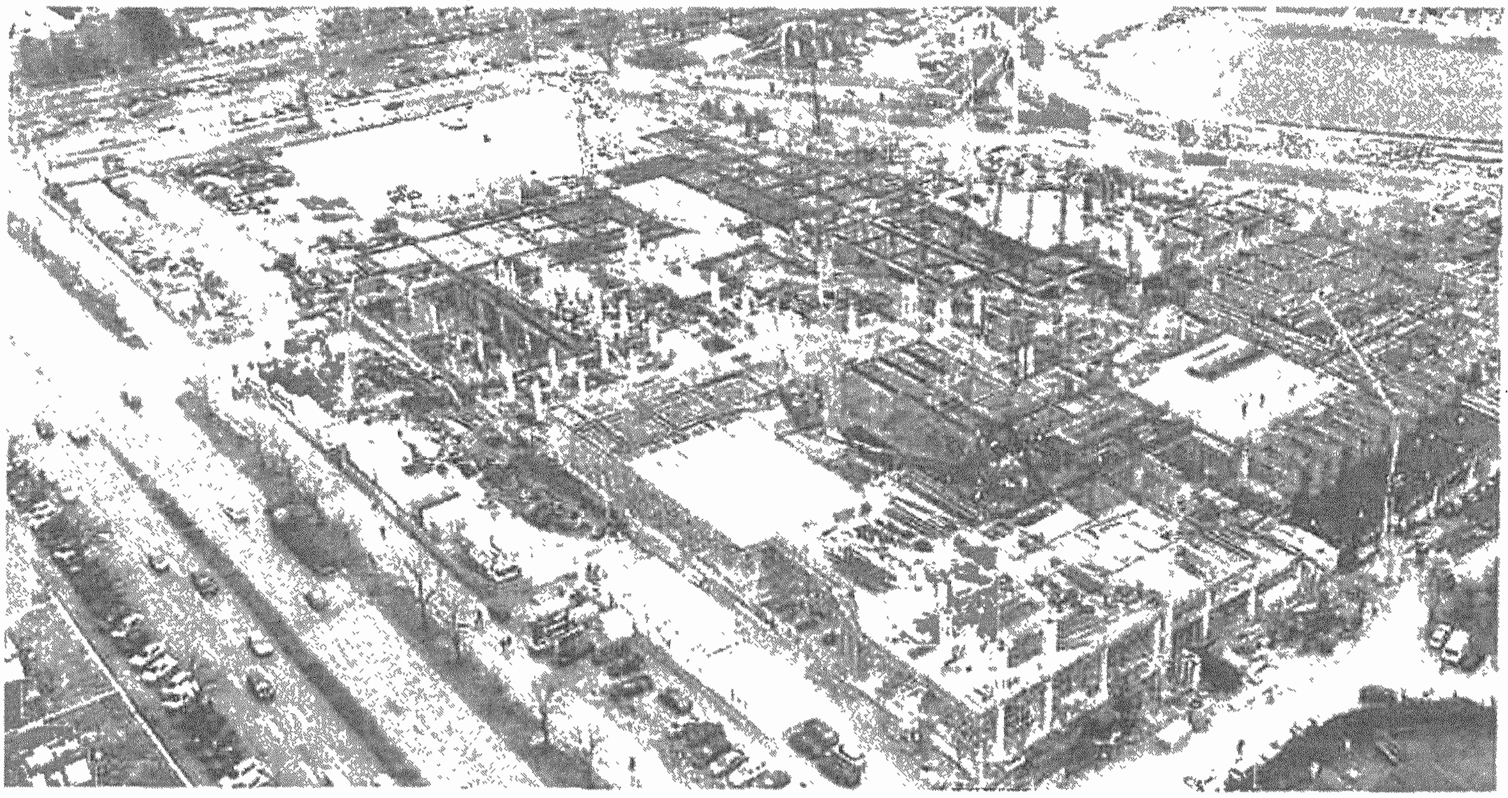
Construction has started on the first phase of a shopping mall of approximately 49,400m² GLA. The city has a population of 319,000 residents and 607,000 inhabitants live within a 45-minute drive of the site. Tenant demand is strong and various international brands are planning to join the scheme. Numerous retailers such as: Adidas, Calvin Klein, Cineplexx, Converse, Diesel, Guess, Lacoste, Levi's, Nike, Replay, Sport Vision, Superdry, Timberland, Under Armour and Univerexport (with a 3,300m² supermarket) have already been signed. The project has a unique central location and will include a large food-court and dining area (1,400m²), a fitness operator and a cinema. The Group plans to open the centre in the fourth quarter of 2018.

PROMENADA MALL EXTENSION
Romania

There has been limited traction in obtaining the required approvals and permits for the retail extension and integrated office building of Promenada Mall, a shopping centre located in Bucharest's central business district. Progress has been made, however at a significantly slower rate than expected due to reasons outside of the Group's control. The retail extension will include new fashion brands, a 14-screen Cinema City, additional leisure and entertainment facilities and 1,600 new parking spaces.

SHOPPING CITY SIBIU RECONFIGURATION AND EXTENSION
Romania

The Group received zoning for refurbishing, reconfiguring and extending Shopping City Sibiu, a 78,200m² mall. The centre serves a catchment area of 286,000 inhabitants within a 45-minute drive. The extension will add approximately 9,700m² GLA and will improve the centre's fashion offering and will further strengthen its market positioning. It is expected the extension to be finalised in December 2019.



SHOPPING CITY TARGU MURES

Romania

The Group is pursuing zoning approvals and permitting to develop a 32,900m² (in phase I) mall in Targu Mures, a city with a population of 150,000 residents. The centre will serve a catchment area of 306,000 inhabitants within a 45-minute drive. A large number of tenants have already expressed their interest in the development which will represent the first new generation shopping centre in the city. The hypermarket (Carrefour) has signed a lease agreement for 10,000m² GLA.

AURORA SHOPPING MALL - EXTENSION

Romania

The Group intends to start the refurbishment, reconfiguration and extension of Aurora Shopping Mall, a mall that currently has 18,000m² GLA and that will be extended by an additional 5,900m² GLA. The centre is located in Buzau, a city with a population of 136,000 residents and services a catchment area of 430,000 inhabitants within a 45-minute drive. The following tenants are already present: Altex, Animax, Benvenuti, Carrefour, CCC, Deichmann, Intersport, Kendra, KFC, New Yorker, Noriel, Orsay, Pepco, Sensiblu and Top Shop. Cinema City (a 6-screen multiplex) has been signed and will enter the centre following the extension. Subject to permitting and receipt of required approvals, the Group will start the development in H1 2018 and targets opening the extended centre by the end of 2018.

KORZO SHOPPING CENTER - EXTENSION

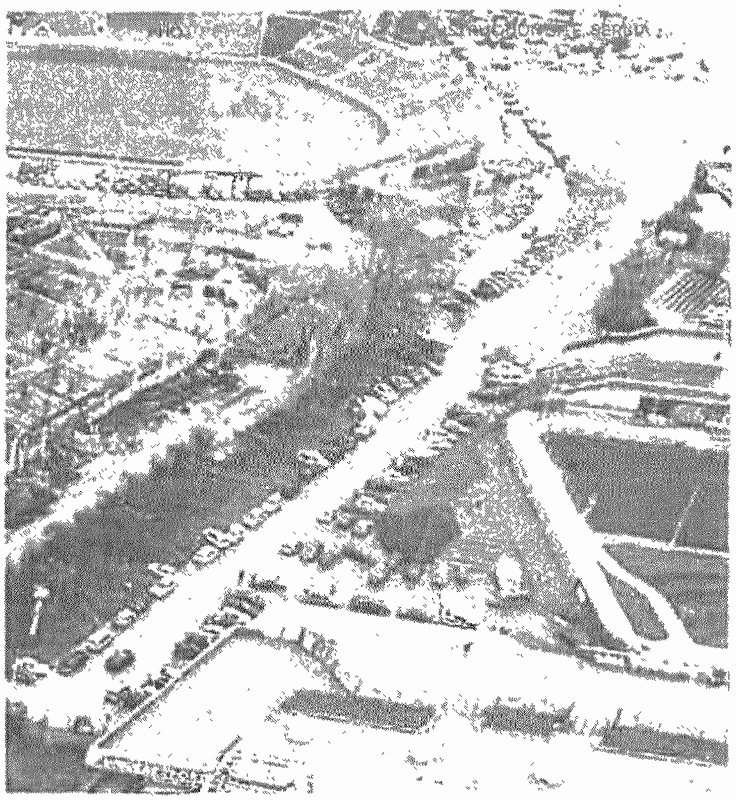
Slovakia

The Group is planning a 9,300m² GLA extension of Korzo Prievidza (Slovakia) including a refurbishment of the existing centre. The city of Prievidza has a population of 48,000 residents and the centre services a catchment area of 308,000 inhabitants within a 45-minute drive. The extension is aimed at improving the retail mix with new fashion brands, extending the leisure offering (larger food-court, additional cinema halls) and improving the overall shopping experience with a 50% larger parking, improved amenities and easier client access. Currently the project is in the design and permitting stage. The extension is planned to be opened in Q3 2019.

FESTIVAL SIBIU - DEVELOPMENT

Romania - subsequent event

In February 2018, the Group acquired Festival project, a 3.4ha land in the centre of Sibiu which is permitted for the development of a 43,000m² GLA shopping centre. Sibiu has a population of 170,000 residents and Festival is expected to service a catchment of 162,000 inhabitants within a 15-min drive. Key international tenants are secured: Kaufland (with its first hypermarket integrated in a shopping centre in Romania), Inditex (with several brands including Zara), H&M and a cinema operator. This development will complement the city's other retail property (Shopping City Sibiu). The centre is expected to open by the end of 2019.



OTHER EXTENSIONS

The Group is also pursuing several other extensions to its existing assets which will be announced in due course.

Directors' report » continued

CASH MANAGEMENT AND DEBT

In 2017, 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. NEPI Rockcastle 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%. This is the second time the Group has raised material amounts from European investors, enabling it to compete more effectively in the Central and Eastern European real estate markets in the long term. The Group has a broad bondholder base, ranging from large asset managers, banks, pension and insurance companies to international financial institutions such as the International Finance Corporation (part of the World Bank group) and the European Bank for Reconstruction and Development. The proceeds have been partly used for the acquisition of Paradise Center (Sofia, Bulgaria), while the balance of the proceeds will be used for funding the acquisitions and developments pipeline.

During the year, the Group contracted €250 million in unsecured revolving facilities from ING, Societe Generale and Garanti Bank. The Group benefits from a diversified funding base, and was complying with all debt covenants as at 31 December 2017. The Loan to Value (interest bearing debt less cash divided by investment property and listed securities) was 28%, below the gearing ratio target of 35%.The average interest rate, including hedging costs, was 2.9% during 2017, 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 84% of the Group's outstanding debt, and out of the remaining debt exposed to Euribor, 100% was hedged with interest rate caps.

As at 31 December 2017, the Group had a strong liquidity profile, with €157 million in cash and €380 million in available unsecured revolving facilities.

VALUATION

The Group assesses the valuation of its property portfolio twice a year. Fair value is determined by external, independent professional valuers, with appropriate and recognised qualifications, and recent experience in the locations and category of properties being valued. The valuations as at 31 December 2017 were performed by Cushman & Wakefield and Colliers International.

PHOTO: CITY PARK, [illegible]NIA

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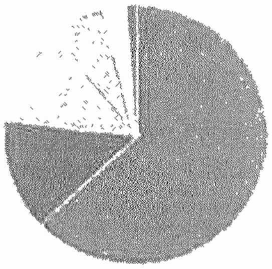
Portfolio overview

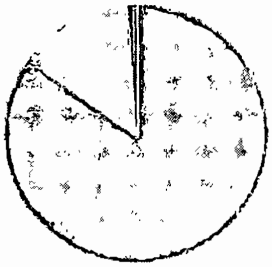
GEOGRAPHICAL PROPERTY PORTFOLIO PROFILE



by market value
Dec 2017

Romania 63% Croatia 7%
Bulgaria 14% Czech Republic 3%
Slovakia 12% Serbia 1%

SECTORAL PROPERTY PORTFOLIO PROFILE



by market value
Dec 2017

Retail 85%
Office 14%
Industrial 1%

Geographical property portfolio profile by gross rentals:
Romania - 65%, Bulgaria - 14%, Slovakia - 11%,
Croatia - 7%, Czech Republic - 2% and Serbia - 1%.

Geographical property portfolio profile by rentable area:
Romania - 71%, Bulgaria - 12%, Slovakia - 8%,
Czech Republic - 2%, Croatia - 5% and Serbia - 2%.

Sectoral property portfolio profile by gross rentals:
Retail - 84%, Office - 15% and Industrial - 1%.

Sectoral property portfolio profile by rentable area:
Retail - 83%, Office - 15% and Industrial - 2%.

KEY PROPERTY INFORMATION

	Group 31 Dec 2017	Group 31 Dec 2016
Total number of properties*	**47**	**44**
Income-producing properties	42	37
Greenfield developments	5	7
Extensions to existing properties	7	6
Fair value of properties (€ million)*	3,438	2,641
Annualised property yield (by passing rent)	7.0%	7.3%
Lettable area (thousand m²)	**1,528**	**1,334**
Income-producing properties	1,275	1,043
Properties under development (estimated)	253	291
Weighted average remaining lease term*	**4.5**	**5.0**
Weighted average rent (€/m²/month)*	**14.9**	**14.4**

* *Excludes non-core properties held for sale*
All figures in this section are weighted by ownership.

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OVERVIEW OF VALUATION YIELDS

Country	Segment	Number of properties	Prime yield*	Capitalisation rate**
Romania	Retail	24	6.75%	7.25%
Romania	Office	5	7.25%	7.25%
Romania	Industrial	2	8.75%	10.00%
Croatia	Retail	1	7.00%	7.00%
Serbia	Retail	1	8.00%	8.50%
Slovakia	Retail	4	5.25%	6.75%
Slovakia	Office	1	6.25%	7.50%
Czech Republic	Retail	1	4.25%	6.25%
Bulgaria	Retail	2	7.50%	7.25%
Bulgaria	Office	1	7.75%	8.00%

* *Source: Cushman & Wakefield, Market Snapshot, Q4 2017*
** *Percentages represent averages weighted by Market Values and rounded to the closest 25 bps*

RENTAL ESCALATIONS

The annual rise in rental income projected is partially index-linked to the European Consumer Price Index (CPI) and partially from contractual gradual rental lease increase as per existing contracts as at 31 December 2017. The weighted average rental escalation does not include impact from leasing renewal activities as per initial contract. Out of the total operational GLA as at the year end, the weighted average rental escalation by rentable area is presented below:

TOTAL, out of which:	**1.82%**
Retail	1.92%
Office	1.38%
Industrial	1.31%

VACANCY PROFILE

The vacancy calculated as a portion of available rentable area at the end of 2017 was 3% (excluding properties held for sale) compared to 2.0% at the end of the previous year.

Out of the 37,866m² of rentable area vacant as at 31 December 2017, 34,035m² was retail space (2.7%), 3,281m² office (0.27%) and 550m² industrial (0.03%).

The vacant retail space is due to the acquisitions for which these vacancies have a high potential for rental uplift (Paradise Center, Bulgaria) and new completed developments and extensions, for which the initial vacancy will be reduced during 2018 (Shopping City Ramnicu Valcea, Shopping City Galati, Romania).

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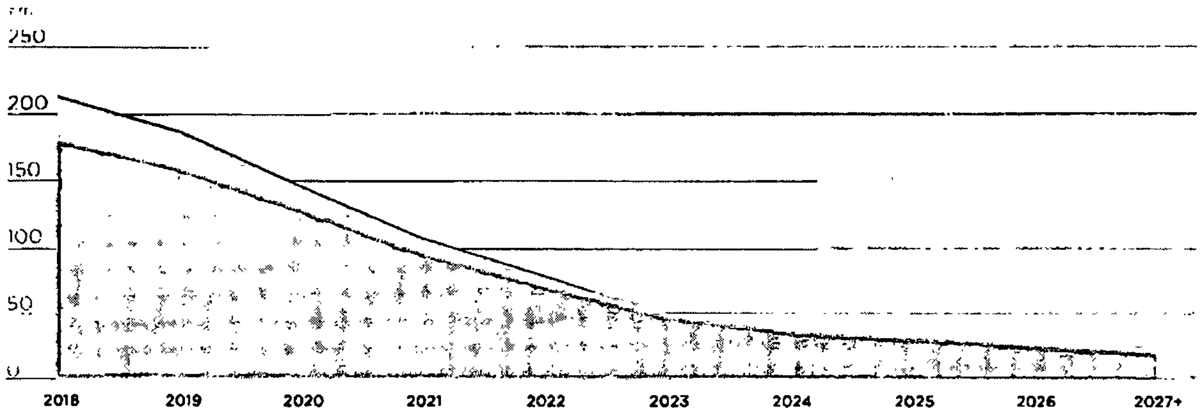
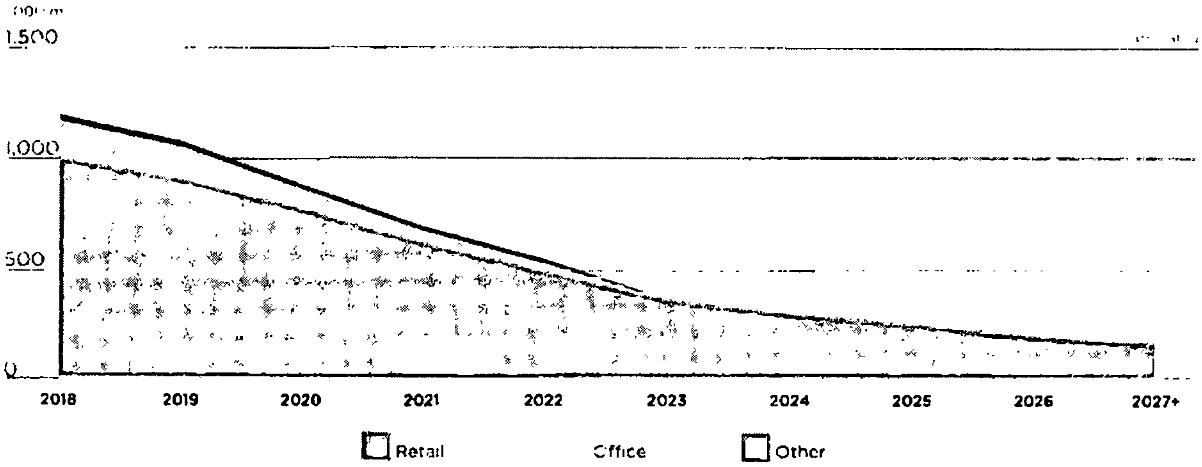
Portfolio overview» continued

EXPIRY PROFILE



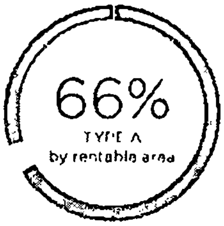


TENANT PROFILE

Type A: Large international and national tenants, large listed tenants, government and major franchises (companies with assets and/ or turnovers in excess of €200 million).

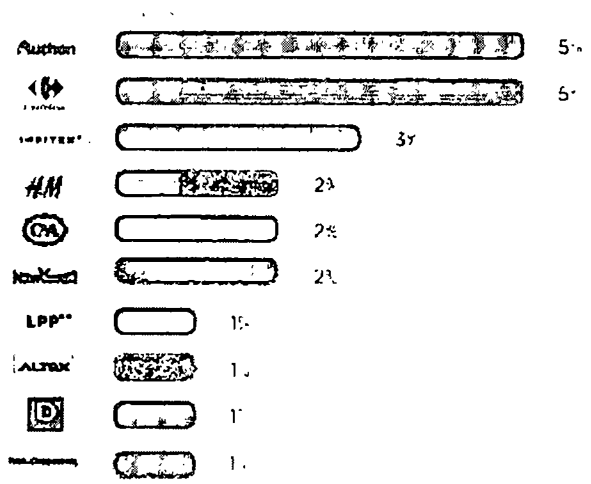
Type B: Smaller international and national tenants, smaller listed tenants and medium to large professional firms (companies with assets and/ or turnovers ranging from €100 to €200 million).

Type C: Other tenants



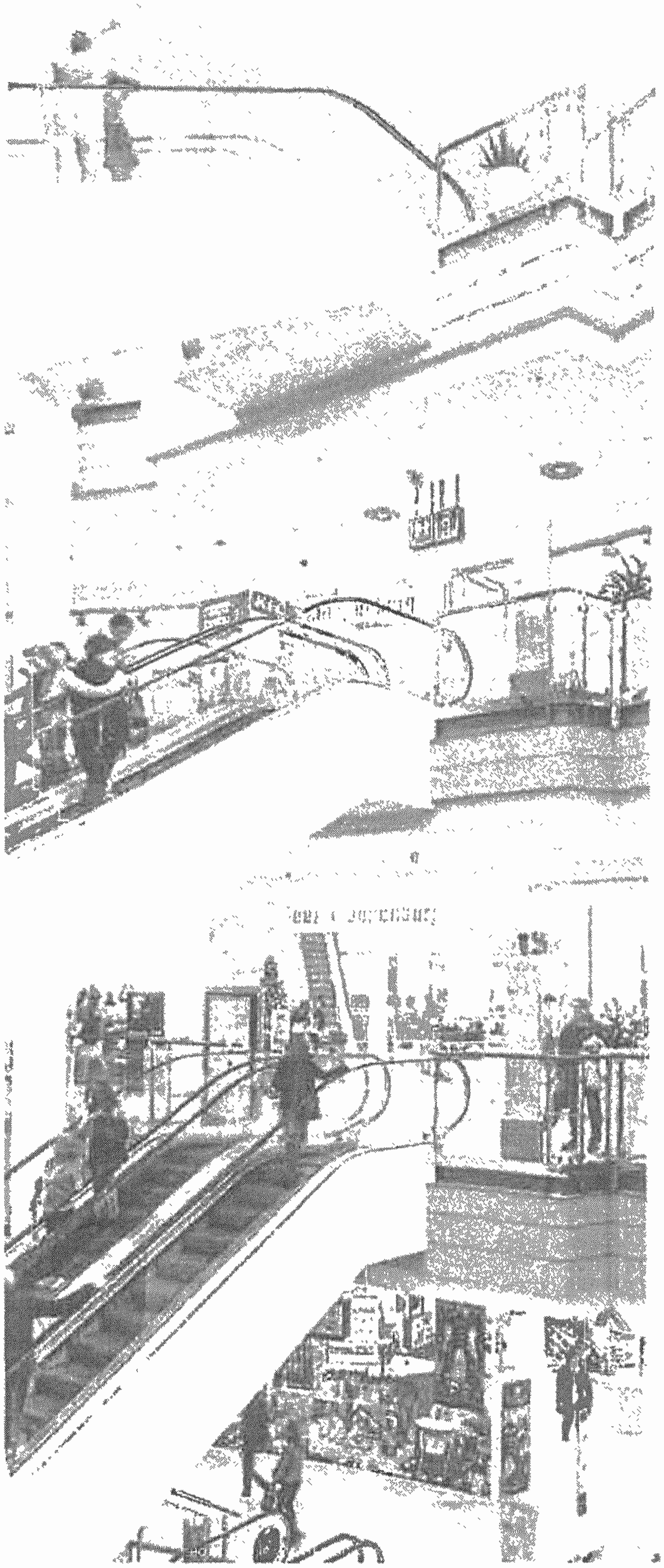
Type A	66%
Type B	4%
Type C	30%

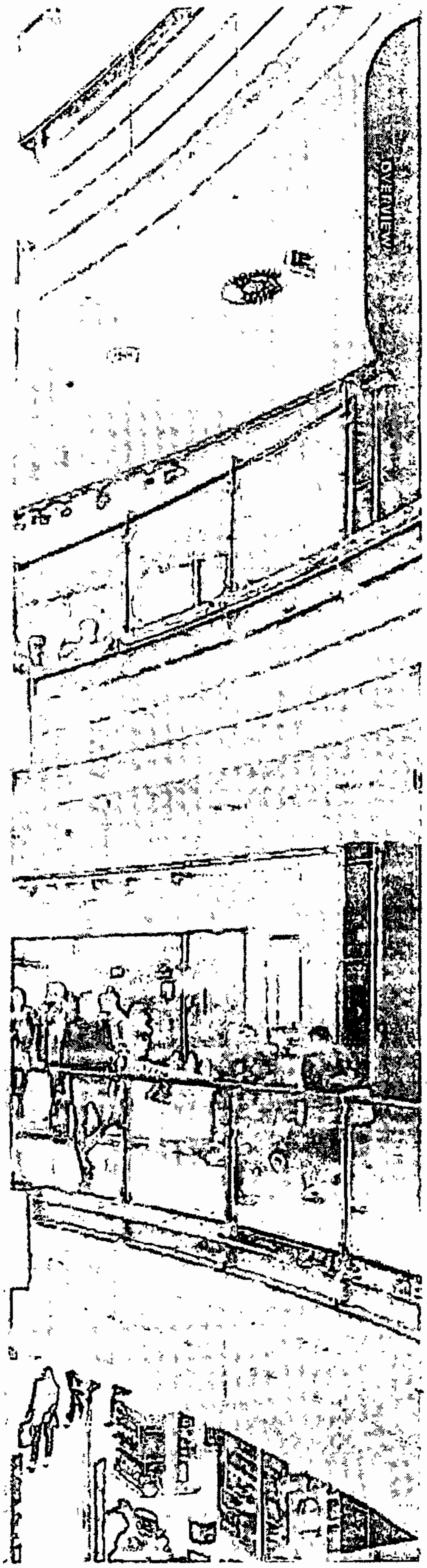
TOP 10 RETAIL TENANTS

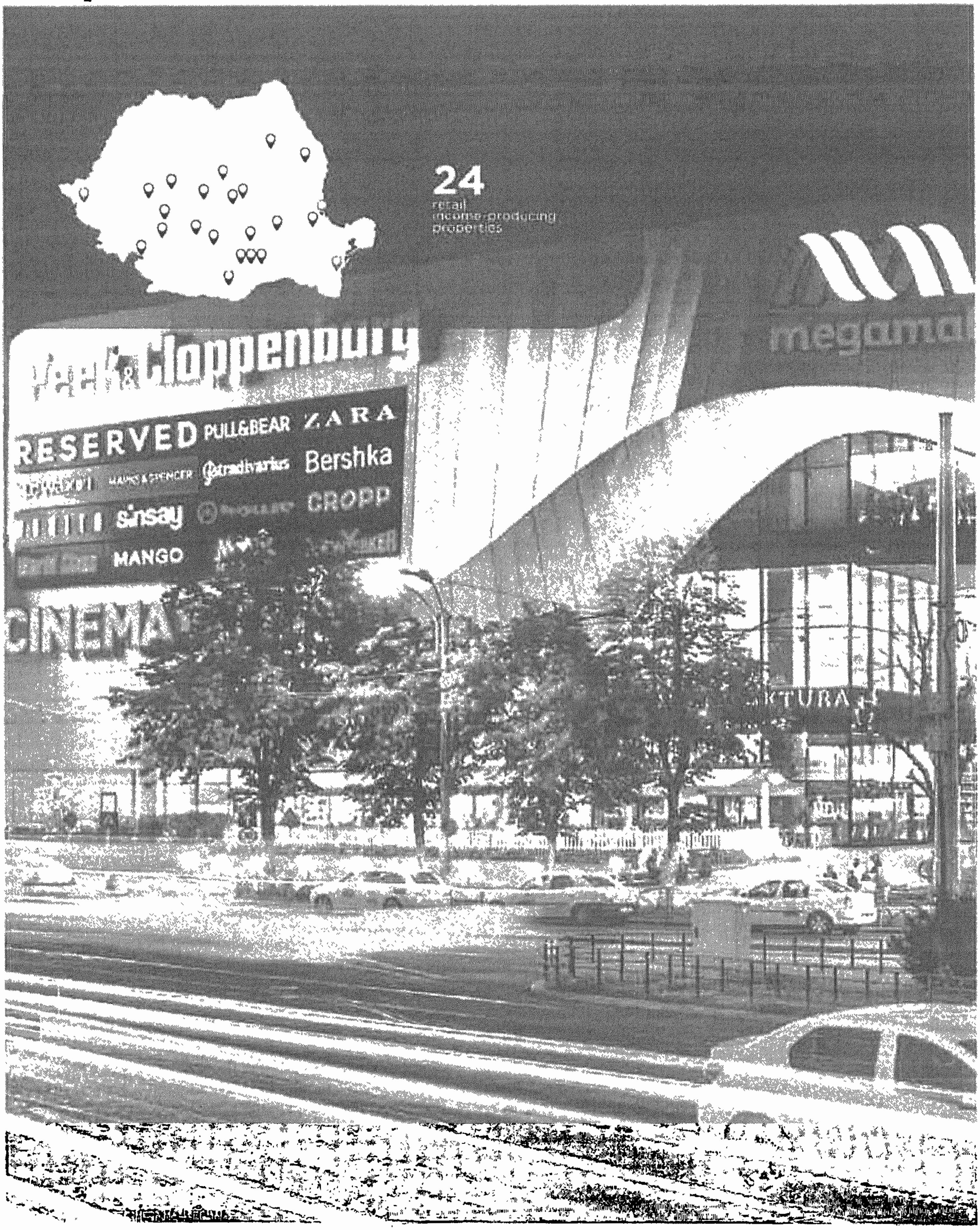


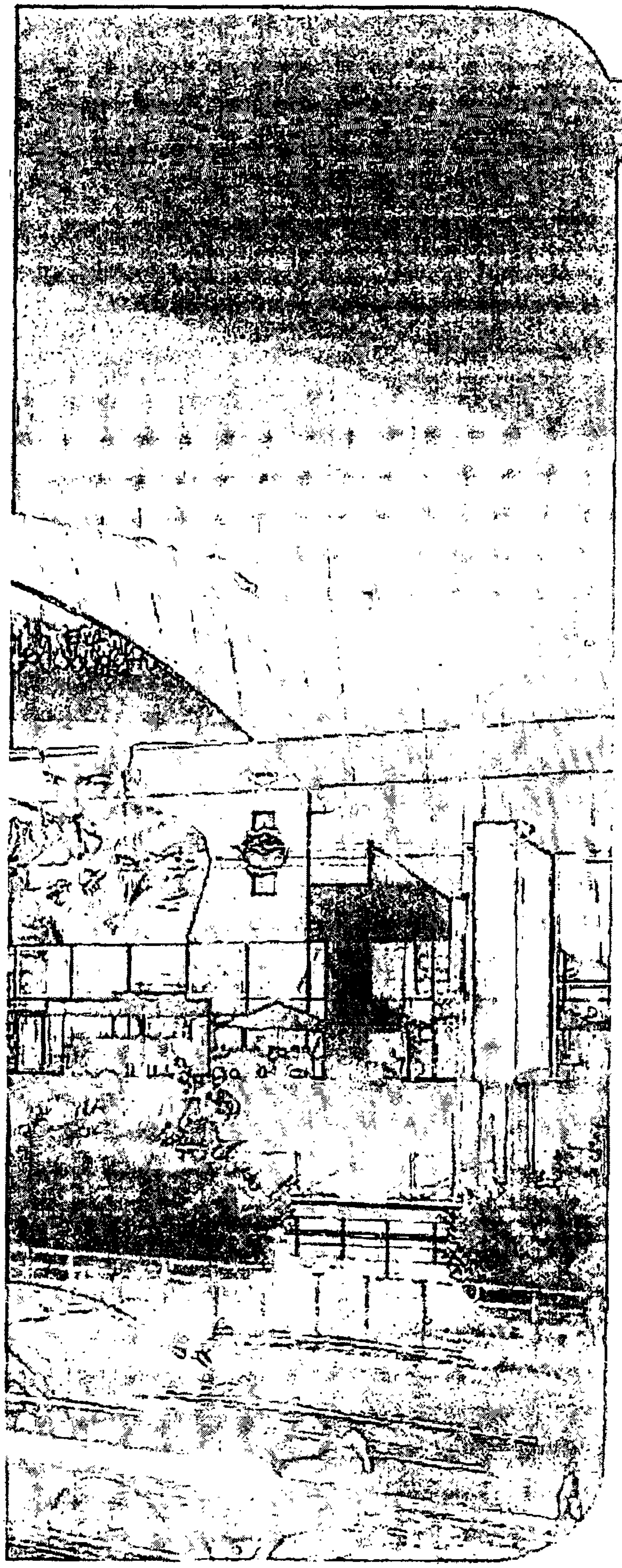
*Bershka, Massimo Dutti, Oysho, Pull and Bear, Stradivarius and Zara

**Reserved, Cropp Town, House, Mohito, Sinsay




OVERVIEW


24
retail
income-producing
properties
RESERVED
PULL&BEAR
ZARA
Bershka
CROPP
sinsay
MANGO
CINEMA



Romania

RETAIL

OVERVIEW

With a total of 24 regional malls and value centres, the Group is the largest owner of retail space in the country.

over **726,000** m² GLA of retail income-producing properties

€1,636m property value

97.6% occupancy rate

€116m passing rent

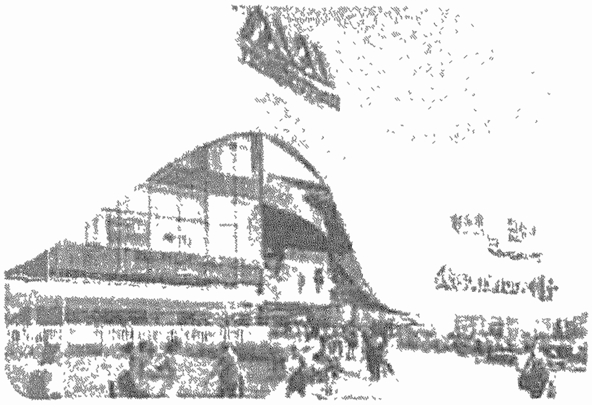
9.7% increase in tenants turnover*

5.3% increase in footfall*

*like-for-like

ROMANIA

Mega Mall
Bucharest

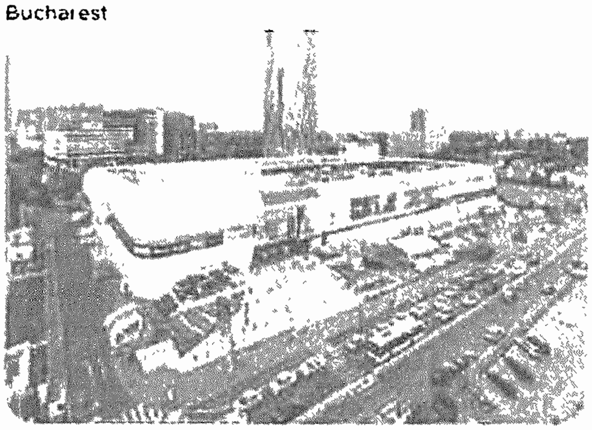


Ownership	100%
GLA	75,800m²
Valuation	€306.1 million
Passing rent	€19.0 million
Occupancy	97.9%

City Park
Constanta

Ownership	100%
GLA	52,100m²
Valuation	€181.8 million
Passing rent	€12.8 million
Occupancy	97.1%

Promenada Mall
Bucharest



Ownership	100%
GLA	39,400m²
Valuation	€196.0 million
Passing rent	€12.0 million
Occupancy	99.4%

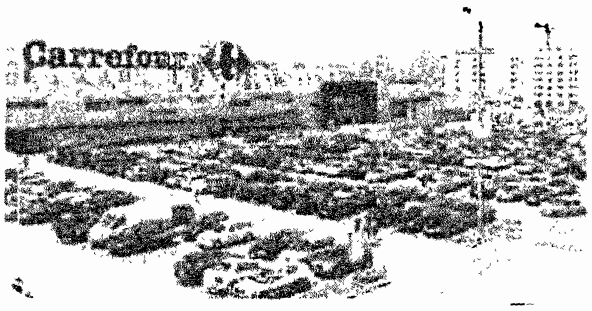
Shopping City Timisoara
Timisoara

Ownership	100%
GLA	56,900m²
Valuation	€120.2 million
Passing rent	€8.6 million
Occupancy	100%

OVERVIEW

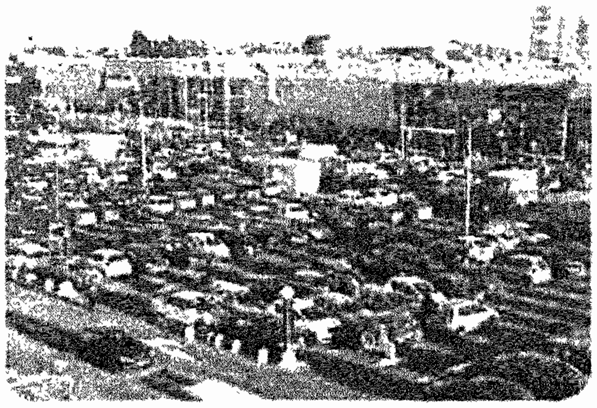
RETAIL

Shopping City Sibiu
Sibiu



Ownership	100%
GLA	78,200m²
Valuation	€116.9 million
Passing rent	€8.5 million
Occupancy	96.4%

Iris Titan Shopping Center
Bucharest



Ownership	100%
GLA	45,000m²
Valuation	€96.8 million
Passing rent	€7.5 million
Occupancy	99.7%

Shopping City Galati
Galati

Ownership	100%
GLA	49,100m²
Valuation	€101.8 million
Passing rent	€6.5 million
Occupancy*	84.9%

*21,000m² extension opened in November 2017.

Shopping City Deva
Deva

Ownership	100%
GLA	52,500m²
Valuation	€77.7 million
Passing rent	€6.5 million
Occupancy	100%

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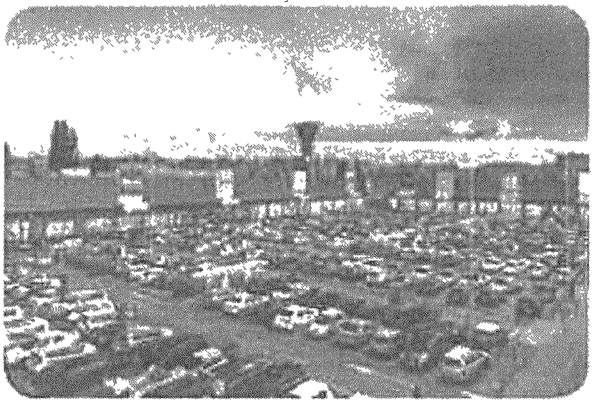
ROMANIA

Braila Mall
Braila

Ownership	100%
GLA	55,400m²
Valuation	€78.8 million
Passing rent	€6.1 million
Occupancy	97.2%

Vulcan Value Centre
Bucharest

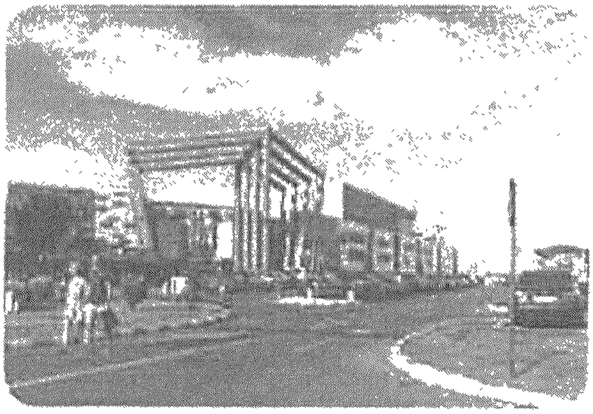


Ownership	100%
GLA	24,600m²
Valuation	€56.8 million
Passing rent	€4.0 million
Occupancy	100%

Pitesti Retail Park
Pitesti

Ownership	100%
GLA	24,800m²
Valuation	€35.1 million
Passing rent	€3.8 million
Occupancy	100%

Ploiesti Shopping City
Ploiesti



Ownership	50%
GLA	45,800m²
GLA weighted by ownership	22,900m²
Valuation weighted by ownership	€51.0 million
Passing rent weighted by ownership	€3.6 million
Occupancy	95.3%

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Shopping City Piatra Neamt

Piatra Neamt

Ownership	100%
GLA	28,000m²
Valuation	€47.9 million
Passing rent	€3.5 million
Occupancy	100%

Shopping City Targu Jiu

Targu Jiu

Ownership	100%
GLA	27,100m²
Valuation	€44.1 million
Passing rent	€3.3 million
Occupancy	99.8%

Shopping City Ramnicu Valcea

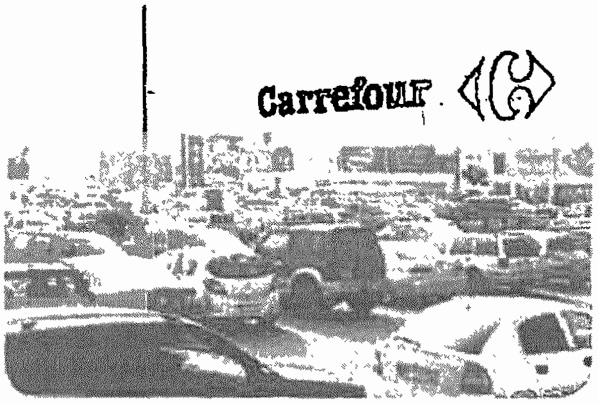
Ramnicu Valcea

Ownership	100%
GLA	28,200m²
Valuation	€42.1 million
Passing rent	€2.9 million
Occupancy*	95.3%

28,200m² development opened in December 2017.

Severin Shopping Center

Turnu Severin



Ownership	100%
GLA	22,600m²
Valuation	€34.3 million
Passing rent	€2.4 million
Occupancy	99.7%

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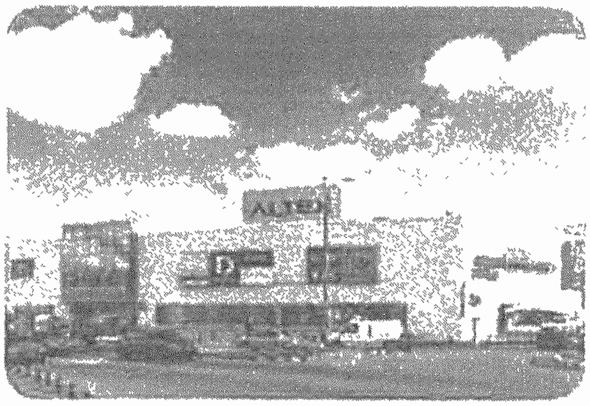
ROMANIA

Aurora Shopping Mall
Buzau

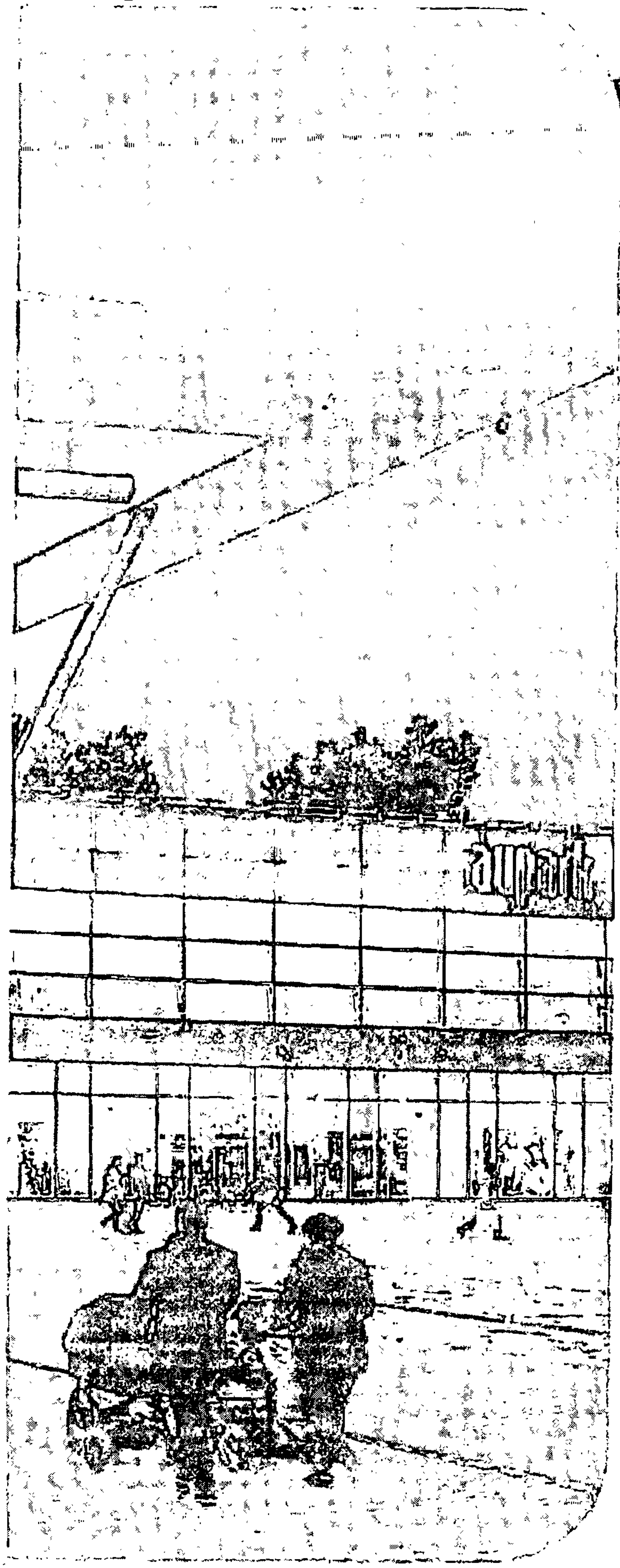


Ownership	100%
GLA	18,000m²
Valuation	€15.5 million
Passing rent	€2.2 million
Occupancy	99.7%

Regional Strip centres
Alba Iulia, Alexandria, Brasov, Petrosani, Sfantu Gheorghe, Slobozia and Vaslui

Ownership	100%
GLA	25,800m²
Valuation	€32.9 million
Passing rent	€2.6 million
Occupancy	100%


4
retail
income-producing
properties



Slovakia

RETAIL

After the 2013 acquisition of a dominant regional mall and establishment of a strong local management team, the Group further extended its presence in Slovakia in 2014 and 2016. The Group currently owns four regional malls, one office building and land for the development of a retail or mixed-use scheme. The Group will continue to strengthen its presence in Slovakia.

over
85,000
m² GLA of retail income-producing properties

€371m
property value

97.6%
occupancy rate

€24m
passing rent

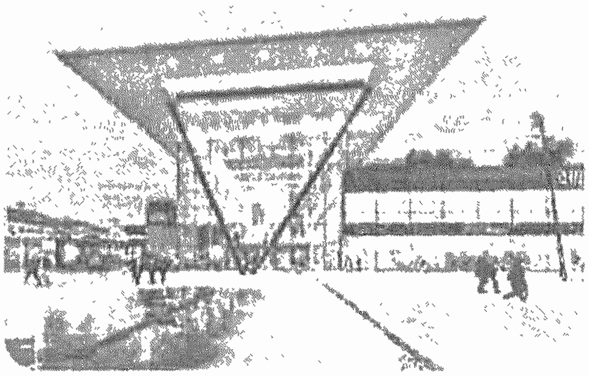
3.7%
increase in tenants turnover*

(0.9)%
decrease in footfall*

*like-for-like

PHOTO: AUPARK KOSICE MALL, SLOVAKIA

Aupark Kosice Mall
Kosice



Ownership	100%
GLA	33,800m²
Valuation	€166.2 million
Passing rent	€9.9 million
Occupancy	95.2%

Aupark Zilina
Zilina

Ownership	100%
GLA	25,100m²
Valuation	€124.8 million
Passing rent	€8.1 million
Occupancy	100%

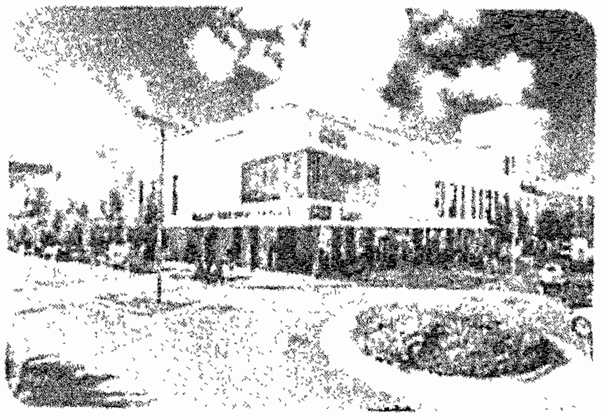
Korzo Shopping Center

Korzo

Ownership	100%
GLA	16,100m²
Valuation	€39.1 million
Passing rent	€2.9 million
Occupancy	98.7%

Aupark Shopping Center Piestany

Piestany



Ownership	100%
GLA	10,300m²
Valuation	€41.0 million
Passing rent	€2.7 million
Occupancy	98.0%

Bulgaria

RETAIL

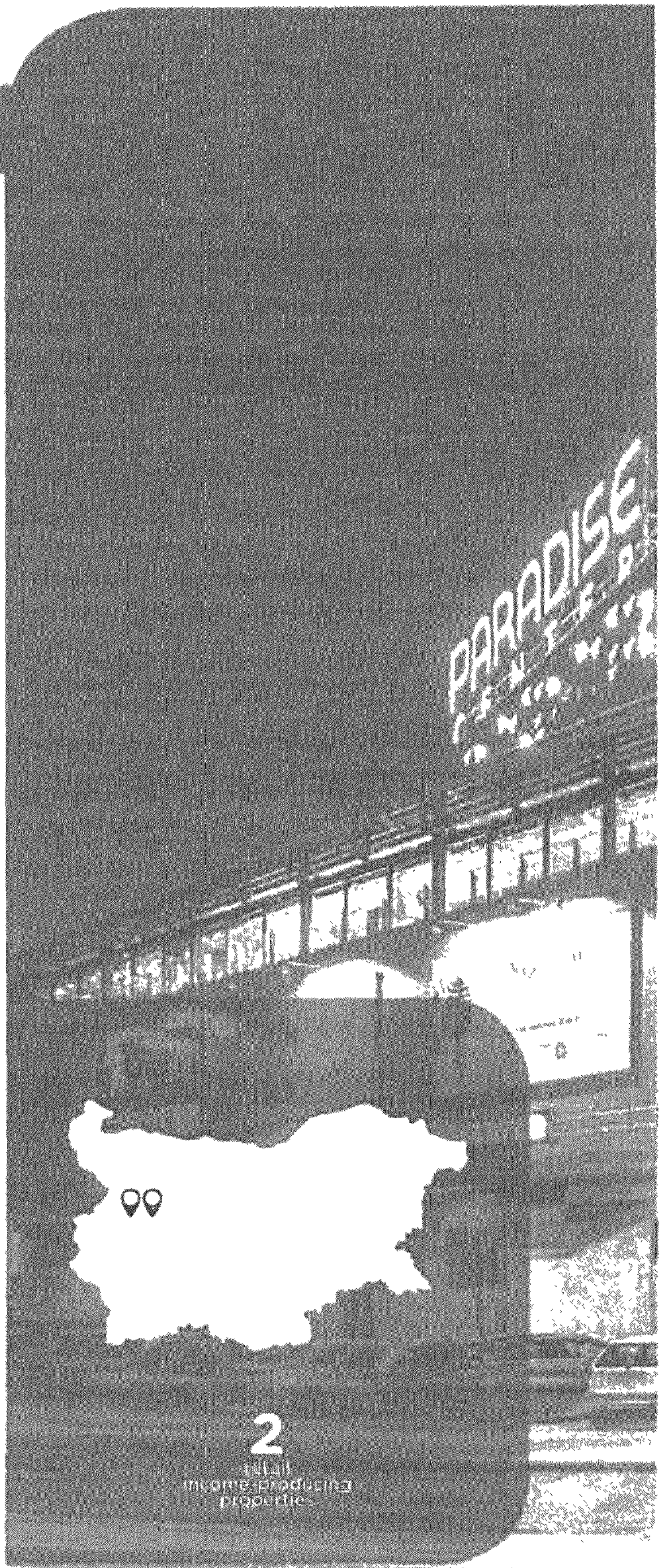
In August 2017 NEPI Rockcastle acquired Serdika Center, a 51,500m² GLA modern shopping centre, and Serdika Office, a Class A office situated atop the shopping centre with 28,500m² GLA. In December 2017 the Group completed the acquisition of Paradise Center, the largest retail centre in Sofia, consolidating the Group's position in the Bulgarian market.

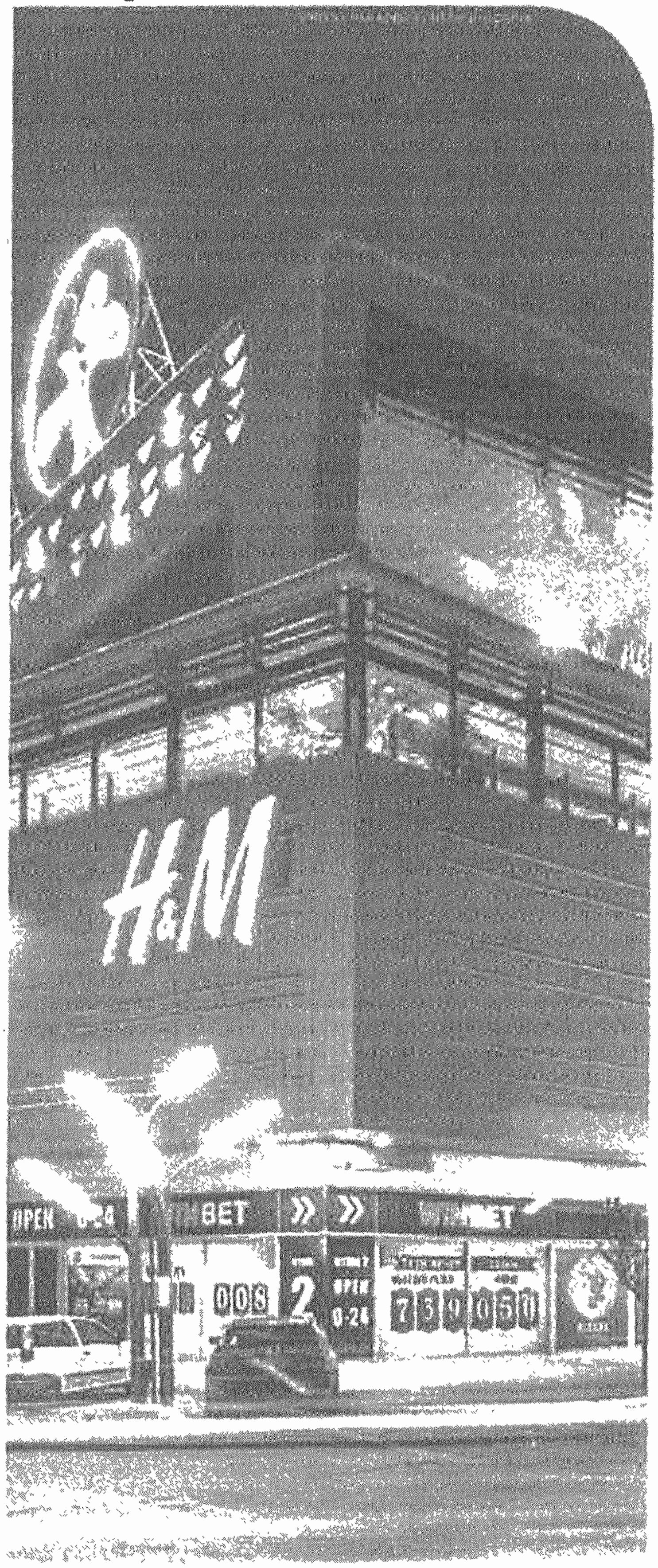
over
130,000
m² GLA of retail income-producing properties

€416m
property value

92.6%
occupancy rate

€28m
passing rent





Paradise Center
Sofia

Ownership	100%
GLA	82,000m²
Valuation	€254.7 million
Passing rent	€15.7 million
Occupancy	88.5%

Serdika Center
Sofia

Ownership	100%
GLA	51,500m²
Valuation	€161.4 million
Passing rent	€12.6 million
Occupancy	99.1%

Croatia

RETAIL

In November 2016, the Group acquired the largest shopping mall in Zagreb, Arena Centar, as well as 4.4ha of adjacent land which offers opportunity for future development. Zagreb is the capital of and largest city in Croatia.

61,600
m² GLA of retail income-producing properties

€226m
property value

95.4%
occupancy rate

€15m
passing rent

10.9%
increase in tenants turnover*

(0.9)%
decrease in footfall*

*like-for-like

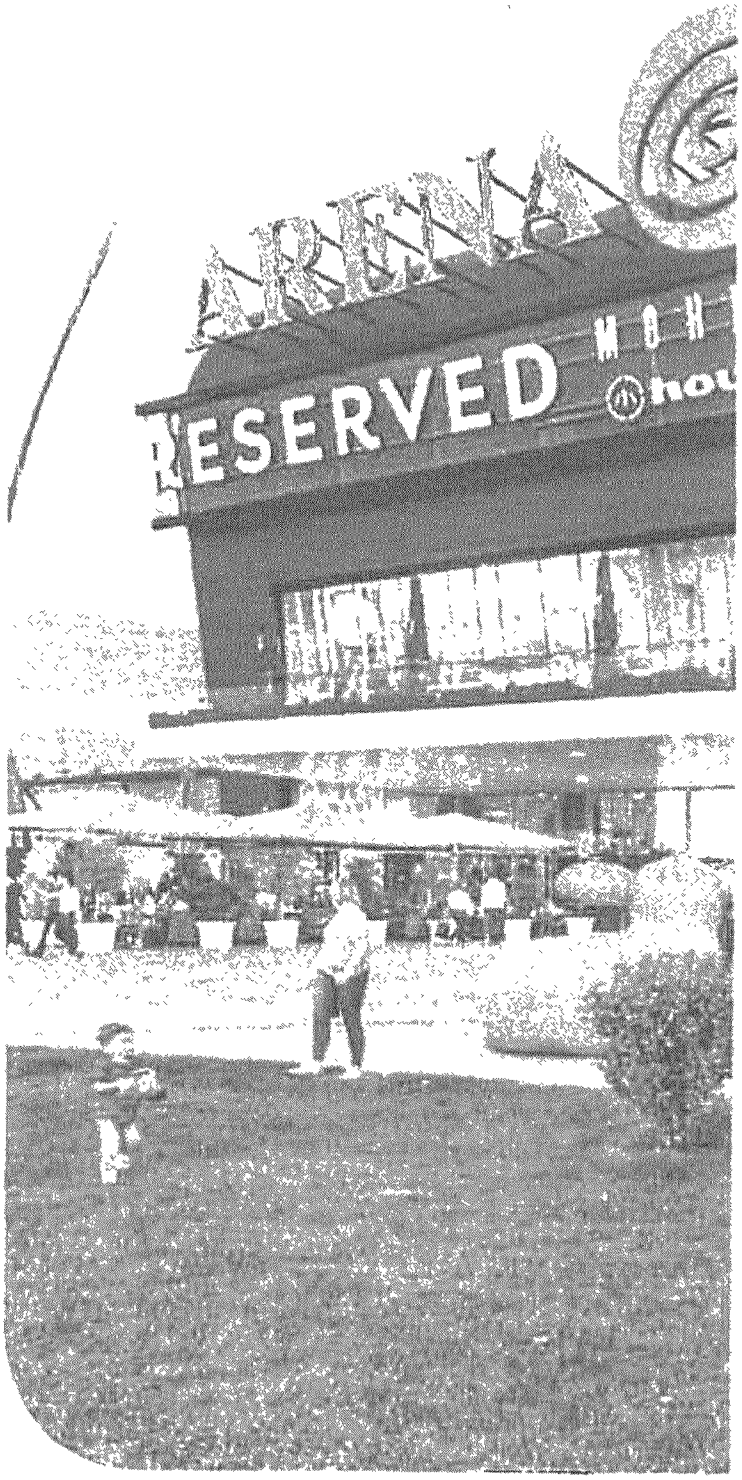


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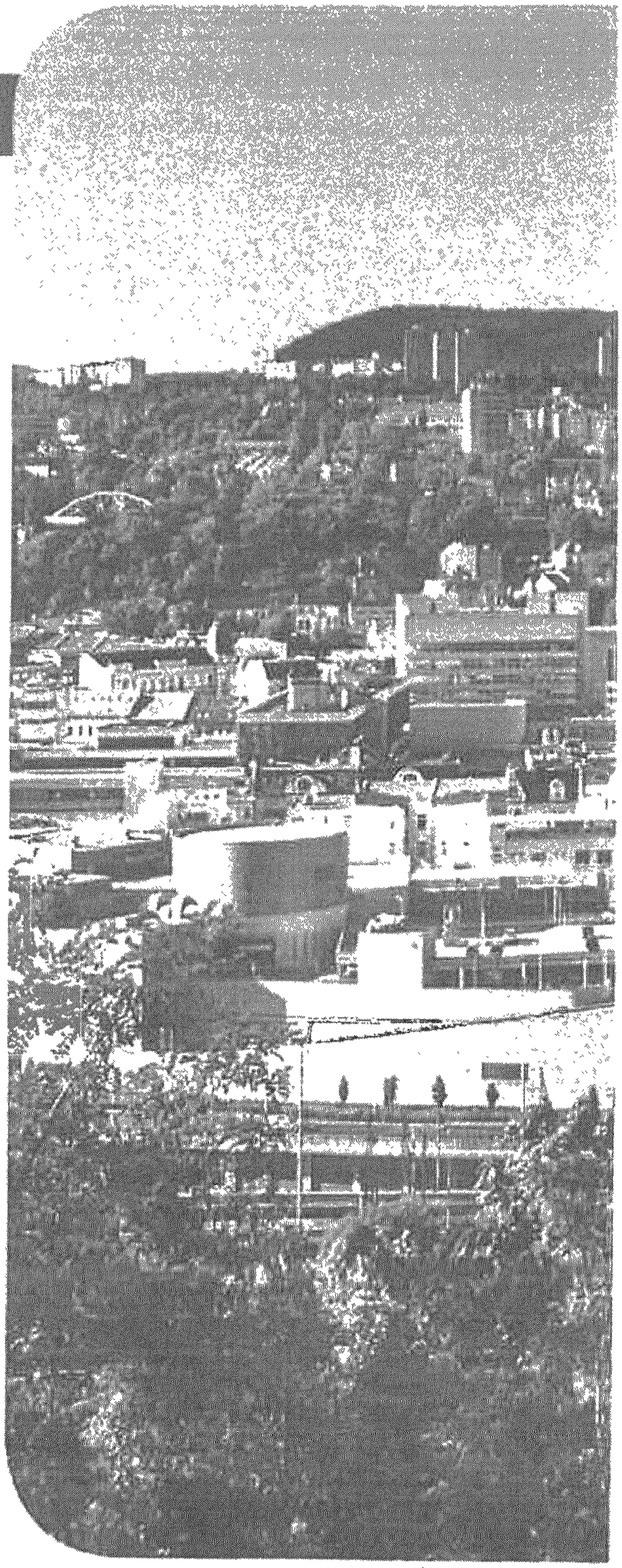
PHOTO: ARENA CENTAR, CROATIA

Czech Republic

RETAIL



The Group owns a dominant mall in the Czech Republic, Forum Ústí nad Labem, situated in the northern part of the country.

27,800
m² GLA of retail income-producing properties

€88m
property value

97.1%
occupancy rate

€5m
passing rent

9.5%
increase in tenants turnover*

1.4%
increase in footfall*

* [illegible]

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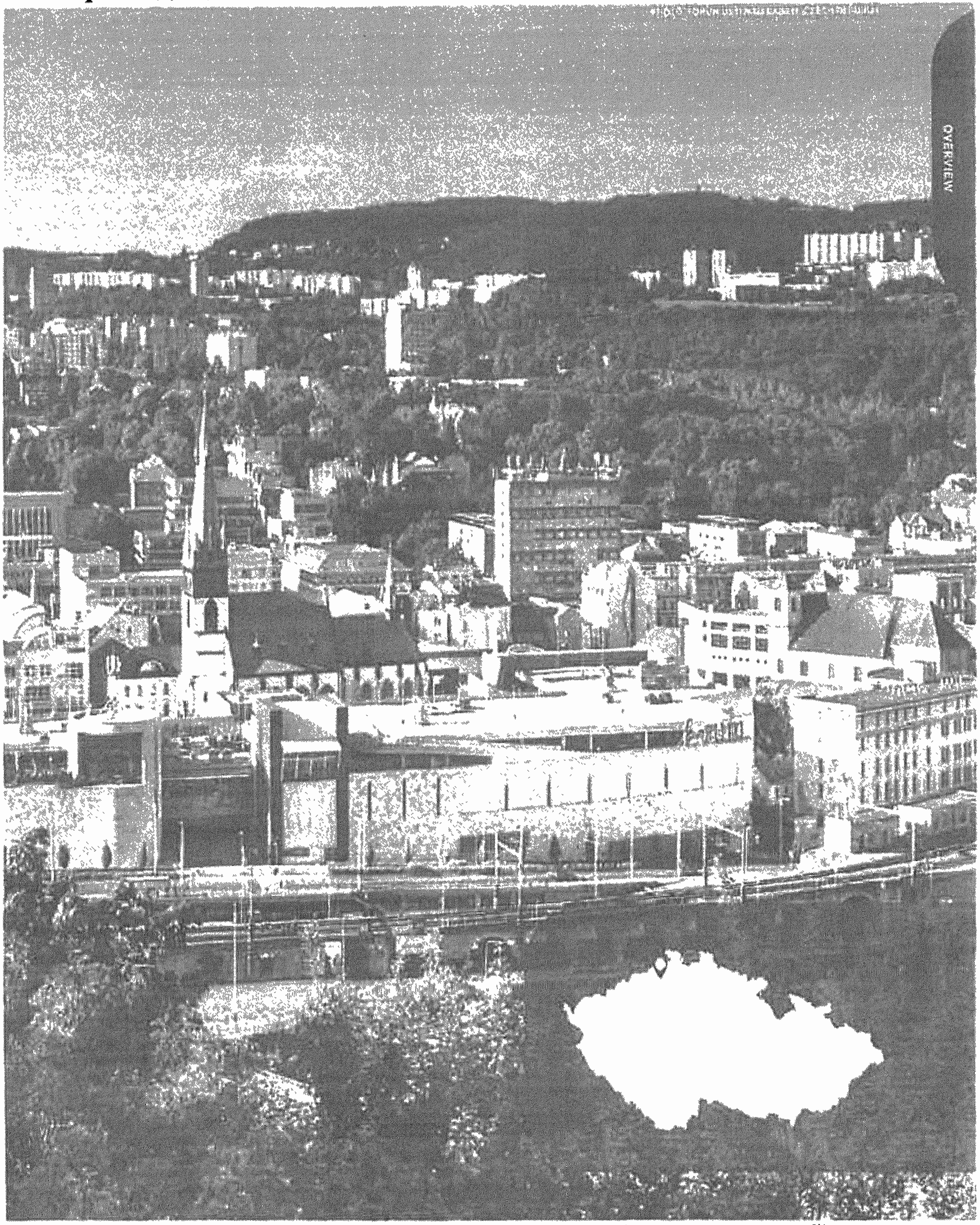


Serbia

RETAIL

The Group acquired its first Serbian mall in 2014. The country is underdeveloped in terms of retail offering and the Group is gradually building up a portfolio of dominant regional retail centres. In 2016 NEPI Rockcastle acquired land in Krusevac and Sabac with the intention to develop retail parks. Additionally, in the same year the Group acquired land in a prime location in Novi Sad, and in 2017 commenced the construction of the shopping mall's first phase of 49,400m² GLA.

over
22,000
m² GLA of income-producing properties

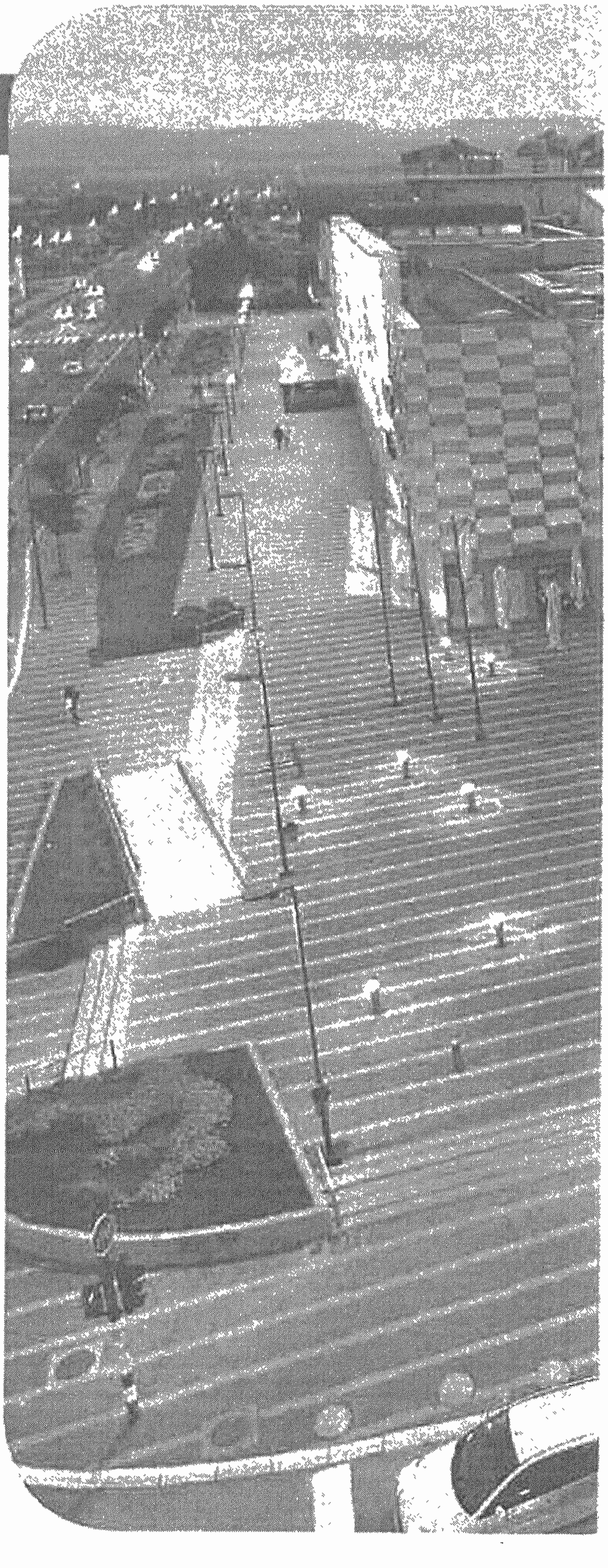
€42m
property value

96.6%
occupancy rate

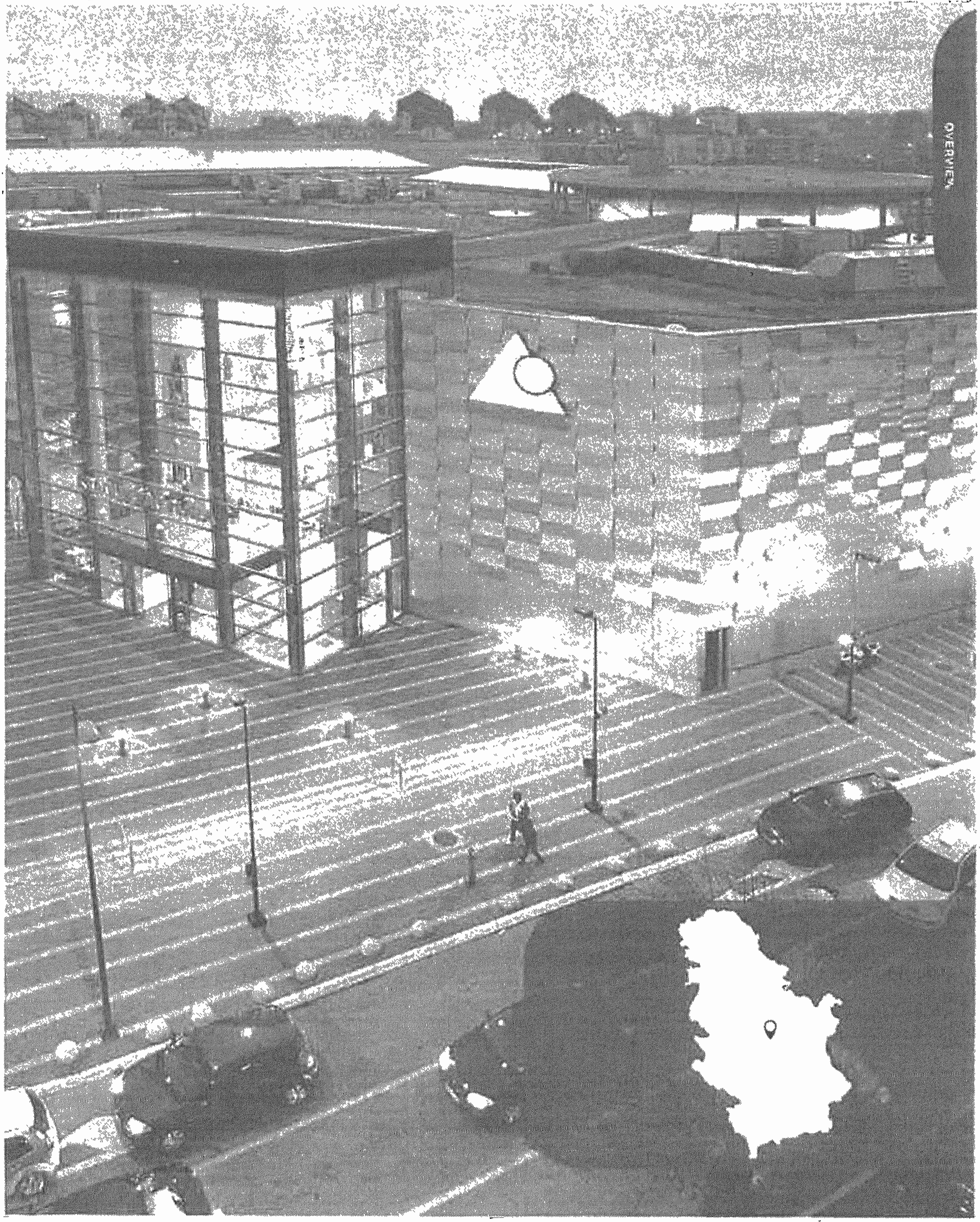
€3m
passing rent

8.2%
increase in tenants turnover*

1.4%
increase in footfall*



*like-for-like


OVERVIEW

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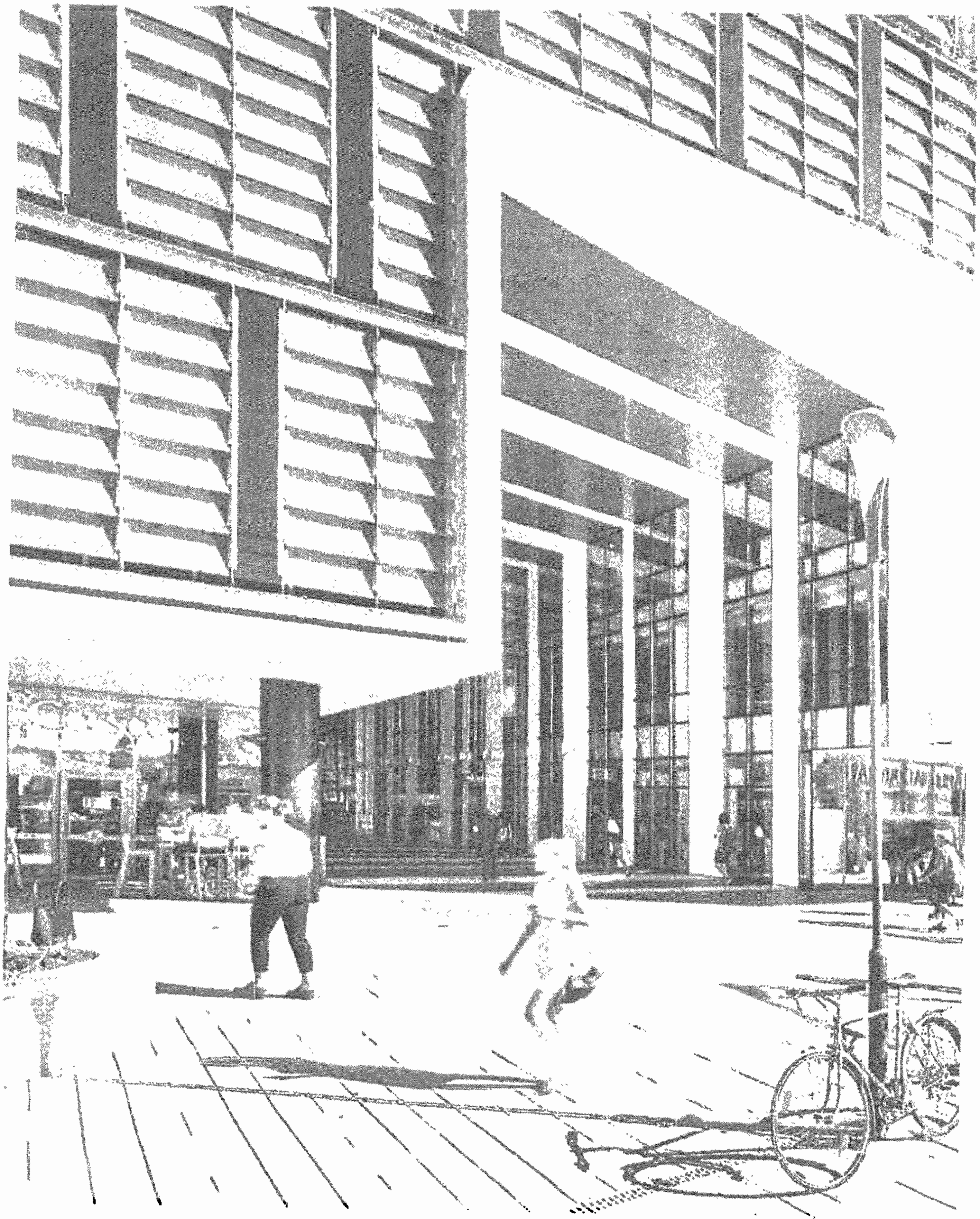
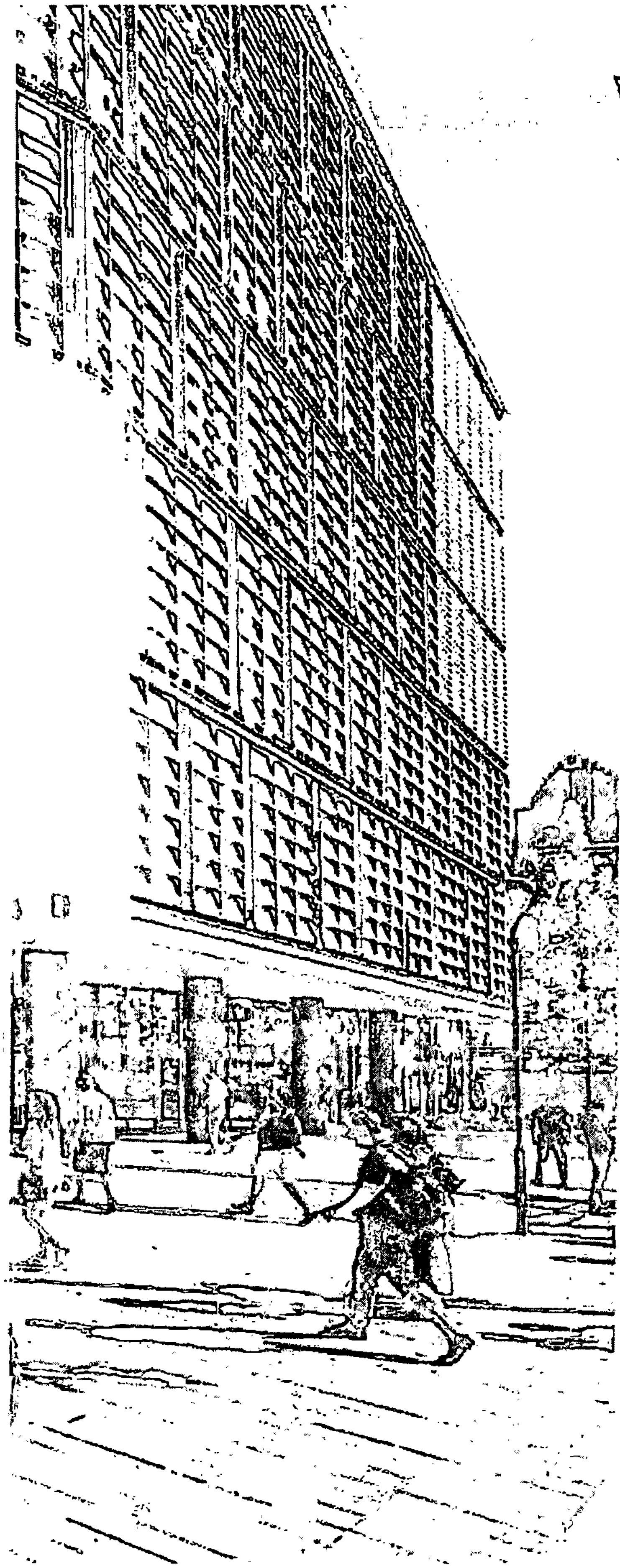




Office

Offices must have a central location, excellent access to public transport, up-to-date technical specifications, large floor areas, high efficiency rates and high parking ratios. As management of office properties has limited potential for value creation, investments are made opportunistically in developments where high yields are achievable.

over **191,000** m² GLA of office income-producing properties

€456m property value

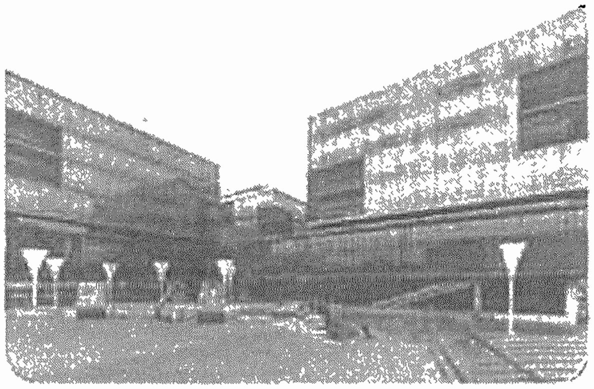
98.2% occupancy rate

€35m passing rent

Floreasca Business Park
Bucharest, Romania

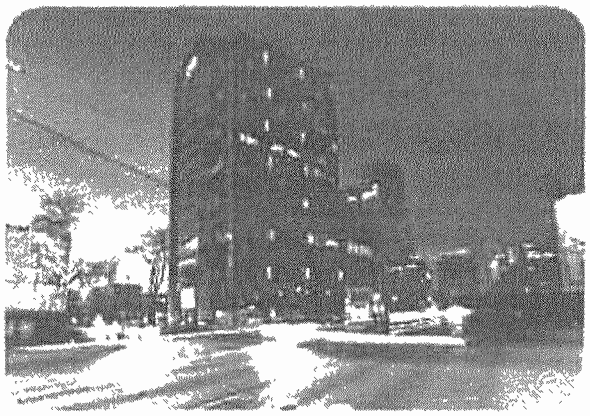
Ownership	100%
GLA	36,300m²
Valuation	€108.3 million
Passing rent	€7.9 million
Occupancy	99.4%

City Business Centre
Timișoara, Romania



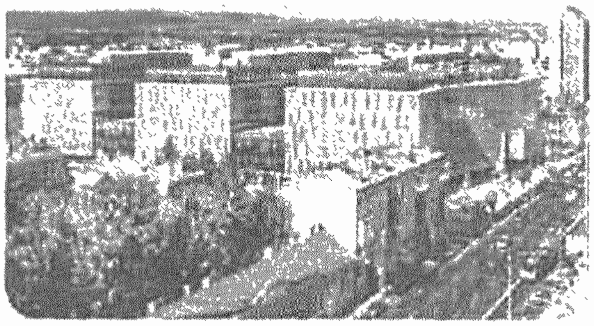
Ownership	100%
GLA	47,800m²
Valuation	€97.1 million
Passing rent	€7.9 million
Occupancy	97.9%

The Lakeview
Bucharest, Romania



Ownership	100%
GLA	25,600m²
Valuation	€74.5 million
Passing rent	€5.4 million
Occupancy	98.8%

The Office Cluj-Napoca
Cluj-Napoca, Romania



Ownership	50%
GLA	63,600m²
GLA weighted by ownership	31,800m²
Valuation weighted by ownership	€61.1 million
Passing rent weighted by ownership	€5.1 million
Occupancy	99.0%

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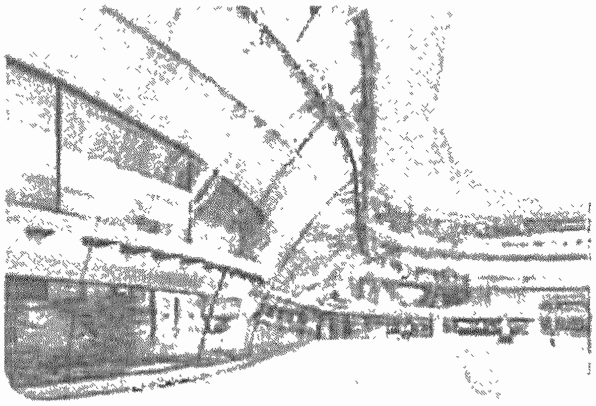
OVERVIEW

Serdika Office
Sofia, Bulgaria

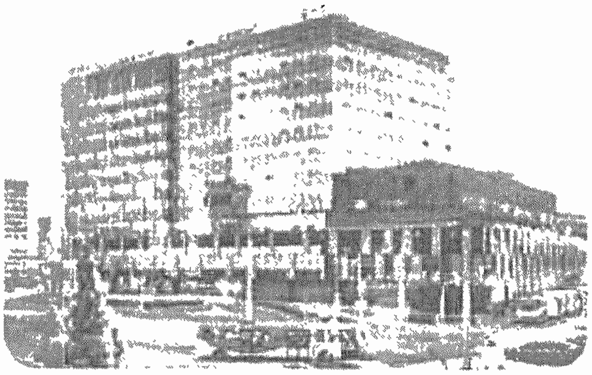
Ownership	100%
GLA	28,500m²
Valuation	€51.1 million
Passing rent	€3.9 million
Occupancy	95.2%

Victoriei Office
Bucharest, Romania



Ownership	100%
GLA	7,800m²
Valuation	€40.7 million
Passing rent	€2.7 million
Occupancy	99.2%

Aupark Kosice Tower
Kosice, Slovakia



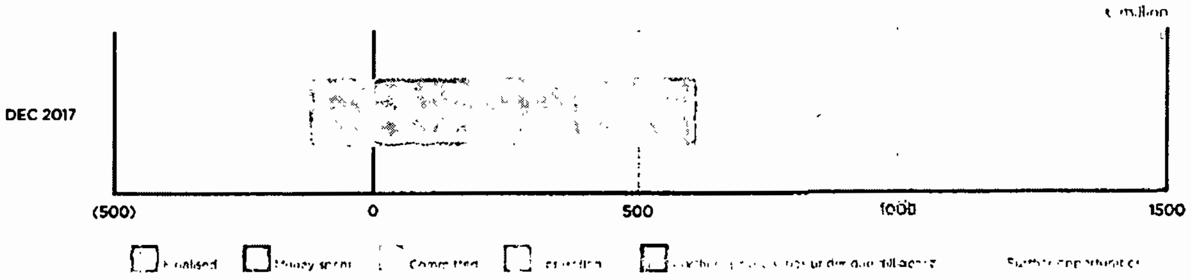
Ownership	100%
GLA	12,900m²
Valuation	€21.2 million
Passing rent	€1.8 million
Occupancy	100%

Portfolio overview › continued

DEVELOPMENTS AND EXTENSIONS PIPELINE

The Group invests strategically in developments that contribute significantly to growth, pursuing a development pipeline which exceeds €1,020 million (including redevelopments and extensions, estimated at cost), of which €176 million were spent during 2017.

Undertaking redevelopments and extensions to existing properties is a driver for future growth, ensuring that the Group maintains its preeminent position in the market and its superior retail relationships, thus de-risking the business and delivering higher quality earnings.



Committed: projects currently under construction
Controlled: projects where the land is controlled, but not yet under construction
Capitalised interest and fair value not included

DEVELOPMENTS AND EXTENSIONS MAP

Developments under construction	Estimated GLA (m^2)
Promenada Novi Sad - Phase I, Serbia	49 400
Vaslui strip centre, Romania	2 800

Developments under permitting and pre-leasing	Estimated GLA (m^2)
Promenada Mall, Romania	60 000
Shopping City Targu Mures - Phase I, Romania	32 900
Shopping City Satu Mare, Romania	28 700
Arena Centar, Croatia	27 900
Retail Parks (Krusevac and Sabac), Serbia	22 200
Shopping City Sibiu, Romania	9 700
Korzo Shopping Center, Slovakia	9 300
Aurora Shopping Mall Buzau, Romania	6 900
Ploiesti Shopping City, Romania	4 000*

* GLA weighted by ownership

Promenada Novi Sad - Phase I

Novi Sad, Serbia

Novi Sad is the second largest city in Serbia, 70 km from the capital, Belgrade, and is connected by international highways to Budapest, Vienna, Belgrade, Zagreb and Skopje. The property is in a prime location, at the intersection of two main boulevards and adjacent to a sports complex and high density residential areas.

Development

Ownership	100%
Estimated lettable area	49,400m²
Targeted opening	Q4 2018

Vaslui strip centre

Vaslui, Romania

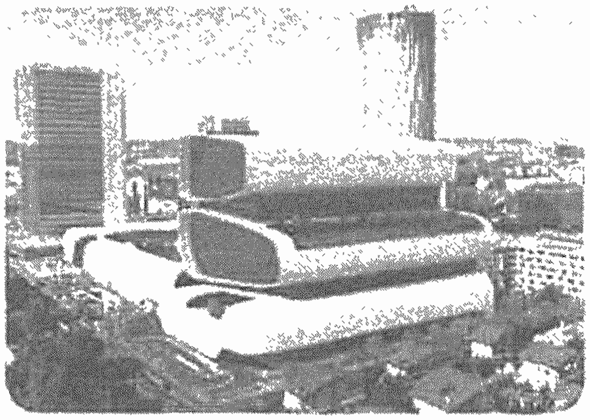
Based on good results of the existing scheme and strong demand for additional commercial space, the Group has decided to extend this strip mall.

Extension

Ownership	100%
Estimated lettable area	2,800m²
Targeted opening	Q1 2018

UNDER PERMITTING AND PRE-LEASING

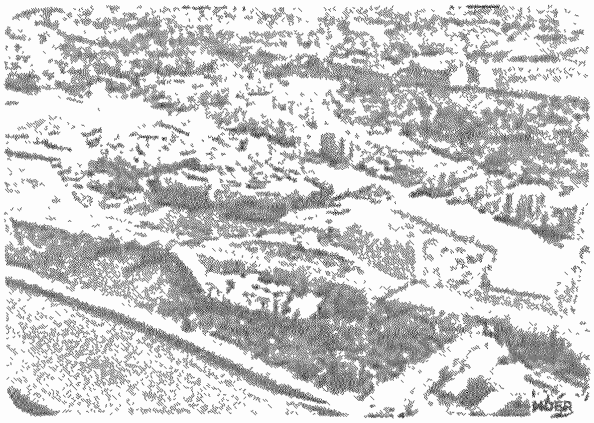
Promenada Mall - extension
Bucharest, Romania



Extension

Ownership	100%
Estimated lettable area	60,000m²
Targeted opening	Q2 2020

Arena Centar - extension
Zagreb, Croatia

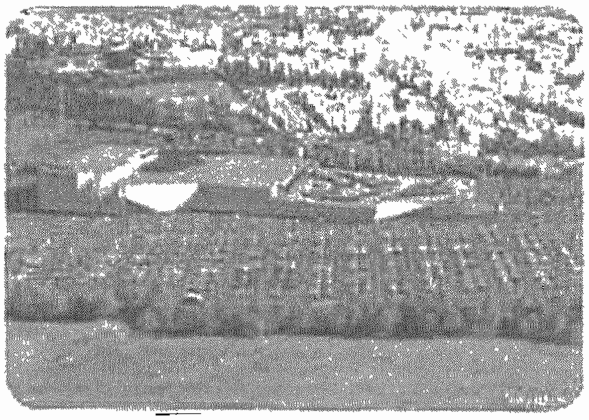


Extension and Redevelopment

Ownership	100%
Estimated lettable area	*27,900m²
Targeted opening	Q1 2019

** Out of which the additional GLA is 13,000m².*

Shopping City Targu Mures - Phase I
Targu Mures, Romania



Development

Ownership	100%
Estimated lettable area	32,900m²
Targeted opening	Q4 2019

Shopping City Satu Mare
Satu Mare, Romania

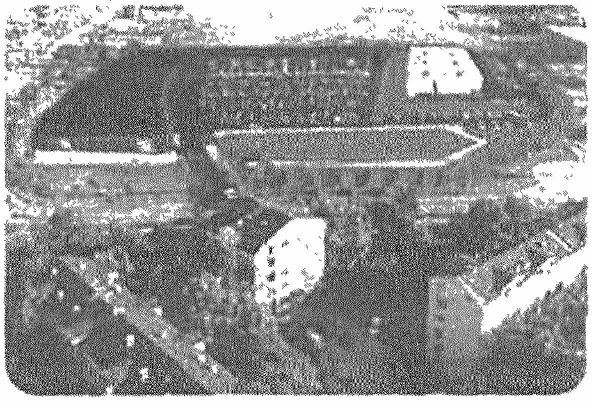
Development

Ownership	100%
Estimated lettable area	28,700m²
Targeted opening	Q4 2018

UNDER PERMITTING AND PRE-LEASING

OVERVIEW

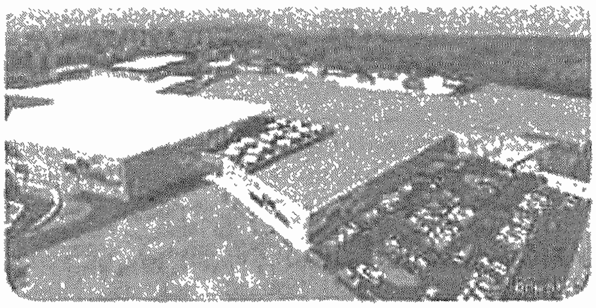
Retail Parks (Krusevac and Sabac)
Krusevac and Sabac, Serbia



Development

Ownership	100%
Estimated lettable area	22,200m²
Targeted opening	Q1 2019/Q2 2019

Aurora Shopping Mall
Buzau, Romania



Extension and Redevelopment

Ownership	100%
Estimated lettable area	5,900m²
Targeted opening	Q4 2018

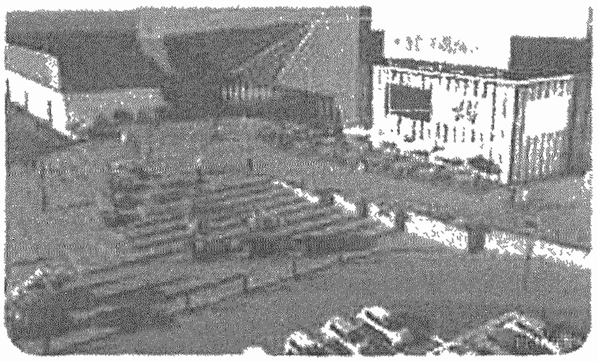
Ploiesti Shopping City
Ploiesti, Romania

Extension

Ownership	50%
Estimated lettable area	8,000m²
Estimated lettable area	*4,000m²
Targeted opening	Q3 2018

* *weighted by ownership*

Shopping City Sibiu
Sibiu, Romania



Extension and Redevelopment

Ownership	100%
Estimated lettable area	9,700m²
Targeted opening	Q4 2019

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PHOTO: PARADISE CENTER, BULGARIA

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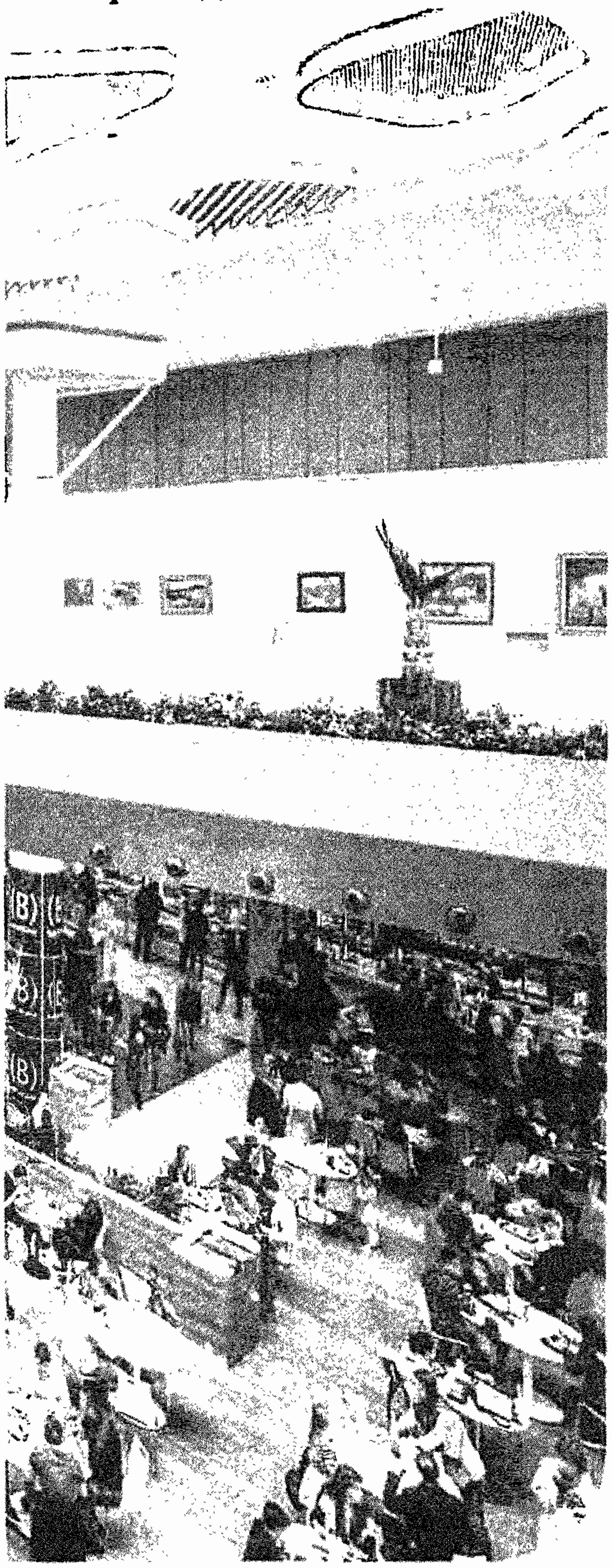


UNDER PERMITTING AND PRE-LEASING

OVERVIEW

Korzo Shopping Center

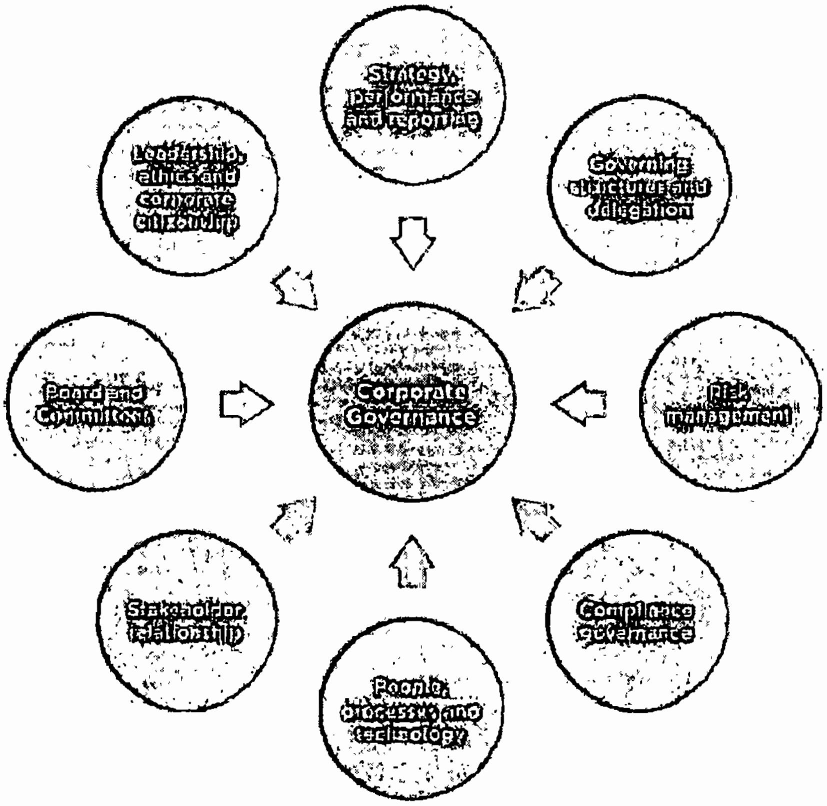
Korzo, Slovakia

Extension

Ownership	100%
Estimated lettable area	9,300m²
Targeted opening	Q3 2019

Corporate governance

Sound corporate governance values guide management in directing, governing and controlling the Group whilst subscribing to the principles of ethical leadership, business, social and environmental sustainability and stakeholder engagement.



Management recognises the need to manage the Group with integrity and provide effective leadership based on an ethical foundation. This includes timely, relevant and meaningful reporting to shareholders and other stakeholders, that provide a proper and objective overview on the Group and its activities. The strategy and operations of the Group are directed with the intention of building a sustainable business, considering its short and long-term impact on the economy, society and the environment.

Management is committed to monitoring the implementation of legal compliance policies and processes to mitigate the risk of non-compliance with laws in the various jurisdictions where the Group conducts its business. The management is responsible for implementing and executing an effective legal compliance policy.

If the Group would incur material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, this would be disclosed to shareholders. As at the date of this report, there were no material or immaterial regulatory penalties, sanctions or fines for contravention or non-compliance with statutory obligations imposed on the Group companies or any of its directors or officers. Key compliance risks and the mitigating controls implemented have been presented in the key risks section included in this Annual Report.

GOVERNANCE IN ACTION

The table below shows the key areas of Board activity during the period under review:

Operational performance

Reviewed the Group's operational performance compared to budget and forecasts;
- Encouraged:
  - market entry into Bulgaria, with the acquisition of prime assets in Sofia;
  - completion of five developments or extensions, primarily in Romania, with lettings to high-quality tenants.

Financial performance

Monitored the financial performance of the business, including going concern and viability;
Reviewed the half year and full year results and approved the Annual Report;
Supported:
- a successful €500 million Eurobond issue in November 2017;
- obtaining investment grade credit ratings from all three major rating agencies.

Stakeholder engagement

Reviewed the Group's ongoing relationships with various stakeholders;
Reviewed feedback from institutional shareholders, analysts and other engagement activities;
Actively engaged with stakeholders throughout the period under review.

Governance, internal controls and risk

Reviewed the Group's risk register;
Considered and approved the methodology to determine the Group's risk appetite and tolerance;
Reviewed the effectiveness of the systems of internal controls environment;
Strengthened the Internal Audit function;
Supported the improvement and consolidation of IT systems and procedures;

INTERNAL CONTROLS SYSTEM AND INFORMATION TECHNOLOGY (IT)

A set of control mechanisms has been designed by the Group to ensure compliance with laws and regulations, internal governance principles, stock exchange rules and best industry practices.

The Group is committed to preventing risks arising from the following:
- potential conflicts of interest;
- related party transactions which may not be transparent or at an arm's length;
- confidentiality and observance of professional secrecy;
- unopen and incomplete financial communication;
- use of privileged information and insider trading;
- money-laundering and the financing of terrorism;
- non-adequate adherence to anti-corruption rules; and
- inefficient delegation of authority in order to keep the right balance between flexibility, speed and span of control.

The Group implemented a comprehensive Procurement Policy and a supplier due diligence, in order to ensure that responsible purchasing is conducted and that procurement decisions are in the best interests of the Company.

IT processes are designed to ensure compliance with relevant laws and address risks related to the outsourced IT services, providing for business resilience, continuity and disaster recovery.
The Group is committed to ensure compliance in all relevant areas, therefore guidelines related to the EU Regulation 2016/679 on personal data protection which comes into force in May 2018, are in process of implementation.

The IT function is outsourced to a third-party service provider and is governed by a service level agreement. Compliance with the service level agreement is monitored by management and the terms are reviewed on a regular basis.
Management carries out a formal review of the adequacy and effectiveness of the Group's internal controls system, including information and technology function.

PHOTO: PARADISE CENTER, BULGARIA

Corporate governance » continued

EXTERNAL AUDIT

Currently, the scope of work of eternal audit includes the audit of the annual consolidated and standalone financial statements of the Group and its subsidiaries. Based on the submitted reports, management considered, in conjunction with the external auditor, their findings and confirmed that these have been satisfactorily addressed by management.

Directors have satisfied themselves that PricewaterhouseCoopers Accountants N.V., the external auditor, are independent of the Company and of the Group.

INTERNAL AUDIT

The Group implemented an Internal Audit function, led by the Internal Audit Director. The Internal Audit Director reports functionally to the Audit Committee and administratively to the joint CEOs of the NRP Group.

Internal Audit carries out risk-based audits, under the guidance of the Audit Committee.Internal Audit remains independent of all line and functional management and answers to the NRP board of directors through the Audit Committee.

Based on the post-merger work performed during 2017, Internal Audit concluded that management should implement adequate controls to mitigate significant risks across processes such as supplier relationship management, property and facility management, tenants relationship management, monitoring of expenses and budget versus actual variances. Going forward, for 2018, the management committed satisfactory action plans for remediation of the remaining risks identified by Internal Audit, especially in key areas such as procurement for and monitoring of development projects.

STAKEHOLDER ENGAGEMENT

The Company's main stakeholders are considered to be shareholders, bondholders, employees, tenants, suppliers, banks and fiscal administrations of the locations where the Group carries out its activities.

The Group has a transparent information communication policy, to enable stakeholders to assess the Group's economic value and prospects.

Shareholders	The Group is committed to providing shareholders with timely access to applicable information. Communication with its shareholders is open, honest and transparent. The Group includes efforts to engage with shareholders on a wide range of topics including remuneration, strategy, risk management, corporate governance and other topics falling outside of the usual financial topics.
Financing partners	The Group has a wide range of relationships with banks, financial institutions and bondholders. The Group keeps open communication with its financing partners. Compliance with loan covenants is closely monitored and reported according to the applicable agreements.
Tenants	The Group strives to form mutually beneficial business relationships with its tenants. The asset managers and property managers meet with the tenants on a regular basis and conduct regular site visits to properties. Management participates in retail conferences where relationships are built and ideas shared with tenants.
Government and local authorities	The Group endeavours to have mutually beneficial relationships with government in the jurisdictions where it operates. The Group engages with local authorities both directly and via its property managers and external consultants.
Employees	The Group maintains professional working relationships with its employees at the same time as fostering a culture of teamwork. The Group ensures that all of its employees fully understand its performance and governance standards and requirements.
Communities and environment	The Group is committed to being a good corporate citizen and frequently evaluates the impact of its projects and developments on society and the environment. Further details are provided in the sustainability report on page 67.
Suppliers	The Group maintains professional relationships with all of its suppliers and ensures that its providers understand performance standards and requirements. Where possible, the Group will have service level agreements or terms of reference for its relationships with suppliers, which include performance expectations.

PricewaterhouseCoopers
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Corporate governance » continued

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Group is an integral part of the community in which it operates and is committed to building sound relationships, based on trust, honesty, and fairness. Not only is environmental compliance legally obligatory, but it is also an important component of the Group's commitment to the community and developing its good reputation. The Group is dedicated to minimising the environmental impact of its activities by reducing waste, emissions and discharges, and using energy efficiently.

CONFLICT OF INTEREST

A conflict of interest arises whenever an employee's position or responsibilities present an opportunity for personal benefit inconsistent with the Group's best interests. Individuals are responsible for their own ethical behaviour, and are expected to act, at all times and in all ways, in the best interests of the Company. If and when they consider a conflict of interest exists, the Compliance Officer is to be notified immediately.

ETHICS, EQUAL EMPLOYMENT AND NON-DISCRIMINATION

The Group maintains the highest ethical standard and complies with all applicable legislation, rules, and regulations. The Group's continued success depends on employing the most qualified people and establishing a working environment free from discrimination, harassment, intimidation or coercion based on race, religion, gender, age, nationality or disability.

The Group is committed to ensuring ethical behaviour throughout its business practices, in relation to all internal and external stakeholders. The Group's ethical standards are based on trust, sound morality, confidentiality, reliability, sustainability. The Code of Ethics which is made available to all employees, demonstrates its commitment to strong values and human rights.

To ensure the achievement of high standards of ethical behaviour, the Group has reinforced the Code of Ethics through launching in the organisation the Group's four values: Integrity, Excellence, Teamwork and Communication, Innovation and Learning. The Group also keeps a strong commitment of embedding these values in all internal process and external dealings.
As the Group places paramount importance to ethical behaviour, it is also working on developing proper people behaviour that will make the business sustainable.

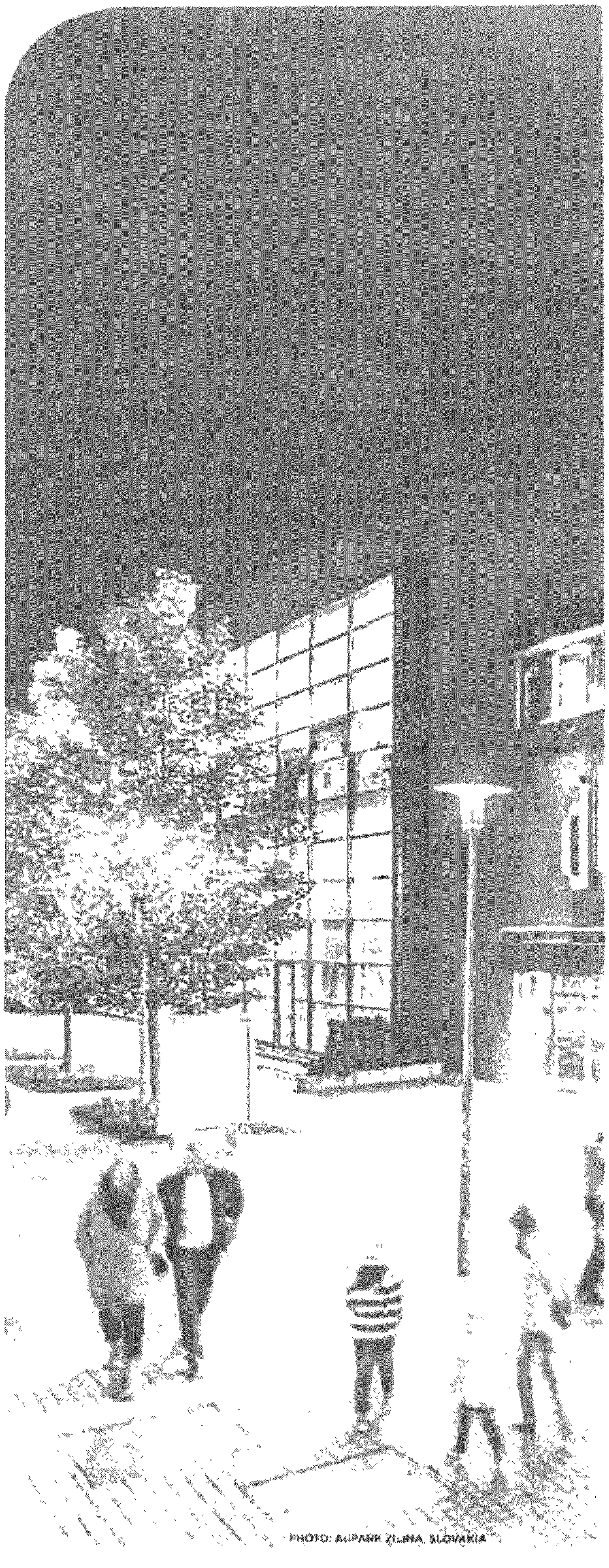
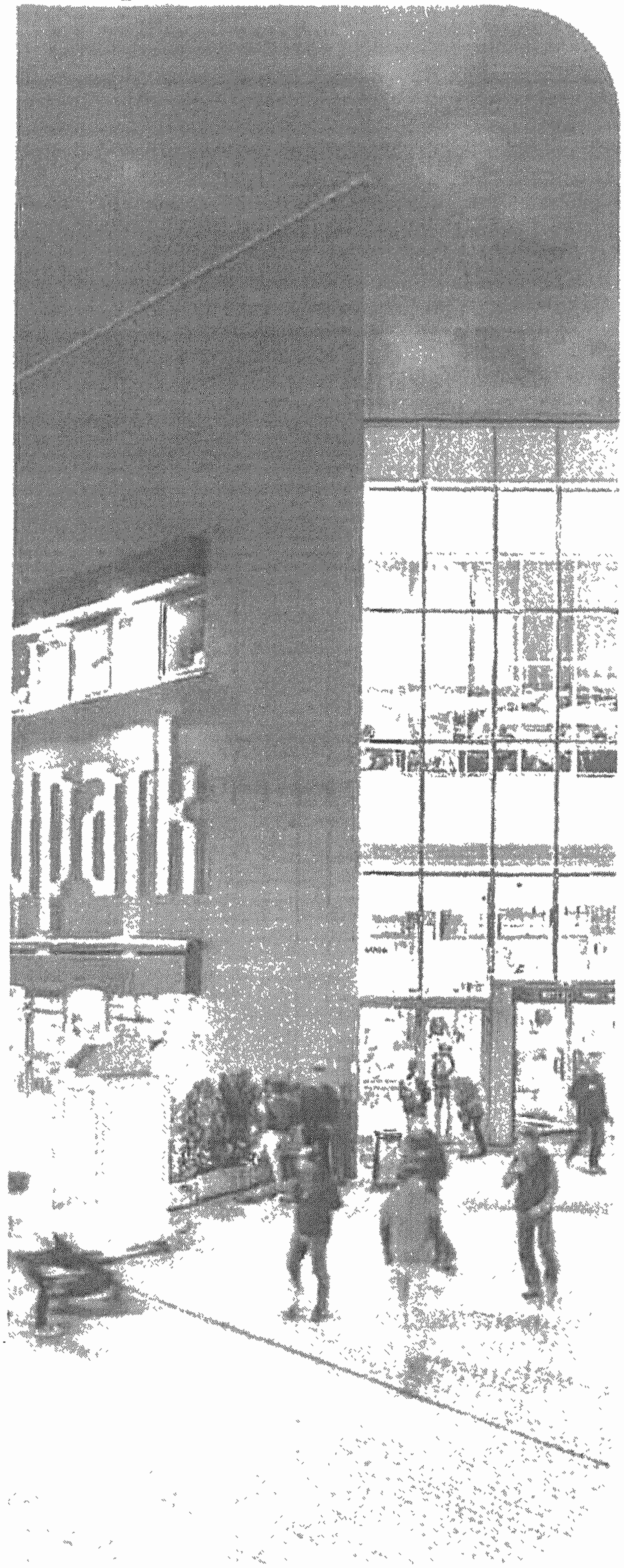


PHOTO: AUPARK ZILINA, SLOVAKIA



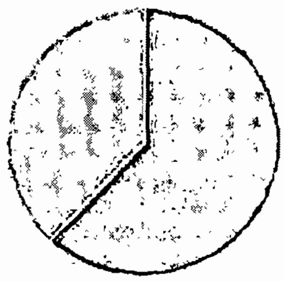
The Group has an open-door policy and supports the "speak-up" culture, thus employees are encouraged to share their concerns, suggestions or complaints with their supervisor. However, in order to allow full transparency as well as a means to report concerns, the Group implemented a Whistleblowing Policy, which provides an anonymous reporting tool, while guaranteeing non-retaliation against the whistle-blower.

In relation to our external stakeholders, the Group strongly believes in collaborating with partners sharing the same values, hence, ethical behaviour clauses were included in the standard contract templates to be signed with any supplier. Part of our commitment to strong ethics is introducing a consequence management approach in relation to all third parties we are doing business with, in the context of any non-ethical matter.

GENDER DIVERSITY POLICY

Across the Group, an open and engaging culture is maintained which ensures the Group is able to attract and retain a skilled and dedicated team of employees. The strong gender balance across the Group adds further strength to the positive internal culture. The graph below shows the split of employees by gender for the year under review:

Employees



Female 62%

Male 38%

Risk management

RISK OVERVIEW

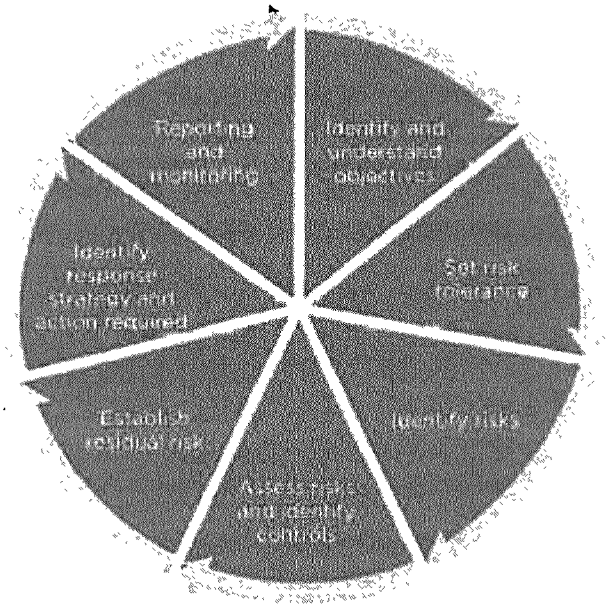
The Group recognises that proactive identification and engagement of risk based on an early warning system is a crucial part of its business strategy. Risk management is aiming to proactively identify potential threats, actions or events that will negatively affect the Group's ability to achieve its objectives, and then address, monitor and report on these risks.

RISK MANAGEMENT PROCESS

Risk management processes are designed to identify, measure, prioritise, respond to and monitor the impact of both internal and external risks.

Identified risks are evaluated in terms of potential impact and likelihood of occurrence. Areas considered include the risk of injury to people and environmental damage, business interruptions, financial loss, legislative and regulatory compliance and reputation.

The Group understands and proactively manages risks within pre-set risk appetite and risk tolerance levels, in order to optimise business returns. As part of risk management activities, the residual risk for each of the Group's principal risk categories is assessed. Residual risk is determined based on the risk-mitigation plans implemented by management.



KEY RISK AREAS

The Group's operations focus on acquiring, developing and managing regionally dominant retail assets in emerging markets, with high-growth potential. Apart from risk factors specific to each asset, the Group's activities are exposed to factors beyond its control and specific systemic risks. The Group's approach aims to hedge and curb the significant adverse effect of these risks. Sudden changes in the political, economic, financial, currency, regulatory, geopolitical, social or health environments may have a significant adverse effect on the Group, the valuation of its assets, its results, its development plans and/or its investment/divestment activities.

The key risks factors together with the most relevant mitigating actions are detailed in the table below. Attention is drawn to the fact that the risk factors discussed in this section are not exhaustive, but rather the most relevant ones. Additional operational risks, for which occurrence is not considered very likely or impact is not considered to have a material adverse effect on the Group, are not included in this report.

Strategic goals

	Growth in revenue
	Tenant relationships and retention
	Capital growth
	Total property return
	Maintenance of the NEPI Rockcastle brand

Risk description	Residual risk assessment	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted

Strategic

Strategic risks arise mainly from the fundamental decisions that the executive management make or from the pursuit of an unsuccessful business plan. Essentially, strategic risks lead to the Group not being able to achieve its business plan and core corporate targets, or may even endanger the going concern of the Group.

Risk description	Residual risk assessment	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Delays in executing appropriate property investment and development strategies, or executing in less favourable conditions.	Medium		Net asset value may be impacted due to losses incurred. Income may be reduced due to the reduction of rentals and/or investment income.	A business acquisition and asset appraisal policy is in place, setting out a structured framework used in the decision-making process for new acquisitions and developments. Directors monitor compliance and performance thereof, on a quarterly basis.	Shareholders Tenants Financing partners

Market

The Group may not always be able to execute its investments and divestments policy at the most opportune time, due to unforeseen fluctuations in the real estate or financial markets. Adverse market movements could also affect the value of the Group's portfolio, its financial position, liquidity, operating income and future prospects.

Risk description	Residual risk assessment	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Limitations on new capital available arising from: - shortage of financing or re-financing at an acceptable cost. - adverse changes in macroeconomic conditions.	Medium		Impaired ability to fund property investments or planned developments. The cost of financing may increase substantially.	The Group maintains a spread of capital sources, including loan facilities with extensive and various maturity profiles contracted with a diversified base of lenders, Eurobond capacity, listed securities and committed revolving facilities. Management ensures ongoing capital market and banks relationship management. All committed acquisitions and developments are funded in advance.	Shareholders Financing partners Employees
Sector and geographical risk due to concentration of assets.	Low		Valuation changes in certain geographies or sectors may impact net asset value and total returns.	All investment decisions are made based on a mandate reviewed by the NRP Board on a quarterly basis. This also sets limits on relevant market exposure by means of diversification. Significant investments are reviewed individually. Management and directors commission extensive analysis before entering a new market. Local teams are established to manage daily operations, to ensure that local specificities are addressed, while at the same time leveraging the skills, experience and relationships of the centralised management team. The Group's portfolio is well diversified across the CEE region.	Shareholders

Risk description	Residual risk assessment	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Financial					
The Group identifies and regularly measures its exposure to interest rates volatility, liquidity, foreign exchange, and sets applicable management policies. The Group pays close attention to managing the inherent financial risks of its activity and the financial instruments it uses.					
An increase or decrease in interest rates could have a significant adverse effect on the Group's results.	Low		Increased cost of borrowing and hedging may result in reduced income and lower total property returns.	The Group uses instruments such as interest rate swaps and caps to hedge at least 80% of the debt. Bank loans maturity is monitored and refinancing options are considered well in advance. The funding strategy is to combine group-level unsecured debt with property-level secured debt (when the latter reduces the overall cost of capital).	Shareholders Financing partners
Risk of losses due to currency fluctuations.	Low		Income for the period is reduced due to foreign exchange fluctuations.	The Group keeps the majority of its cash resources in euro. The majority of the Group's assets and liabilities are denominated in euro. Income generated from rentals is contracted in euro and settled in local currency. The Group's Treasury department actively manages cash flows to ensure exposures to local currencies are mitigated. Equity swap exposures of non-euro positions are structured to limit currency risk.	Shareholders Financing partners
Lack of liquidity leading to the Group's inability to finance its short-term needs or its acquisition and development strategy.	Low		Continued short position on liquidity would endanger the Group's ability to achieve its strategic objectives. Raising funds under less favourable terms would result in higher financing costs.	High levels of liquidity to cover at least 12 months of non-discretionary cash outflows are secured. Liquidity is closely monitored: the forecast is continuously updated with recent results and assumptions based on market developments. A highly experienced financial team deals with the budgeting process, under the CFO's direct supervision, to ensure that liquidity needs and profitability targets are met.	Shareholders Financing partners

Risk description	Residual risk assessment	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
In case of default by a counterparty financial institution, the Group might lose part of its cash deposits, other investments or hedges.	Low		Losses as a result of a counterparty default would lead to a reduction in income and net asset value, as well as reduce the capital growth.	The Group's interest rate position, liquidity, availability of cash resources and counterparty exposure is closely monitored. A vast majority of the counterparties in the interest rate hedges and deposits contracted by the Group are investment-grade rated financial institutions.	Shareholders Financing partners
Operational					
Property development and management activities bring inherent risks, such as long delivery times, complex and extensive management requirements.					
Construction or refurbishment activities undertaken may deviate from the Group's strategy and from future tenants' and customers' expectations, generating high vacancies or inadequate rental levels.	Low		Reduction in rental income and operating cash flows, resulting in a decrease of income. Empty unit costs resulting in decreased return on property investment.	The Group maintains high quality assets and continually monitors the concentration of exposure to individual occupiers or sectors. There is significant knowledge and experience included in the Group's operational procedures. The management monitor that the development and refurbishment activities are carried out according to approved plans.	Tenants Shareholders
Failure of information systems and data loss may lead to incurring high costs for information retrieval and verification, and to potential loss of business opportunities.	Low		Business interruption or data loss may have a severe impact on the operations of the Group, may reduce its income and cause reputational damage.	Backup and recovery plans to restore data are in place. The Group performs regular backups, as required by its IT policy. The Group uses experienced consultants to review IT security. Management started the implementation of a cloud-based solution to reduce reliance on physical hardware.	Tenants Shareholders Employees
Overruns of construction costs in completion of development projects.	Medium		The Group may incur reputational damage as well as financial losses if developments are not completed in within the budget.	Development projects approval by directors entails comprehensive expenditure analysis. Regular reviews of the developments progress (in terms of milestones and budget versus actual) are performed by management, with overruns and delays reported to the NRP Board.	Tenants Shareholders

Risk description	Residual risk assessment	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
				The Group employs an experienced development team to manage development projects and oversee the external contractors' performance. Only reputable professional companies are engaged within the development projects.	
Risk of tenant default	Low		Tenants default would lead to bad debts, high vacancy and in the end a reduction in the distributable earnings.	Detailed creditworthiness reviews are performed before signing lease agreements with large tenants. All tenants are required to provide cash deposit or bank letter of guarantee covering several months of rent and operating costs. The Group maintains close tenant relationships through its internal leasing team and tenants' performance is monitored regularly by the asset and property management teams. Various indicators such as tenant sales and occupancy cost are assessed monthly, and measures are implemented on a need basis. The Group has an in-house experienced cash collection team which follows standardised procedures.	Shareholders Tenants
Significant volume of leases expiring in a specific period.	Low		Rental income may be eroded due to new leases or renewals at lower rentals than previously achieved. Vacancies may not be filled timely, thus reducing income.	Assets and property managers closely monitor lease expire terms and begin negotiations with tenants well in advance of the expiry date. The inhouse leasing team continuously ensures that rental agreements include updated market rates, and vacant spaces are actively marketed.	Tenants Shareholders

Tax

The Group is subject to various taxes in the countries in which it operates. There is an increasing burden from compliance and regulatory requirements, as well as a certain degree of unpredictability, which can lead to lower performance.

Risk of inappropriate tax residency, double taxation on income.	Medium		Loss of tax efficiency in the structure. Non-compliance with regulatory requirements could lead to fines, penalties and censures.	The Group has a sound tax strategy. The local economic substance of transactions is aligned with fiscal regulations and expectations from tax authorities. Local fiscal legislations are closely monitored and processes and controls are implemented to ensure fiscal compliance.	Shareholders Local authorities

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Risk description	Residual risk assessment	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Transfer pricing - transactions between related entities should be carried out at an arm's length basis. Local tax authorities may challenge the pricing of related party transactions.	Low		Loss of tax efficiency in the structure and additional tax liability. Non-compliance with regulatory requirements could lead to fines, penalties and censures.	The economic substance of transactions is aligned with fiscal regulations and expectations from tax authorities, and documented annually. The Organisation for Economic Co-operation and Development (OECD) tax measures and initiatives, European Directives as well as local fiscal legislation are closely monitored, while adequate processes and controls are implemented to ensure fiscal compliance.	Shareholders Local authorities
Countries may impose limitations on the deductibility of interest paid on Group financing. Tax regimes internationally are moving towards implementing stricter interest deductibility thresholds.	Medium		Increased taxation may result in a reduction in earnings.	Tax requirements are monitored on a regular basis. The Group participates in various forums and discussion groups aimed at ensuring tax law amendments are fair and equitable.	Shareholders Local authorities

Regulatory compliance

As an owner and manager of real estate assets, the Group must comply with various laws and regulations, in all countries where it operates. Areas such as corporate law, health and safety, environment, building construction and urban planning, commercial licensing, leases and commercial laws, are highly regulated across the Group's portfolio.

Non-compliance with laws, regulations and non-adherence to good governance practices.	Low		Non-compliance with regulatory requirements could lead to fines, penalties, censures, and reputational damage.	The Group engages experienced and reputable in-house and external legal advisors. Management continuously monitors compliance with legal requirements. Systems and processes to ensure compliance with applicable laws and other legal requirements are implemented. Appropriate policies and procedures set the tone from the top for ethical culture within the Group.	Shareholders Financing partners Employees
Investing in international markets increases operational, regulatory and other related risks. The Group operates across numerous jurisdictions and is therefore subject to a complex compliance environment.	Medium		Non-compliance with regulatory requirements could lead to fines, penalties, censures, and reputational damage.	Management collaborates with legal advisors to ensure all relevant regulatory requirements are identified and complied with.	Shareholders Financing partners Employees

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PHOTO: SHOPPING CITY GALATI, ROMANIA

Remuneration review

PERFORMANCE EVALUATION POLICY

The Group's continued success depends on attracting and employing the best qualified people and establishing a working environment free from discrimination, harassment, intimidation or coercion.

The Group is committed to treating its employees with dignity, trust and respect, and to building long-term relationships based on enforceable employment legislation and respect for human rights.

These principles are supported by the set of values that contributed to shaping our organisational culture: Integrity, Excellence, Innovation & Learning and Teamwork & Communication.

The Group is building all the people related processes to properly balance business needs with people's aspirations, career perspectives and development objectives.

In 2017 the Group set clear guidelines on how employees are evaluated, taking into consideration both results and behaviour. Moreover, the Company introduced developmental tools and 360 degree feedback in the annual performance review for 2017. In 2018, the Group is committed to continue with adequate development and training plans to support professional growth of the teams.

At the same time, the Group stands for a strong commitment to deal with inadequate behaviour and consistent poor performance. The Group is committed to setting clear boundaries on what is acceptable in any of the Group's employee behaviours - specific procedures for analysing such cases and consequence management tools have been introduced and applied.

INDIVIDUAL PERFORMANCE REVIEWS

Individual performance reviews are completed annually, and assist the managers and employees to build on individual strengths and identify areas for improvement.

All employees are subjected to a standardised appraisal process and rating criteria. This encourages equality and imposes standard measures of performance in the company.

Performance is reviewed on a five point scale. This method offers structure for appraisals.

ENGAGEMENT AND MOTIVATION OF EMPLOYEES

Also, in the context of rapid progress and advancement of society, technology, demographics, people's profiles and needs, the Group understood the need to adapt, as a top employer, to remain relevant and attractive to top professionals - hence, it is continuously working on creating a work environment that is friendly, promotes work-life balance, flexibility, healthcare and personal sustainability.

The Group is proactively monitoring levels of engagement and gathering information from both leavers (to understand reasons and address possible symptoms of disengagement) and active employees (recently we have run a survey checking on adherence to the Group's values and motivators that our people consider relevant to embed and further promote within the working environment).

REMUNERATION POLICY

The Group is also committed to support people management processes with a comprehensive and transparent Remuneration policy. The Group's remuneration policy was designed to deliver above market compensation for top employees, and enforce an excellence approach to performance, while creating value for shareholders.

It is also meant to ensure differentiated reward packages for all employees, in line with their role, competence, performance and behaviour.

The Group's remuneration policy is based on the following key principles:

Pay for Performance - remuneration is driven by the employee's role and performance review, and the overall performance of the Group. We set clear, measurable goals for both the company, teams and individual employees.

Total Annual Package Approach - Remuneration is defined as a total annual package, consisting of 3 pillars: fixed pay, variable pay (which can be delivered both in cash and in shares, as defined by the Group's Incentive Plan approved by shareholders in 2017), and individual and collective benefits.

Remuneration review · continued

Annual Remuneration Reviews - Remuneration reviews are held annually, during the first quarter of each financial year, with the purpose of assessing performance for the past year and defining performance bonuses, new levels of fixed pay and benefits package.

Competitive Pay - The group is committed to paying fixed salaries to its employees at market level (compared to other companies of similar size and complexity), and variable components above market level for high-performing employees. Annual inflation and foreign exchange rate reviews ensure salary levels are competitively maintained.

Variable Pay Differentiators - the Group is implementing a differentiated variable pay method, based on seniority and performance levels.

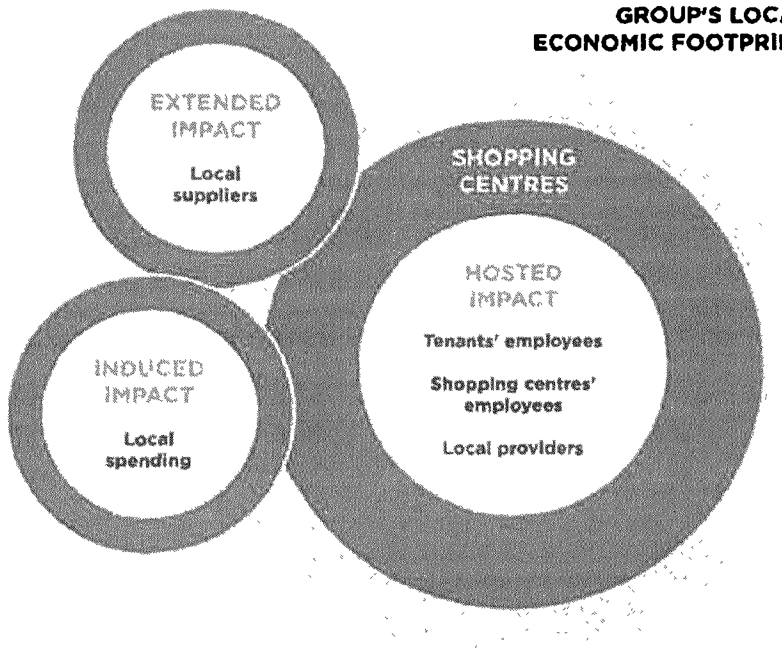
Pillar	Principle	Frequency of review	Inclusion
Fixed pay	Market related, based on role and responsibilities. It is measured based on the industry norms and adjusted for the employee's experience, qualifications and nature of work.	Reviewed annually during each first quarter of the year, with changes effective as of 1st of March.	• All employees
Variable pay - paid in cash	Based on the employee's and Group's performance assessment. Performance reviews are measured against quantitative and qualitative indicators.	Measurable, quantitative key performance indicators are monitored monthly for progress assessment. Overall results reviewed annually during each first quarter of the year, with bonus assessment and payment in March.	• All employees
Variable pay - delivered in shares	Acts as a long-term incentive scheme, to support retention of key people - executives, senior managers and employees with specific core, critical and/or strategic skills	Key performance indicators measured annually against pre-set benchmarks. Settled by share allocation, annually.	• Executive Directors • Executive Team • Selected middle management • Key roles

Sustainability report

The Group views this strategy as a strengthener of its portfolio, as it improves stakeholder relationships including customers, local communities, staff, suppliers, investors, analysts, local and central government, peers and non-governmental organisations, as well as motivates employees and inspires competitors.

The real estate sector in Europe has a powerful role to play in creating a sustainable economy, therefore the Group has continued to invest in clean technologies, adopting policies that address environmental and social risks, and engaging in more proactive and robust stakeholder discussions and disclosure. The Group is revising its risk management framework on a continuous basis with regard to climate change, human rights, social responsibility and energy efficiency.

GROUP'S LOCAL ECONOMIC FOOTPRINT



Detailed information related to energy, gas, water consumption and waste management is collected from the Group's properties in order to track the environmental performance and have a clear understanding of the Group's impact on the environment, including how this affects Stakeholders' rights, as defined by national legislation and internationally agreed standards.

The Group's operations, investments and developments have direct and indirect impact on local economies. These generate new jobs and services, create product demand, facilitate the initiation and growth of new businesses, and encourage the development of local infrastructure. The Group acknowledges its role in the community and is determined to continue its commitment in areas which can optimise the value creation for its stakeholders.

All challenges and opportunities are prioritised in accordance with the Group's long-term organisational strategy and business prospects, as well as the Group's financial performance. The Group is committed to realising its long-term financial objectives, while maximising the positive and minimising the negative effects of its activities on society and the environment. This is achieved through the understanding and rigorous management of the environmental, ethical and social impacts of its operations.

The Group's approach to sustainability proves commitment to merge the specific needs of its stakeholders with the business targets of the Group and capitalise on synergies. The Group acknowledges its key role in society, as a catalyst for economic, social and environmental development. The Group appreciates that preserving a healthy environment by continuing to invest in clean technologies, adopting policies that address environmental and social risks, and engaging in more proactive and robust stakeholder discussions and disclosures, is of essence for its success.

The Group strongly believes in continuously improving its sustainability approach, structured on four pillars:

1. Sustainable resource management - an initiative that covers biodiversity, water, energy and gas consumption, waste management and gas emissions, in an attempt to improve both impact of consumption as well as efficiency.

2. Sustainability through "green buildings" - the Group's buildings have been certified at the highest sustainability standards in the real estate industry, which acknowledges the Group's investment in sustainable buildings both during construction and in the operational stages.

3. Community Engagement - the Group believes in the importance of giving back to the communities, and as such, it seeks to contribute to sustainable social development, as well as to helping those in need.

4. Business Integrity - a collection of internal procedures and best practice guidelines are continuously being implemented and improved across the Group, to ensure compliance with laws and regulations and that business is conducted according to the highest standards of integrity.

All four initiatives are translated into key objectives on medium and long term, based on which the Group is able to monitor performance closely and take mitigating actions to prevent slippage. In fulfilling the proposed objectives, an important role in the Group will be voluntary actions, as well as the ability to engage stakeholders in the transition.

Sustainability report » continued

Strategic Initiatives	Objective / Commitment	KPIs	Started	Not started	Term Medium	Term Long
1. Sustainable resource management	Increase energy efficiency for Office portfolio by 5%	energy consumption in MWh	x		2022	-
	Increase energy efficiency for Retail portfolio by 10%	energy consumption in MWh	x		2022	-
	Invest 5% of the annual budget in renewable sources of energy	% CAPEX invested in renewable energy sources		x	2022	-
	Reduce by 20% the carbon footprint associated with all Group's operations	carbon footprint		x	-	2030
	Purchase 50% of electricity from renewable sources for all assets managed by the Group (common area)	% of electricity from renewable sources		x	-	2030
	Reach a waste recycling rate of at least 50%	% waste recovered % waste recycled	x		2022	-
	Decrease water consumption for Office portfolio by 5%	water consumption in mc	x		2022	-
	Decrease water consumption for Retail Portfolio by 10%	water consumption in mc	x		2022	-
2. Sustainability through "green buildings"	Obtain the "BREEAM In - Use" certification for at least 50% of the Retail portfolio that will be going through recertification, at least "Very Good" level	- % assets certified BREEAM In Use - % of assets recertified at least "Very Good"	x		2022	-
	Obtain the "BREEAM In - Use" certification for 100% of the Office portfolio that will be going through recertification, at least "Very Good"	- % assets certified BREEAM In Use - % of assets recertified at least "Very Good"	x		2022	-
	Complete the implementation of ISO 14001 and ISO 50001	ISO environment relevant certifications obtained and maintained	x		2022	-
3. Community engagement	Deploy a re-charging infrastructure for electric vehicles in 100% of the parking lots managed by the Group	% parking lots with infrastructure for electric recharge	x		2022	-
	Develop smart partnerships with our stakeholders	community relevant partnerships	x		permanent	
	Create relevant community events and CSR campaigns	- centres which have organised at least one annual CSR-relevant event - time, budget and area in our properties dedicated to CSR campaigns	x		permanent	
4. Business integrity	Ensure compliance with regulations, policies and procedures	- timely monitoring, reporting and remediation - consequence management	x		permanent	
	Collaborate with responsible and sustainable partners (clients and suppliers)	- supplier risk assessment performed for any new supplier and revised periodically - "know your customer" due diligence performed for new customers and revised periodically	x		permanent	
	Ethical relationship with authorities and government representatives	- reports through whistleblowing channel, if any, timely addressed - no financial support to any political party / political exposed person - no gifts / benefits / other form of payment to public officials / political exposed persons	x		permanent	

PHOTO: SHOPPING CITY TARGU JIU, ROMANIA

Sustainability report » continued

APPROACH TO SUSTAINABILITY

The first two pillars of the Group's sustainability strategy, **Sustainable resource management** and **Sustainability through "green buildings"**, are planned to be developed further based on two complementary frameworks of policies, processes and procedures based on International Management Systems Standards (ISO 14001 – Environment Management System and ISO 50001 – Energy Management System), aimed at reducing the negative impact of assets at every stage in their lifecycle, from design and build, and throughout daily operations. The Group is preparing to obtain these two certifications, targeting 2022 as certification year.

The Group is already compliant with the major requirements of the Environmental Management System during the development stage, in order to ensure the design and construction of properties promote efficiency and lowest level of negative environmental impact. Some of the processes covered are:

- assessing sustainability and climate change risks, during the due diligence process;
- challenging each construction project based on the "Design Guidelines" described below, in order to ensure that the buildings will be sustainable and in preparation for "BREEAM in use" certification; and
- applying formal testing procedures to each new building, to ensure that operational requirements are met, systems perform as intended, maintenance suppliers and management staff are trained.

The "Design Guidelines" applied for new developments, redevelopments and extensions are aligned with "BREEAM" requirements, to ensure that properties will be sustainable from multiple points of view, including low energy consumption or greenhouse gas emissions. The Group's development processes give special attention to:

- structural elements that can affect energy requirements and carbon footprint;
- maximizing daytime light use while minimizing solar heat gains through shading, glass specifications, thus minimizing the use of air conditioning and energy consumption; and
- implementing proficient building management systems, which monitor and optimise technical equipment operation.

The Group's approach to sustainability covers four stages:

- setting targets on an annual basis, for each managed asset, in line with long and medium term KPIs;
- implementing action plans to reach those targets;
- measuring performance and implementing additional measures if and when necessary;
- reviewing periodic performance for each managed asset with the purpose to set new targets for the following period.

Taking into account that several hundred million visitors and employees enter the Group's buildings every year, management is committed to ensure a safe and healthy environment for everyone, therefore it has implemented a number of safeguards for this purpose including but not limited to the below:

- cleaning providers are heavily encouraged to use certified products, favored not to harm health, and the Group continues to monitor the implementation of this project throughout the Group. Products used in the Group's properties are aimed at meeting the requirements of Green Seal or Environmental Choice programs or European Eco-Label programs;
- the use of good-quality materials with low emissions of volatile organic compounds and with low content of harmful substances; technical specifications are considered for a large range of products: finishing materials, paints, adhesives, floor coverings, carpets and other largely utilised products;
- ventilation ducts and filters are checked regularly and filter replacement is carried out at least twice a year, while the risk of legionella disease is controlled by undertaking regular tests;
- ensuring that sufficient fresh air is constantly available in the Group's buildings through the Building Monitoring Systems; and
- the use of integrated methods based on monitoring and non-toxic preventive measures (site inspection, pest inspection and population monitoring), to proactively manage and minimise pest issues.

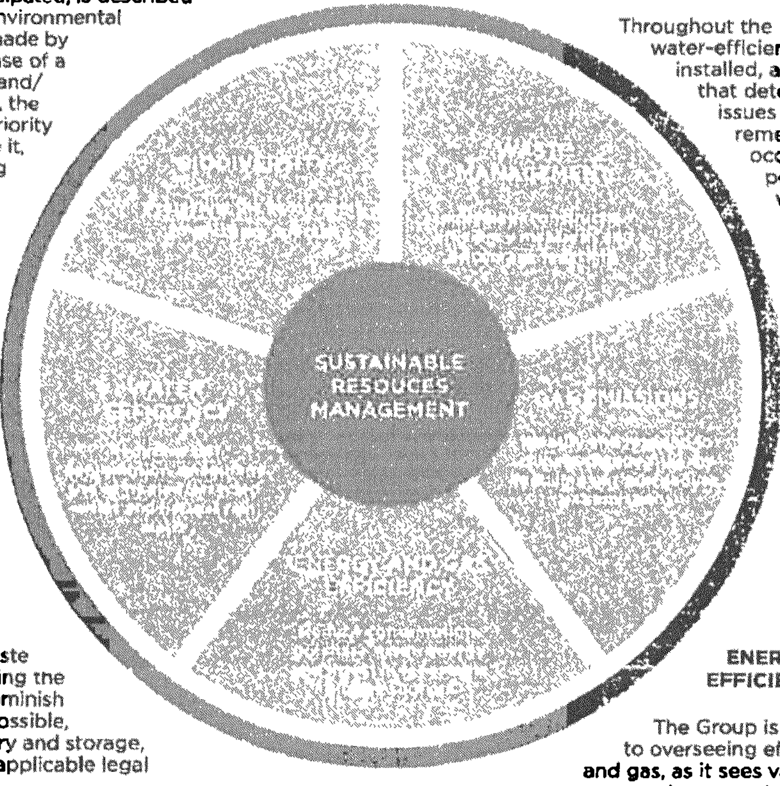
Investing in sustainable solutions has become a priority, therefore, starting in 2016, more than 30% the CAPEX property management budget of Romanian properties was allocated to replacing traditional lighting with LED technology, installing frequency converters, upgrading building management systems, installing water-efficient faucets, replacing obsolete roof membranes, investing in cooling water towers, mounting solar protection foil and growing natural indoor plants. Going forward, the Group plans to implement similar allocations in other countries, building on the success of this original project.

PILLAR ! - SUSTAINABLE RESOUCES MANAGEMENT

BIODIVERSITY

Prior to starting new developments, external experts engaged by the Group perform environmental impact assessments on biodiversity, in accordance with applicable local law. Where protected areas or species are present, the Group closely monitors the ecosystem with the help of specialised partners, so as not to cause damage, however minor, through the Group's actions. For new developments the environmental impact report indications are closely followed. Endangered species in the vicinity of the development are monitored and, if necessary, actions are proactively taken in order to ensure the Group's actions do not cause harm to local flora and/or fauna.

The direct or indirect impact on the environment, observed and/or anticipated, is described and analysed in the environmental impact assessment, made by external experts. In case of a significant, observed and/ or anticipated impact, the Group focuses with priority to avoid and minimise it, instead of remediating and compensating for it.



WASTE MANAGEMENT

The Group designed an integrated waste management system to be applied across its core portfolio, leading to increased selective waste collection rate and minimizing landfill. There is a rigorous approach towards waste management, by setting the following priorities: diminish waste to the extent possible, reuse, recycle, recovery and storage, strictly following the applicable legal provisions.

In 2017, the Group continued to implement its waste reduction strategy across its properties in Romania as an early adopter, and efforts will continue in 2018 and onwards. Waste management audits have been conducted in a number of properties and measures have been implemented based on the findings of these audits in order to improve performance, such as: informing the tenants regularly about on-site waste management, implementation of minimal requirements for sorting and recycling waste in supplier and lease contracts.

As part of this initiative, the Group also aims to increase applicable sorting solutions, in order to increase the proportion of waste sorted on-site and thereby reduce overall waste management processing costs.

Through the measures implemented, the Group managed to lower total waste, as well as to increase significantly the recycling percentage in more than 12 properties.

The Group understands the importance of recycling and reusing and thus has planned to reach a 50% recycling rate across the portfolio by 2022 by virtue of sustainable waste management measures.

WATER EFFICIENCY

The Group's approach towards the use of water focuses on ensuring that the supply is of the highest quality, that water is reused whenever possible, and that consumption is minimised. Potable water purity is of prevailing importance, therefore, although supplied by the municipal network, the water is further cleansed using on-site mechanical filters.

Throughout the portfolio, improved water-efficient faucets are installed, along with equipment that detects leaks, enabling issues to be identified and remedied shortly after occurrence. Where possible, waste or rain water is collected, treated and recycled in closed-circuit systems for non-potable use. Monitoring consumption through the Building Management Systems is a current practice for Group's properties, in order to analyse trends and identify improvement opportunities.

ENERGY AND GAS EFFICIENCY

The Group is strongly committed to overseeing efficiency of energy and gas, as it sees value in allowing managers and occupants to monitor energy consumption by type of fuel and end-use category. Monitoring such factors allows the identification of poor performance and changes in consumption patterns, and take steps towards minimisation of the performance gap between predicted and actual consumption, through efficient cost management and identification of areas of inefficient operation, system deficiencies and building management issues.

The Group believes that taking actions such as changing practices and procedures, reducing waste and managing energy use it can decrease operating costs, consumption and carbon emissions. Through detailed metering and monitoring, owners and facility managers understand how their building is performing in greater detail and can take steps to improve such performance.

All new developments give priority to natural lighting, while low-energy bulbs, combined with light sensors, are used wherever practical. The buildings' skylights

Sustainability report » continued

are protected with reflective film, to reduce solar heat gain during the summer, thus decreasing the use of air conditioning. Our escalators are fitted with motion sensors and stop automatically when not in use, while developments with multiple elevators use computerised systems to monitor commands and optimise movement.

One of the initiatives of the Group, aimed at reducing energy consumption, is the gradual implementation of LED technology, as well as investing in renewable sources of energy.

CARBON FOOTPRINT

The Group recognises the challenges raised by global warming and climate change, therefore it plans to contribute to a greener environment by reducing the carbon footprint of its buildings during both construction and operation. As such, the Group plans a long-term commitment to reduce its carbon footprint by 20% by 2030, based on continuous efforts such as:

- Carbon footprint measurement for all development projects;
- Plan for "eco-friendly" buildings early in the design phase;
- Use of alternative low carbon-emission materials;
- Continued efforts to reduce energy consumption;
- Investing in green energy sources such as solar panels, electrical chargers for green cars; and
- Implementing LED lighting and sensor solutions.

Seeking to further reduce the carbon footprint of properties, bike racks have been installed and are available throughout the portfolio. Furthermore, one of our office properties, The Office Cluj-Napoca, has joined a car pooling program, a more environmental-friendly and sustainable way to travel at work, that, besides carbon emission, also reduces the time spent in traffic.

Being an international Group, with properties across the CEE, and consequently with a management team geographically spread, the Group is also making efforts to minimise its own effect on the environment through measures implemented in order to reduce employee travelling, by promoting video-conference meetings as an efficient alternative to decrease unnecessary business travel and contribute to the reduction of carbon emissions.

Scope 1
direct emissions

Vehicles owned by the firm

Scope 2
indirect emissions

Consumption of purchased electricity

Fossil fuel

Scope 3
other emissions

Use of products

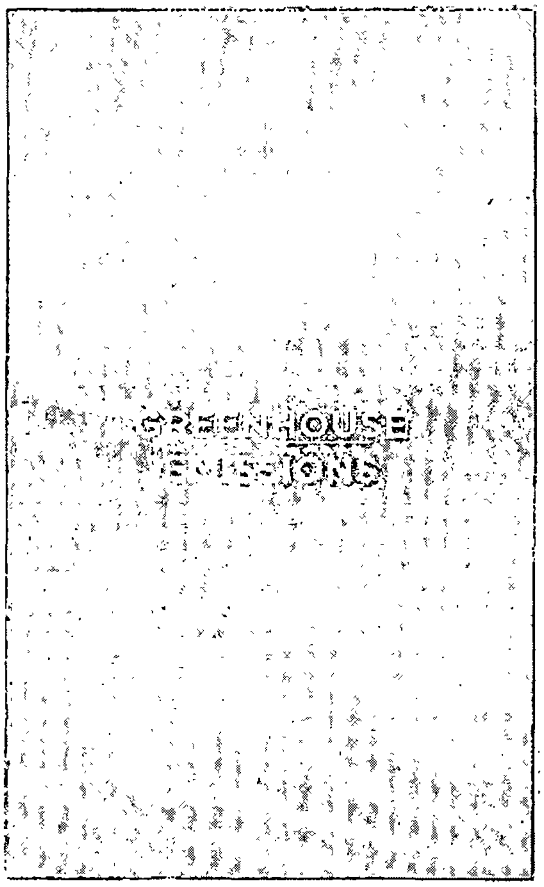
Production of purchased materials

Purchased activities

Vehicles owned by contractors

Waste disposal

Employees business travel



PILLAR II - GREEN BUILDINGS

The Group's properties are built and operated with a focus on optimizing the use of resources throughout the end to end lifecycle, from design to construction, operation, maintenance and redevelopment / extension.

The Group acknowledges that the development of economically efficient and green buildings has a long-term positive impact on the environment, reduces waste, protects human health, and fosters efficient management. Ecologically sensible and cost-conscious sustainable constructions provide opportunities to improve energy and raw materials efficiency in any building.

The Group has continued to invest in BREEAM certification for its buildings as a measure of its commitment to sustainability, as presented below. BREEAM is the world's leading environmental assessment method and rating system. Buildings that obtain BREEAM recognition have achieved the highest corporate, organisational and environmental objectives, and enhance the continuous improvement capability for sustainable design, construction and operation.

Promenada Mall Bucharest is the Group's first retail center, and the only one in Romania certified internationally as "blue building" Gold level by the German Sustainable Building Council. The certification council evaluates various qualitative tangible and intangible factors, such as selecting appropriate materials for the construction of the building, or factors related to quality of life in the building for visitors and tenants (maintaining comfortable temperatures, ensuring the air is pleasant to breathe, and offering the right illumination and sound insulation). The certification also ascertains that during development, the whole life-cycle of the building was factored in. The main qualitative criteria analyzed were related to economic factors, socio-cultural and functional aspects, technical components, process-related items, environmental elements and site considerations.

Property	Country	Type of property	Status	Scoring obtained/ targeted
Iris Titan Shopping Center	Romania	Retail	Obtained	Excellent
Mega Mall	Romania	Retail	Obtained	Excellent
Promenada Mall	Romania	Retail	Obtained	Excellent
City Park	Romania	Retail	Obtained	Very Good
Shopping City Deva	Romania	Retail	Obtained	Very Good
Ploiesti Shopping City	Romania	Retail	Obtained	Very Good
Severin Shopping Center	Romania	Retail	Obtained	Very Good
Aurora Shopping Mall	Romania	Retail	Obtained	Very Good
Shopping City Sibiu	Romania	Retail	Obtained	Very Good
Pitesti Retail Park	Romania	Retail	Obtained	Very Good
Vulcan Value Centre	Romania	Retail	Obtained	Excellent
Shopping City Timisoara	Romania	Retail	Obtained	Excellent
Shopping City Targu Jiu	Romania	Retail	Obtained	Very Good
Shopping City Galati	Romania	Retail	In progress	Excellent
Braila Mall	Romania	Retail	In progress	Very Good
Shopping City Piatra Neamt	Romania	Retail	In progress	Very Good
Shopping City Ramnicu Valcea	Romania	Retail	In progress	Very Good
The Lakeview	Romania	Office	Obtained	Excellent
Floreasca Business Park	Romania	Office	Obtained	Excellent
City Business Centre, buildings A-D	Romania	Office	Obtained	Very Good
City Business Centre, building E	Romania	Office	Obtained	Excellent
The Office Cluj-Napoca	Romania	Office	Obtained	Excellent
Victoriei Office	Romania	Office	Obtained	Excellent
Aupark Zilina	Slovakia	Retail	Obtained	Very Good
Aupark Kosice Mall	Slovakia	Retail	Obtained	Very Good
Aupark Shopping Center Piestany	Slovakia	Retail	Obtained	Very Good
Korzo Shopping Center	Slovakia	Retail	Obtained	Very Good
Aupark Kosice Tower	Slovakia	Office	Obtained	Very Good
Arena Centar	Croatia	Retail	In progress	Very Good
Forum Usti nad Labem	Czech Republic	Retail	Obtained	Very Good
Kragujevac Plaza	Serbia	Retail	In progress	Very Good
Promenada Novi Sad	Serbia	Retail	In progress	Excellent
Serdika Center	Bulgaria	Retail	In progress	Very Good
Serdika Office	Bulgaria	Office	In progress	Very Good
Paradise Center	Bulgaria	Retail	In progress	Very Good

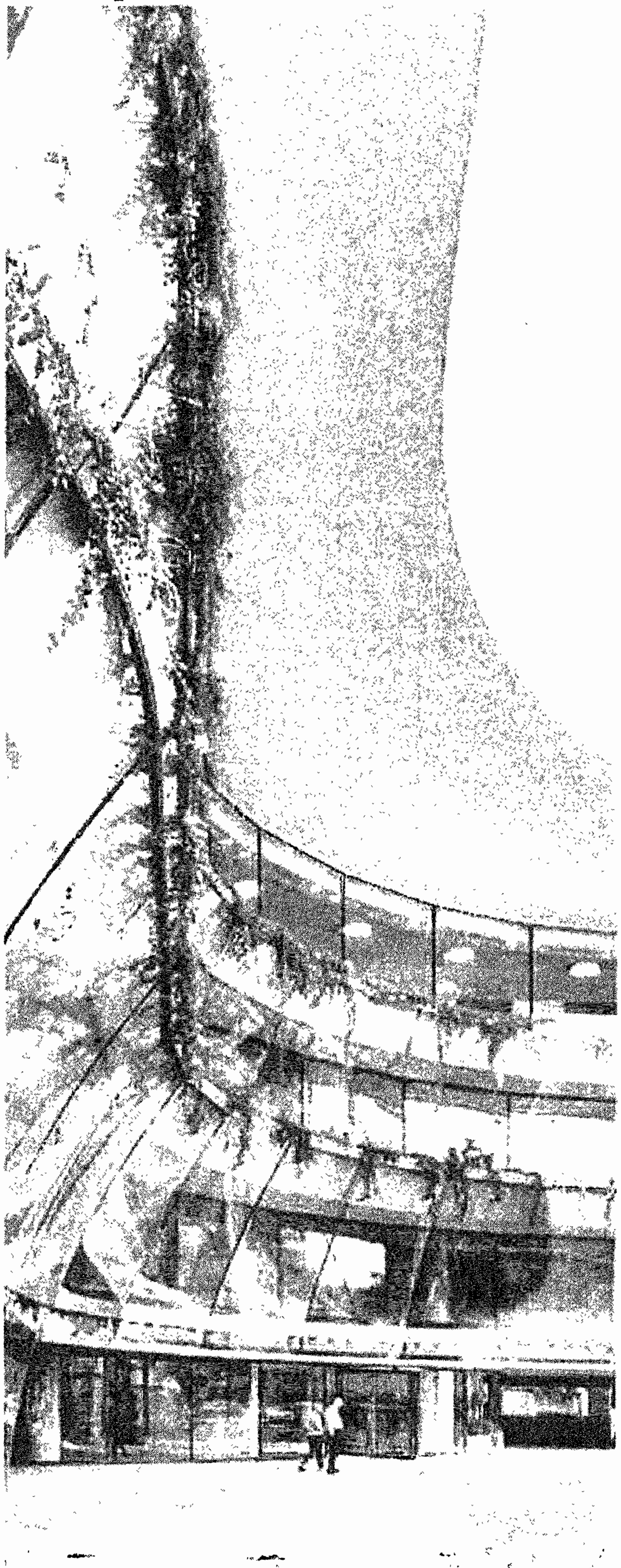


PHOTO VICTORIEI OFFICE, ROMANIA

Sustainability report » continued

Responsible construction practices

The Group promotes and follows responsible construction practices throughout its developments, where it sees value in preventing risks and liabilities arising from pollution of the surrounding areas during construction activities. Adoption of responsible construction practices can lead to a wide range of environmental, social, and financial benefits while at the same time improving project efficiency and understanding of construction performance through continuous construction progress monitoring.

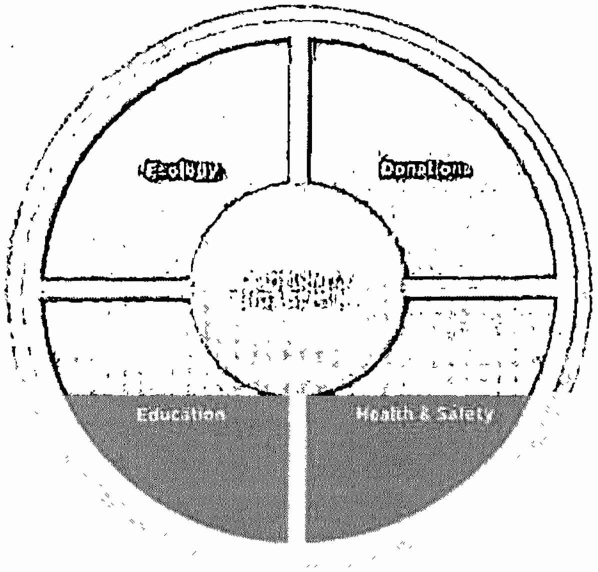
The Group continuously aims to improve various aspects of its construction processes, ensuring the safety of vehicle deliveries to and around its construction sites, as well as promoting on-site and off-site health and safety, including road safety. As construction activities may lead to ground, water and air pollution, affecting workers on site, as well as others in the surrounding area, the Group is assesing alternatives to minimise any undesired or negative effects its developments may produce.

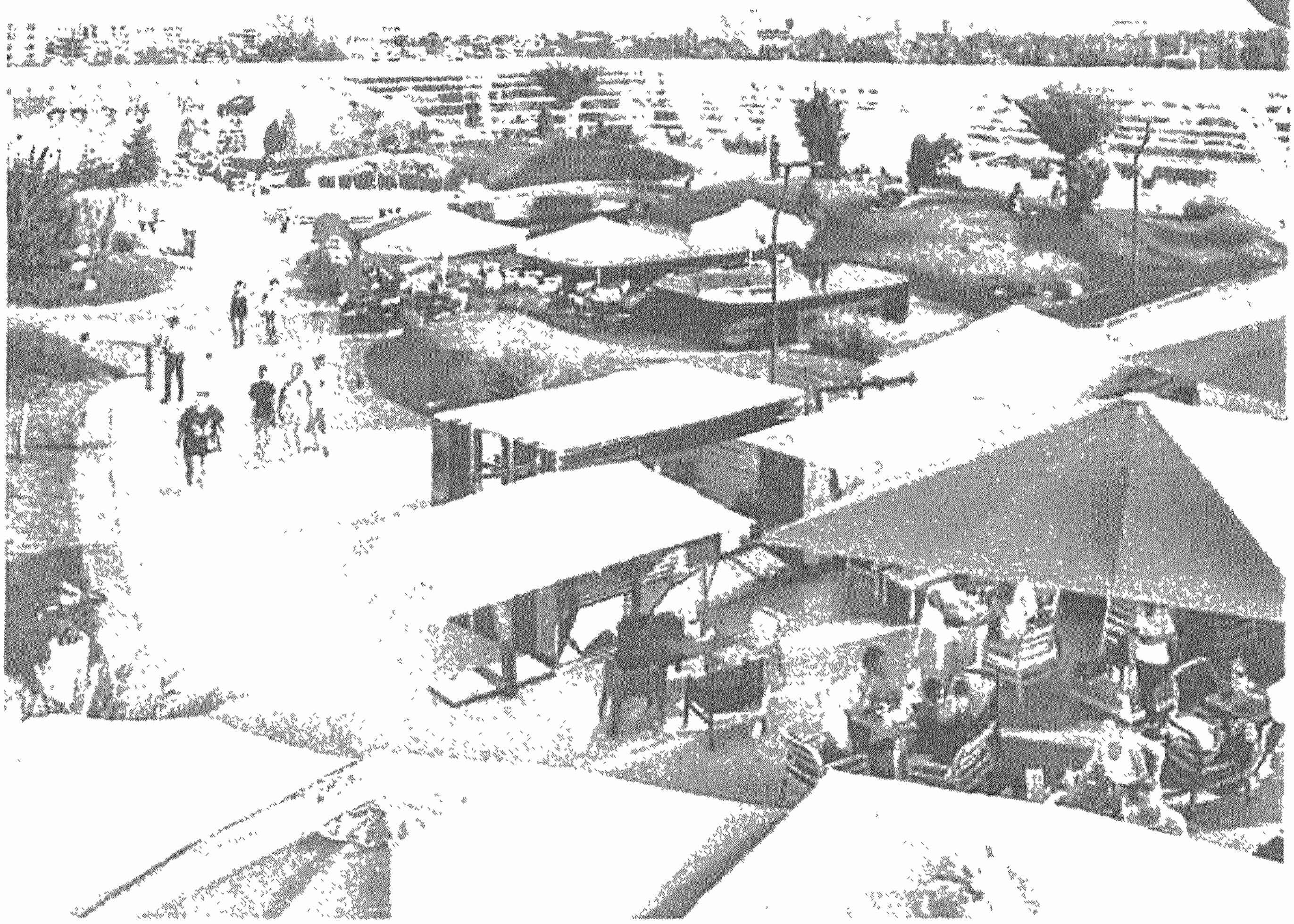
The Group strongly believes in the importance of and directs its actions towards continuous monitoring of procedures relating to health and safety, resource management, construction progress and site conditions, as this brings added value and maximises project performance.

PILLAR III - COMMUNITY ENGAGEMENT

As a leading investor in the CEE, the Group acknowledges its mission to bring solutions to issues faced by the communities that the Group is a part of. Through its business activities, it is the aim of the Group to create economic value and, at the same time, to actively contribute towards the development of a sustainable society. The Group aspires to provide unique retail and office destinations and high standard services to all stakeholders, while at the same time to fulfil its corporate vision to bring a positive impact in the communities where it operates, seeking to contribute to sustainable social development globally.

The Group has implemented and is following a Corporate Social Responsibility (CSR) strategy focused on four main directions: education, environment, community and donations, in order to maximise relevance to the communities the Group operates in.



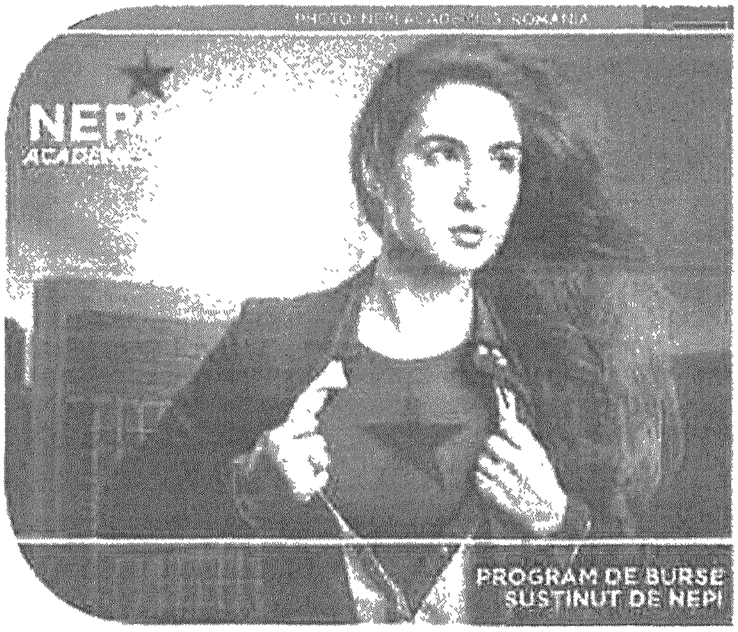


Sustainability report » continued

EDUCATION INITIATIVES AND SUPPORT

The Group believes that its success has been due to hiring the right people, a team of specialised professionals dedicated to their work, with great ethics and responsibility for what they do. Through **NEPI Academics**, the Group's first scholarship program dedicated to high performing college students with limited financial possibilities, a contribution was made in the lives of tomorrow's professionals helping bright students build their career path. After a screening campaign, 20 students were chosen and offered €150 monthly scholarships, as well as face to face meetings with one of the Joint CEOs, who shared his success story and gave them inspiration for the future. Additionaly, an English language certification course was offered to the students.

In partnership with the Emergency State Department, the Group hosted educational campaigns in **Shopping City Timisoara, Shopping City Galati** and **Braila Mall** to promote health and safety awareness. The events included trainings for emergency situations with the involvement of the Fire Department and the Romanian Police. The mobile center installed in the parking lot of the malls was equipped with medical and training materials.



ECOLOGY INITIATIVES AND SUPPORT

Deforestation and scarce green spaces in urban areas are increasing in the areas where the Group operates and affect the communities it is a part of. The Group continued to support a series of planting initiatives as well as other ecology awareness campaigns promoting the importance of ecologic initiatives.

In 2017, the Group started a partnership with one of the most active ecology NGOs in Romania, "We plant good deeds". With the help of the contribution made by the Group, it was possible to plant over 14,000 trees in various areas.

At Ploiesti Shopping City the Group organised the second edition of its annual planting campaign "Young roots for tomorrow's forests", where, with the help and contribution of over 1,000 students and teachers involved as volunteers a record of 10,000 plants and trees were planted in the proximity of the shopping center.

In order for the Group to promote the ecological principles it is committed to, it has engaged its own employees in projects to embed these concepts in the day to day business practices as well. In an effort to shape a better future, the Group has decided to transition to paperless business practices, and for the purpose of supporting these processes, the Group is undergoing the implementation of a documents management system and electronic signature on contracts, in order to reduce printing and paper consumption as much as possible.

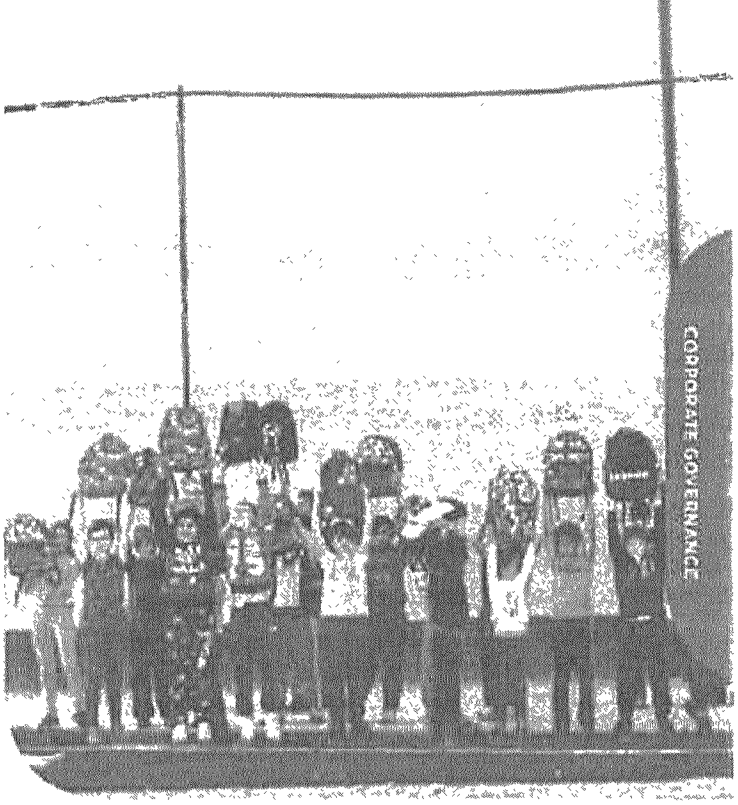
HEALTH & SAFETY INITIATIVES AND SUPPORT

Students, medical clinics and foundations regularly organise **pro-health information** campaigns in the Group's shopping centres, focused on prevention measures and screening tests for heart diseases, blood pressure and diabetes, eye and hearing tests, support for parents of autistic children and prevention of cancer.

Blood donation campaigns were organised in collaboration with non-profit organisations during 2017, as a response to the communities-wide shortages of necessary donated blood. The Group acknowledges the importance of such a community act, and the constant necessity for regular blood supply for the benefit of the wider community. The Group understands and supports blood donation campaigns that raise awareness of this necessity. Moreover, regular blood donations by a sufficient number of healthy people are needed to ensure that safe blood will be available whenever and wherever it is needed. As a result of the campaigns conducted in Mega Mall Romania, over 250 patients benefitted from blood collected.

In partnership with other corporate collaborators, the Group is participating in a project supporting the Emergency State Department through its institution, the Romanian Intervention Service for Emergency Situations, to develop a **mobile application for emergency situations**, which will facilitate victims' rescue. The application will use indoor positioning technology, will enable short distance communication as well as create and send video content from the incident site. The Group is one of the main supporters and anchors for this unique project in the region. The Group plans to use its properties to test and improve the initial application, which will afterwards be rolled-out and used nation-wide. Taking into consideration that the core of the Group's operations are its buildings, investing in such projects means improving the safety standards for buildings in general, therefore the collaboration with the Romanian Ministry of Internal Affairs is seen as beneficial in the long-term. In terms of technology, the initiative will greatly improve survivability in case of extreme disasters at all buildings in Romania.

PHOTO: SHOPPING CITY TIMISOARA - DONATION CAMPAIGN, ROMANIA



DONATIONS

Shopping City Timisoara in collaboration with several tenants donated a fully equipped school backpack for 30 children, helping them start the new school year happy and prepared.

Aurora Shopping Mall organised a donation campaign to help ten families in need in the county. The Group installed a donation box for visitors to contribute with food, school supplies and clothing. Some of our tenants contributed as well.

Sustainability report » continued

Pillar IV - BUSINESS INTEGRITY

The Group has zero tolerance for fraud and corruption practices. Integrity is embedded in the Group's core values and it was one of the dimensions assessed within employees' performance evaluation during 2017.

Starting from the strong belief that the tone from the top is of utmost importance, the Group has built a management team of strong and experienced professionals.

The Group's commitment to integrity and exceptional business practices encompasses amongst others:

- implementation of Code of Ethics, Internal Regulation, Share Dealing Code and Whistleblowing Policy;
- compliance with relevant laws and regulations
- responsible purchasing through:
  - implementation of Procurement Policy (which promotes objectivity and transparency in our procurement processes), with continuous monitoring of compliance thereto;
  - supplier risk assessment for all new suppliers, and annual revision for existing suppliers;
  - win-win partnerships with Group's suppliers, based on sustainable business practices, where both the Group's companies and its suppliers thrive and grow;
- alignment to EU Regulation 2016/679 on personal data protection;
- alignment to EU Directive 2015/849 on Anti-Money laundering and counter-terrorism financing.

CORPORATE GOVERNANCE

APPENDIX

Schedule of properties

No.	Property name	Year opened/ acquired	Type	Location	City
	TOTAL PROPERTIES				
	INCOME PRODUCING PROPERTIES				
	RETAIL				
1	Mega Mall	2015	Super-Regional Mall	Romania	Bucharest
2	Paradise Center	2013/2017	Super-Regional Mall	Bulgaria	Sofia
3	Arena Centar	2010/2016	Super-Regional Mall	Croatia	Zagreb
4	City Park	2008/2013	Regional Mall	Romania	Constanta
5	Serdika Center	2010/2017	Regional Mall	Bulgaria	Sofia
6	Promenada Mall	2013/2014	Lifestyle Centre	Romania	Bucharest
7	Aupark Kosice Mall	2011/2014	Regional Mall	Slovakia	Kosice
8	Shopping City Timisoara	2015-2016	Regional Mall	Romania	Timisoara
9	Shopping City Sibiu	2006/2016	Super-Regional Mall	Romania	Sibiu
10	Aupark Zilina	2010/2013	Regional Mall	Slovakia	Zilina
11	Iris Titan Shopping Center	2008/2015	Community Centre	Romania	Bucharest
12	Shopping City Galati	2013	Regional Mall	Romania	Galati
13	Shopping City Deva	2007/2013	Regional Mall	Romania	Deva
14	Braila Mall	2008/2009	Regional Mall	Romania	Braila
15	Forum Ústí nad Labem	2009/2016	Regional Mall	Czech Republic	Usti nad Labem
16	Vulcan Value Centre	2014	Community Centre	Romania	Bucharest
17	Pitesti Retail Park	2007/2010	Community Centre	Romania	Pitesti
18	Ploiesti Shopping City	2012	Regional Mall	Romania	Ploiesti
19	Shopping City Piatra Neamt	2016	Regional Mall	Romania	Piatra Neamt
20	Kragujevac Plaza	2012/2014	Regional Mall	Serbia	Kragujevac
21	Shopping City Targu Jiu	2014	Regional Mall	Romania	Targu Jiu
22	Shopping City Râmnicu Valcea	2017	Regional Mall	Romania	Ramnicu Valcea
23	Korzo Shopping Centre	2010-2011/2016	Community Centre	Slovakia	Korzo
24	Aupark Shopping Center Piestany	2010/2016	Community Centre	Slovakia	Piestany
25	Severin Shopping Center	2009/2013	Regional Mall	Romania	Drobeta Turnu Severin
26	Aurora Shopping Mall	2008/2014	Regional Mall	Romania	Buzau
27-33	Regional strip centres	2007-2014	StripCentres	Romania	Alba-Iulia, Alexandria, E SfantuGheorghe, Sighis
	OFFICE				
34	Floreasca Business Park	2009/2010	Office	Romania	Bucharest
35	City Business Centre	2007-2015/2015	Office	Romania	Timisoara
36	The Lakeview	2010/2013	Office	Romania	Bucharest
37	The Office Cluj-Napoca	2014-2015-2017	Office	Romania	Cluj-Napoca
38	Serdika Office	2011/2017	Office	Bulgaria	Sofia
39	Victoriei Office	2017	Office	Romania	Bucharest
40	Aupark Kosice Tower	2012/2014	Office	Slovakia	Kosice
	INDUSTRIAL				
41	Rasnov Industrial Facility	2007	Industrial	Romania	Rasnov
42	Otopeni Warehouse	2010	Industrial	Romania	Bucharest
	TOTAL DEVELOPMENTS AND LAND BANK				
	DEVELOPMENTS UNDER CONSTRUCTION				
43	Promenada Novi Sad - Phase I		Development	Serbia	Novi Sad
27	Vaslui strip centre		Extension	Romania	Vaslui
	DEVELOPMENTS UNDER PERMITTING AND PRE-LEASING^				
6	Promenada Mall		Extension	Romania	Bucharest
3	Arena Centar		Extension	Croatia	Zagreb
44	Shopping City Targu Mures - Phase I		Development	Romania	Targu Mures
45	Shopping City Satu Mare		Development	Romania	Satu Mare
46-47	Retail parks Krusevac and Sabac		Development	Serbia	Krusevac and Sabac
26	Aurora Shopping Mall		Extension	Romania	Buzau
18	Ploiesti Shopping City		Extension	Romania	Ploiesti
9	Shopping City Sibiu - Phase I		Extension	Romania	Sibiu
23	Korzo Shopping Centre		Extension	Slovakia	Korzo
	Land held for developments				
10	**NON-CORE PROPERTIES**				

* *Estimated rental value for developments*
^ *The developments under permitting and pre-leasing's GLA depends on permitting.*

	Ownership	GLA	Weighted by ownership				Occupancy
			GLA	Valuation/Cost to date	Passing rent*	Average rental	
		m²	m²	€m	€m	€/m²/month	
		1 607 290	**1 548 590**	**3 448.6**	**239.9**		
		1 330 000	**1 275 300**	**3 249.1**	**228.4**	**14.9**	**97.0%**
		1 079 700	**1 056 800**	**2 778.9**	**191.8**	**15.1**	**96.8%**
	100%	75 800	75 800	306.1	19.0	20.9	97.9%
	100%	82 000	82 000	254.7	15.7	16.0	88.5%
	100%	61 600	61 600	226.1	15.3	20.7	95.4%
	100%	52 100	52 100	181.8	12.8	20.5	97.1%
	100%	51 500	51 500	161.4	12.6	20.4	99.1%
	100%	39 400	39 400	196.0	12.0	25.4	99.4%
	100%	33 800	33 800	166.2	9.9	24.4	95.2%
	100%	56 900	56 900	120.2	8.6	12.6	100.0%
	100%	78 200	78 200	116.9	8.5	9.1	96.4%
	100%	25 100	25 100	124.8	8.1	26.9	100.0%
	100%	45 000	45 000	96.8	7.5	13.9	99.7%
	100%	49 100	49 100	101.8	6.5	11.0	84.9%
	100%	52 500	52 500	77.7	6.5	10.3	100.0%
	100%	55 400	55 400	78.8	6.1	9.2	97.2%
	100%	27 800	27 800	87.9	5.4	16.2	97.1%
	100%	24 600	24 600	56.8	4.0	13.6	100.0%
	100%	24 800	24 800	35.1	3.8	12.8	100.0%
	50%	45 800	22 900	51.0	3.6	13.1	95.3%
	100%	28 000	28 000	47.9	3.5	10.4	100.0%
	100%	22 200	22 200	41.9	3.4	12.8	96.6%
	100%	27 100	27 100	44.1	3.3	10.1	99.8%
	100%	28 200	28 200	42.1	2.9	8.6	95.3%
	100%	16 100	16 100	39.1	2.9	15.0	98.7%
	100%	10 300	10 300	41.0	2.7	21.8	98.0%
	100%	22 600	22 600	34.3	2.4	8.8	99.7%
	100%	18 000	18 000	15.5	2.2	10.2	99.7%
rasov, Petrosani, oara, Vaslui	100%	25 800	25 800	32.9	2.6	8.4	100.0%
		222 500	**190 700**	**454.0**	**34.7**	**15.2**	**98.3%**
	100%	36 300	36 300	108.3	7.9	18.1	99.4%
	100%	47 800	47 800	97.1	7.9	13.8	97.9%
	100%	25 600	25 600	74.5	5.4	17.6	98.8%
	50%	63 600	31 800	61.1	5.1	13.4	99.0%
	100%	28 500	28 500	51.1	3.9	11.4	95.2%
	100%	7 800	7 800	40.7	2.7	28.8	99.2%
	100%	12 900	12 900	21.2	1.8	11.6	100.0%
		27 800	**27 800**	**16.2**	**1.9**	**5.7**	**98.0%**
	100%	23 000	23 000	11.6	1.3	4.7	97.6%
	100%	4 800	4 800	4.6	0.6	10.4	100.0%
		256 800	**252 800**	**189.3**	**10.8**		
		52 200	**52 200**	**63.0**	**10.8**		
	100%	49 400	49 400	62.3	10.5		
	100%	2 800	2 800	0.7	0.3		
		204 600	**200 600**	**88.48**			
	100%	60 000	60 000	34.4			
	100%	27 900	27 900	19.2			
	100%	32 900	32 900	14.1			
	100%	28 700	28 700	11.5			
	100%	22 200	22 200	5.5			
	100%	5 900	5 900	2.8			
	50%	8 000	4 000	1.0			
	100%	9 700	9 700	-			
	100%	9 300	9 300	-			
				37.8			
		20 490	**20 490**	**10.2**	**0.7**		

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Independent auditor's report

To: the general meeting of NE Property Coöperatief U.A.

Report on the financial statements 2017

Our opinion

In our opinion NE Property Coöperatief U.A.'s financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2017 of NE Property Coöperatief U.A., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of NE Property Coöperatief U.A. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company statements of financial position as at 31 December 2017;
- the following statements for 2017: the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

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Independence

We are independent of NE Property Coöperatief U.A. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties'(Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

NE Property Coöperatief U.A.'s activities are developing, operating and managing investment property to earn rental income, capital appreciation or both. The investment property is located in Central and Eastern Europe, mainly in Romania. NE Property Coöperatief U.A. is mainly financed by intercompany borrowings provided by Nepiom Limited, a group company of the ultimate parent NEPI Rockcastle plc. and debt instruments issued on the Irish Stock Exchange. The group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

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 board of directors made important judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In disclosure note 4 of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the valuation of investment properties, we considered this to be a key audit matter as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered to be key audit matters were the purchases and sales of investment properties, accurate and complete accounting of rental income, compliance with bank covenants, the income tax position and the recoverability of intercompany receivables. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a real estate company. We therefore included specialists in the areas of IT and real estate valuation experts and tax experts in our team.

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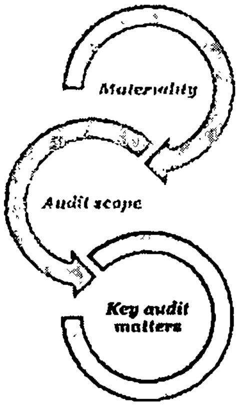
The outline of our audit approach was as follows:



Materiality

- Overall materiality: € 29.1 million which represents 1% of 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 the risk and materiality of the Group's operations at each component.

Key audit matters

- Valuation of investment properties

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

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

Overall group materiality	€29,1 million (2016: €22,3 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 1% of total assets of the company financial position per 31 December 2017.
Rationale for benchmark applied	We used total assets as the primary 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 this benchmark is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the board of directors that we would report to them misstatements identified during our audit above €1,453,000 (2016: €1,130,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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The scope of our group audit

NE Property Coöperatief U.A. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of NE Property Coöperatief U.A.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management 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. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

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, Croatia, Slovakia 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. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

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.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

Key audit matter	*How our audit addressed the matter*
Valuation of investment properties *See notes 3.5, 3.6, 3.7, 4, 9 and 10 to the financial statements* 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 board of directors as well as the external appraisers used by the board of 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 board of directors used external appraisers to support their determination of the individual fair values of the investment properties semi-annually.	Our procedures in relation to board of board of directors' valuation of investment properties included: • Evaluation of the competence, capabilities and objectivity 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, lease incentives, 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, etcetera). 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. We concur with the board of board of directors' position on the valuation of the investment properties in operation as set out in the financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- an overview, including the directors' report, the corporate governance report and the schedule of properties; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed on 10 April 2018 as auditors of NE Property Coöperatief U.A. following the passing of a resolution by the shareholders at the annual meeting and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 3 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 38 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 2 May 2018
PricewaterhouseCoopers Accountants N.V.

L.H.J. Oosterloo RA

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Appendix to our auditor's report on the financial statements 2017 of NE Property Coöperatief U.A.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the 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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit.
In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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We communicate with the board of 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. In this respect we also issue an additional report to the board of directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of 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 board of 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, not communicating the matter is in the public interest.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Group 31 Dec 2017	Group 31 Dec 2016
ASSETS			
Non-current assets		**3,505,376**	**2,701,425**
Investment property		3,320,157	2,546,772
— Investment property in use	9	3,136,966	2,370,760
— Investment property under development	10	183,191	176,012
Goodwill	12	67,702	58,390
Deferred tax assets	20	3,299	–
Investments in joint ventures	27	40,856	22,023
Long-term loans granted to joint ventures	27	25,792	31,015
Other long-term assets	11	47,570	43,219
Interest rate derivatives financial assets at fair value through profit or loss		–	6
Current assets		**196,114**	**86,766**
Trade and other receivables	13	39,096	40,539
Cash and cash equivalents	14	157,018	46,227
Investment property held for sale	**15**	**10,238**	**15,525**
TOTAL ASSETS		**3,711,728**	**2,803,716**
EQUITY AND LIABILITIES			
Equity attributable to equity holders		**742,475**	**459,917**
Share capital	16	508,895	382,866
Accumulated profit		233,575	77,046
Non-controlling interest		5	5
Total liabilities		**2,969,253**	**2,343,799**

	Note	Group 31 Dec 2017	Group 31 Dec 2016
Non-current liabilities		**2,870,671**	**2,166,329**
Intercompany borrowings	17	1,564,399	1,334,402
Bank loans	17	167,090	260,593
Bonds	17	890,720	395,067
Deferred tax liabilities	20	227,133	158,864
Other long-term liabilities	19	21,329	17,403
Current liabilities		**98,582**	**177,470**
Trade and other payables	18	79,633	82,958
Intercompany borrowings	17	-	25,738
Bank loans	17	8,077	7,539
Bonds	17	10,872	61,235
TOTAL EQUITY AND LIABILITIES		**3,711,728**	**2,803,716**

All amounts in Thousand Euro unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group 31 Dec 2017	Group 31 Dec 2016
Revenues from rent and expense recoveries		273,144	209,790
Property operating expenses		(81,466)	(64,358)
Net rental and related income	**21**	**191,678**	**145,432**
Administrative expenses		(10,753)	(10,102)
Acquisition fees	23	(4,930)	(3,434)
Fair value adjustments of investment property	24	174,086	143,163
Foreign exchange loss		(786)	(191)
Gain/(Loss) on disposal of investment property		438	(485)
Profit before net finance expense		**349,733**	**274,383**
Net finance expense	**25**	**(154,760)**	**(181,550)**
Finance income		2,577	4,250
Finance expense		(157,337)	(185,800)
Fair value adjustment of Interest rate derivatives financial assets and liabilities		(8)	(39)
Share of profit of joint ventures	27	16,068	6,383
Profit before tax		**211,033**	**99,177**
Income tax expense		**(54,504)**	**(36,472)**
Current tax expense	20	(2,646)	(1,664)
Deferred tax expense	20	(51,858)	(34,808)
Profit after tax		**156,529**	**62,705**
Total comprehensive profit for the year		**156,529**	**62,705**
Non-controlling interest		-	2,316
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**156,529**	**65,021**

All amounts in Thousand Euro unless otherwise stated

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2016	**36,389**	**34,149**	**1,633**	**72,171**
Transactions with owners	**346,477**	**(22,124)**	**688**	**325,041**
– Increase in share capital	346,477	–	–	346,477
– Acquisition of non-controlling interest	–	(22,124)	688	(21,436)
Total comprehensive income	**–**	**65,021**	**(2,316)**	**62,705**
– Profit for the year	–	65,021	(2,316)	62,705
BALANCE AT 31 DECEMBER 2016	**382,866**	**77,046**	**5**	**459,917**
Balance at 1 January 2017	**382,866**	**77,046**	**5**	**459,917**
Transactions with owners	**126,029**	**–**	**–**	**126,029**
– Increase in share capital	126,029	–	–	126,029
Total comprehensive income	**–**	**156,529**	**–**	**156,529**
– Profit for the year	–	156,529	–	156,529
BALANCE AT 31 DECEMBER 2017	**508,895**	**233,575**	**5**	**742,475**

All amounts in Thousand Euro unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group 31 Dec 2017	Group 31 Dec 2016
OPERATING ACTIVITIES			
Profit after tax		156,529	62,705
Adjustments			
Fair value adjustments of investment property for controlled subsidiaries	24	(174,086)	(143,163)
Other administrative expenses	22	5,948	-
Foreign exchange loss		786	191
(Gain)/Loss on disposal of investment property		(438)	485
Net finance expense	25	154,760	181,550
Fair value adjustment of Interest rate derivatives financial assets and liabilities for controlled subsidiaries		8	39
Deferred tax expense for controlled subsidiaries	20	51,858	34,808
Current tax expense	20	2,646	1,664
Operating profit before changes in working capital		**198,011**	**138,279**
Changes in working capital			
(Increase)/decrease in trade and other receivables		(14,622)	9,861
Increase/(decrease) in trade and other payables		62	(7,412)
Interest paid		(133,825)	(82,595)
Bond coupon paid		(15,895)	(3,616)
Income tax paid		(2,470)	(1,461)
Interest received		1,148	3,785
CASH FLOWS FROM OPERATING ACTIVITIES		**32,409**	**56,841**
INVESTING ACTIVITIES			
Investments in acquisitions and developments			
Additions of investment property		(131,960)	(169,594)
Payments for acquisition of subsidiaries less cash acquired during the year	26	(451,144)	(448,958)
Settlements of deferred consideration for prior years acquisitions	19	(6,741)	(11,488)

	Note	Group 31 Dec 2017	Group 31 Dec 2016
Proceeds from sale of investment property held for sale (net of selling cost)	15	5,028	2,655
Acquisition of non-controlling interest		–	(21,436)
Loans granted to third parties		(4,208)	-
Loans to joint ventures – amounts granted	27	(2,818)	(3,041)
Loans to joint ventures – amounts repaid	27	6,657	9,164
CASH FLOWS USED IN INVESTING ACTIVITIES		**(585,186)**	**(642,698)**
FINANCING ACTIVITIES			
Net movements in bank loans, bonds and other borrowings			
Proceeds from intercompany borrowings	17	306,789	185,484
Proceeds from bank loans	17	10,000	166,070
Proceeds from bonds	17	500,000	50,000
Repayment of bank loans	17	(103,221)	(91,458)
Repayment of bonds	17	(50,000)	–
Other proceeds/(payments)			
Acquisition of non-controlling interest		-	(3,064)
CASH FLOWS FROM FINANCING ACTIVITIES		**663,568**	**307,032**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**110,791**	**(278,825)**
Cash and cash equivalents brought forward	14	46,227	325,052
CASH AND CASH EQUIVALENTS CARRIED FORWARD	14	**157,018**	**46,227**

All amounts in Thousand Euro unless otherwise stated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

NE PROPERTY COOPERATIEF U.A ("the Company") is a cooperative with exclusion of liability incorporated in the Netherlands on 22 October 2007 and domiciled at Paulus Potterstraat 32-2, 1071DB Amsterdam, the Netherlands. In 2015 and in 2017, the Company issued debt instruments listed on the Irish Stock Exchange (Note 17). The Group includes the Company and its subsidiaries, as detailed in 'Basis of consolidation' in Note 3.4.

The Company's shares are held by NEPI Holdings ltd (99.99%) and NEP Investments ltd (0.01%). The ultimate parent of the Company is NEPI Rockcastle plc (further referred to as "NRP plc"), 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. NRP plc 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 NRP. The merger of New NEPI and 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.

The Company has the role of an active intermediary holding company for NRP group and its primary activities are acquiring, financing, holding and managing of group companies, most of which are developing, operating and managing shopping centers and offices. The company has four employees at its Amsterdam office that carry out day-to-day investment management activities and provide management, finance and treasury services to group companies.

The Group's consolidated financial statements and the Company's separate financial statements are collectively referred to as the Financial Statements. These financial statements were authorised for issue in accordance with the Board of Directors' resolution on 27 April 2018.

2. COMPARATIVE PERIOD

The comparative period is the year ended 31 December 2016.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by European Union (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 the Company's functional and presentation currency.
The functional currency is determined by the relevant, primary economic environment of each entity. One 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 European Union (EU).

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.

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.

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. 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

3.10. 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.

3.11 Tenant security deposits

Tenant security deposits represent financial advances made by lessees as guarantees during the lease and are repayable/settled by the Group upon termination of contracts. Tenant security deposits are recognised at nominal value.

3.12 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, loans granted to joint ventures and loans granted by the Company to its subsidiaries. The Group enters into a variety of derivative financial instruments to gain exposure mainly to property securities, via 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 terminate 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.

3.12.1 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
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

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments (for 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.

3.12.2 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 derecognised 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.

3.12.3 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.

3.13 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.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash balances and cash deposits. Cash and cash equivalents are carried at amortised cost.

3.15 Share capital and share premium

Share capital is formed of capital accounts (reserves) for each shareholder of the Company (called "members"), as required for an entity having the legal form of Cooperative. A member's capital account is the balance of: payments made pursuant to a contribution agreement, additional payments made pursuant to a resolution of the members for a capital increase, acquisition or transfer of all or part of the balance of the capital account of another member, withdrawals from the capital account.

3.16 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.

3.17 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.

3.18 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.

3.19 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an accrual basis.

3.20 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.

3.21 Dividend distributed

A distribution is recorded as a liability and deducted from equity in the period in which it is declared and approved.

3.22 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, Bulgaria, Croatia, Czech Republic, Slovakia, Serbia 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.

3.23 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, Slovakia, Bulgaria, Czech Republic, Serbia and Croatia;
- Office segment: acquires, develops and leases office properties in Romania, Bulgaria and Slovakia;
- Industrial segment: acquires, develops and leases industrial facilities in Romania, and
- Corporate segment: head office, administrative offices, and Group financing expenses.

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, Serbia, Slovakia, Bulgaria, Czech Republic, Croatia and a "Holding" segment which includes The Netherlands.

3.24. 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.

3.25. 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 17.

3.26 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 considers 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 3.24.

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, presented in note 33.

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 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%.

Below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments carried in the financial statements for the financial instruments recognized at cost.

Assets	Group 31 Dec 2017	Group 31 Dec 2016	Group 31 Dec 2017	Group 31 Dec 2016
	Carrying amount			Fair value
Intercompany receivable	40,674	40,674	40,674	40,674
Loans granted to joint ventures	25,792	31,015	25,792	31,015
Trade and other receivables	26,470	24,001	26,470	24,001
Cash and cash equivalents	157,018	46,227	157,018	46,227
TOTAL	**249,954**	**141,917**	**249,954**	**141,917**

Liabilities (all other than bonds)	Group 31 Dec 2017	Group 31 Dec 2016	Group 31 Dec 2017	Group 31 Dec 2016
	Carrying amount			Fair value
Intercompany borrowings	1,564,399	1,360,140	1,564,399	1,360,140
Bank loans	175,167	268,132	174,519	268,132
Trade and other payables	79,633	81,616	79,633	81,616
Tenant deposits	19,518	15,205	19,518	15,205
Other long-term liabilities	1,811	2,198	1,811	2,198
TOTAL	**1,840,528**	**1,727,291**	**1,839,880**	**1,727,291**

The assets and liabilities included in the above table are carried at amortised cost. Their carrying values are a reasonable approximation of fair value.

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.

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
Intercompany receivable	11	40,674	40,674
Loans granted to joint ventures	27	25,792	31,015
Trade and other receivables	13	26,470	24,001
Cash and cash equivalents	14	157,018	46,227
Non-current receivable	11	4,208	-
Interest rate derivatives financial assets at fair value through profit or loss		-	6
TOTAL		**254,162**	**141,923**

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.

Ageing of trade receivables/past due but not impaired	Group 31 Dec 2017	Group 31 Dec 2016
Receivables not due	**16,583**	**15,882**
Receivables past due but not impaired	**4,706**	**4,409**
Under 30 days	2,816	3,720
30–60 days	428	245
60–90 days	174	93
Over 90 days	1,288	351
TOTAL TENANTS RECEIVABLES (NOTE 13)	**21,289**	**20,291**

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 €26 thousand was considered unlikely to be recovered in respect of 2017 period revenues, 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 management 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.

As at year-end, the Group had undrawn amounts of €380,000 thousand from the unsecured revolving credit facilities. Further reference to bank loan maturity analysis is made in Note 17. 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	17	20,952	24,797	642,815	506,203	1,194,767
Intercompany borrowings	17	-	-	1,564,399	-	1,564,399
Trade and other payables	18	15,927	63,706	-	-	79,633
Other long-term liabilities	19	-	-	-	1,811	1,811
TOTAL		**36,879**	**88,503**	**2,207,214**	**508,014**	**2,840,610**

Group 31 Dec 2016	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans	17	51,967	16,808	611,085	44,574	724,434
Intercompany borrowings	17	-	25,738	1,334,402	-	1,360,140
Trade and other payables	18	16,323	65,293	-	-	81,616
Other long-term liabilities	19	-	-	-	15,205	15,205
TOTAL		**68,290**	**107,839**	**1,945,487**	**59,779**	**2,181,395**

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), Bulgarian Lev (BGN), Serbian dinar (RSD), Czech crown (CZK) and Croatian kuna (HRK).

Cash inflows received in other currencies than Euro are converted to Euro using the spot rate available on the collection date. Most of the contracts with Group tenants are concluded in Euro and the cash inflows received in local currency are their Euro equivalent at the spot rate on collection date, therefore limiting the currency risk for the Group.
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. Group's ultimate parent company, NRP, held interest rate swaps and interest rate caps which covered the entire value of the loans held by the Group, as illustrated in the table below.

The inter-company borrowings bear no interest rate risk, as they are with fixed interest rate.

	Group 31 Dec 2017	Group 31 Dec 2016
Bank loans*	175,756	268,132
— Rate capped	175,756	174,976
— Rate swapped	-	93,156

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 swapped interest rates are not affected by market changes in interest rates.

Group 31 Dec 2017	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans and borrowings (variable or capped rate)	(1,758)	1,758	(1,758)	1,758

Group 31 Dec 2016	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans and borrowings (variable or capped rate)	(1,750)	1,750	(1,750)	1,750

7. INTERNAL CONTROLS TO MANAGE RISKS

Management 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 management;
- Financial monitoring: profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to management 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 increased to 27.7% (31 December 2016: 26.6%).

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. 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 26)	461,678	470,100
Transferred from Investment property under development (Note 10)	135,771	164,959
Transferred from investment property held for sale as an effect of acquisition of non-controlling interest (Note 15)	-	1,291
Fair value adjustments (Note 24)	168,757	158,391
CARRYING VALUE	**3,136,966**	**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 direct capitalisation methods.

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). Discussions of valuation processes and results are held between the CFO, 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; and
- holds discussions with the independent valuer;

As at 31 December 2017, the investment property at fair value portfolio had a vacancy rate of 3% (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 6% and 14.19% (31 December 2016 between 6.16% and 14.88%). The Group's resulting weighted average net yield was 7% for the entire property portfolio (retail: 6.9%; office: 7.53%; industrial: 11.73%). For the period ended 31 December 2016, the Group's resulting weighted average net 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 7% from above would result in a €108,123 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 categorized within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are detailed below:

Unobservable input	Impact on fair value of increase in input
Estimated rental value	Increase
Discount rate	Decrease
Capitalisation rate for terminal value	Decrease

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 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 – 19,859 (10,288*)	7.85 – 11.00 (8.94*)	6.25 – 9.50 (7.31*)
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	-	19,000
Additions from asset deals and construction in progress	132,058	162,867
Fair value adjustments (Note 24)	6,162	(5,672)
Assets which became operational and were transferred to Investment property in use (Note 9)	(99,111)	(164,719)
CARRYING VALUE	**183,191**	**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	4,853	12,292
Fair value adjustments (Note 24)	-	(4,246)
Assets which became operational and were transferred to Investment property in use (Note 9)	(36,660)	(240)
Investment property under development reclassified as held for sale (Note 15)	(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.
The construction works in the investment property under development are held at cost, but their carrying value is a reasonable approximation of their fair value.

Additions from asset deals include land purchased for development of retail and office projects. Borrowing costs capitalised in 2017 amount to €4,142 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	183,191	144,082
Office	-	31,930
TOTAL	**183,191**	**176,012**

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2017 is presented in the table below:

Segment	Estimated rental value (€/ sqm)	Capitalisation rate for terminal value (%)
Retail	9 – 20	8.00 – 9.25
Office	17 – 20	7.0 – 7.3

11. OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

	Group 31 Dec 2017	Group 31 Dec 2016
Intercompany receivable	40,674	40,674
Non-current receivables	4,952	1,744
Property, plant and equipment and intangible assets	1,944	801
TOTAL	**47,570**	**43,219**

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
Paradise Center	Retail	–	–	–	9,312	–	9,312
TOTAL		**23,986**	**34,404**	**58,390**	**9,312**	–	**67,702**

No impairment charge arose as a result of the impairment test. The recoverable amounts of the CGUs, except for Nepi Investment Management, 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 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. TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2017	Group 31 Dec 2016
VAT receivable	12,626	16,538
Tenant receivables	21,289	20,291
Other receivables	1,357	1,165
Prepaid property expenses	3,592	2,433
Other prepaid fees	232	112
TOTAL	**39,096**	**40,539**

14. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2017	Group 31 Dec 2016
EUR	118,342	23,573
RON	24,529	18,361
BGN	7,497	-
HRK	4,679	3,027
CZK	1,389	892
RSD	573	365
USD	9	9
TOTAL	**157,018**	**46,227**

Details of cash and cash equivalents by type	Group 31 Dec 2017	Group 31 Dec 2016
Current accounts	94,388	36,015
Deposits	62,186	10,094
Petty cash and other values	444	118
TOTAL	**157,018**	**46,227**

15. 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 24)	(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.

16. EQUITY

At 31 December 2017, the Company has converted part of its outstanding debt towards Nepiom Ltd, in amount of €89,030 thousand, into equity contributions. This has been achieved by way of a four party assignment agreement between NRP plc, NEPIOM Ltd, NEPI Holdings Ltd (Company's member) and the Company, whereby the above mentioned amount has been assigned by NEPIOM Ltd to NEPI Holdings Ltd, the latter becoming the new creditor towards the Company of the said amount. The resulting loan payable by the Company to NEPI Holdings Ltd has been converted effective as of 31 December 2017 into a capital contribution on NEPI Holdings Ltd's membership rights in the Company.

In addition, at 31 December 2017, Company's equity has been increased with an amount of €36,998 thousand as a result of guarantee fee, royalty fee and other management fee payable for the year 2017 conversion to equity contributions. This has been achieved through a three party agreement between NRP plc, NEPI Holdings Ltd (Company's member) and the Company, whereby the parties agree that NRP plc waives its right to receive the named fees in exchange of a capital contribution on its shares in NEPI Holdings Ltd, and NEPI Holdings Ltd considers the amount contributed as a capital contribution on its membership rights in the Company.

17. BORROWINGS (BONDS, BANK AND OTHER 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 with Rockkastle, 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 NRP 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.
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 2.9% 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 84% of the Group's outstanding debt towards non NRP Group lenders, and out of the remaining debt exposed to Euribor, 100% was hedged with interest rate caps.

The Group 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
Aupark Kosice Mall & Tower	Term loan	5,526	88,421	-	93,947
Aupark Zilina	Term loan	2,379	60,323	-	62,702
Aupark Shopping Center Piestany	Term loan	396	18,711	-	19,107
Accrued interest on loans and deferred loan costs		(224)	(363)	-	(587)
Accrued interest on bonds		13,527	-	-	13,527
Deferred bond costs		(1,623)	(4,083)	(596)	(6,302)
Issue discount on bonds		(1,032)	(3,379)	(1,224)	(5,635)
Total		**18,949**	**559,630**	**498,180**	**1,076,759**

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
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		(328)	(516)	-	(844)
Accrued interest on bonds		12,852	-	-	12,852
Deferred bond costs		(1,288)	(3,968)	-	(5,256)
Issue discount on bonds		(329)	(965)	-	(1,294)
Total		**68,774**	**611,088**	**44,572**	**724,434**

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	**268,132**	**456,302**	**724,434**
Cash repayments of principal	(103,221)	(50,000)	**(153,221)**
Cash proceeds from bank loans or bonds	10,000	500,000	**510,000**
Cash payments of interest on bank loans or coupon on bonds	(3,205)	(15,895)	**(19,100)**
Accrued interest or coupon / charge to accrued interest	346	10,872	**11,218**
Other non-cash items	3,117	311	**3,428**
Debt as at 31 December 2017	**175,169**	**901,590**	**1,076,759**

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%.

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.

NE Property Cooperatief U.A. – loan facility with Nepiom Limited
The Group concluded a term loan facility with an affiliated company, Nepiom Limited dated 1 July 2013 for €500,000 thousand. The facility has been increased to €750,000 thousand effective from 31 December 2013 and to €2,000,000 thousand effective from 31 July 2014, respectively. Interest has been charged at 9% per annum with the outstanding facility and is repayable at 31 December of each subsequent year starting on 31 December 2013. In 2016, the interest rate has been changed to 7.80% effective from 1 October 2016. The final maturity date of the facility is 31 December 2020. Carrying amount of the loan from Nepiom limited approximates the fair value of the loan.

The repayment profile of the Group's outstanding intercompany loans is set out in the table below:

Intercompany borrowings Group, 31 Dec 2017	Type	Payable in less than 1 year	Payable in 1–5 years	Payable over 5 years	Total
Nepiom Limited	Term loan	–	1,564,399	–	1,564,399

Intercompany borrowings Group, 31 Dec 2016	Type	Payable in less than 1 year	Payable in 1–5 years	Payable over 5 years	Total
Nepiom Limited	Term loan	25,738	1,334,402	–	1,360,140

At 31 December 2017, the Company has converted part of its outstanding debt towards Nepiom Ltd, in amount of €89,030 thousand, into equity contributions. This has been achieved by way of a four party assignment agreement between NRP plc, NEPIOM Ltd, NEPI Holdings Ltd (Company's member) and the Company, whereby the above mentioned amount has been assigned by NEPIOM Ltd to NEPI Holdings Ltd, the latter becoming the new creditor towards the Company of the said amount. The resulting loan payable by the Company to NEPI Holdings Ltd has been converted effective as of 31 December 2017 into a capital contribution on NEPI Holdings Ltd's membership rights in the Company.

18. TRADE AND OTHER PAYABLES

	Group 31 Dec 2017	Group 31 Dec 2016
Advances from tenants	23,922	22,619
Payable for assets under construction	23,575	18,960
Property related payables	22,509	16,371
Deferred consideration on business combinations	5,597	10,214
Accrued administrative expenses	2,685	8,487
Guarantee fee*	-	4,965
Tenant deposits	1,345	1,342
TOTAL	**79,633**	**82,958**

* On 1 October 2016, the Company concluded a service agreement with its ultimate parent, NRP plc, which states that the Company will pay an annual guarantee fee to NRP plc for its role of guarantor under the external financing agreements concluded by the Company, namely issued fixed coupon bonds, revolving facilities and any other secured or un-secured financing arrangements that the Company can enter into in the future.

At 1 October 2016, NRP plc has converted its receivable related to the guarantee fee for financial years 2015 and 2016 (for the period 1 January – 30 September) into equity contributions. This has been achieved through a three party agreement dated 1 October 2016, between NEPI plc, NEPI Holdings Ltd (Company's member) and the Company, whereby the parties agree that NRP plc waives its right to receive the guarantee fee in exchange of a capital contribution on its shares in NEPI Holdings Ltd, and NEPI Holdings Ltd considers the amount contributed as a capital contribution on its membership rights in the Company. The payable balance outstanding as at 31 December 2016 in the table above represents the guarantee fee under the new service agreement concluded on 1 October 2016 (for the period 1 October – 31 December 2016). For the purpose of the cash flow statement, this transaction is a non-cash transaction.

At 31 December 2017, Company's equity has been increased with an amount of €36,998 thousand as a result of guarantee fee, royalty fee and other management fee payable to NRP plc conversion to equity contributions. This has been achieved through a three party agreement between NRP plc, NEPI Holdings Ltd (Company's member) and the Company, whereby the parties agree that NRP plc waives its right to receive the named fees in exchange of a capital contribution on its shares in NEPI Holdings Ltd, and NEPI Holdings Ltd considers the amount contributed as a capital contribution on its membership rights in the Company.

19. OTHER LONG-TERM LIABILITIES

	Group 31 Dec 2017	Group 31 Dec 2016
Tenant deposits	19,570	15,205
Provisions	1,759	2,198
TOTAL	**21,329**	**17,403**

20. CURRENT AND DEFERRED INCOME TAX

	Group 31 Dec 2017	Group 31 Dec 2016
Current tax expense	2,646	1,664
Deferred tax expense	51,858	34,808
TAX EXPENSE	**54,504**	**36,472**
Deferred tax brought forward	158,864	89,652
Deferred tax expense	51,858	34,808
Deferred tax acquired in business combinations (Note 26)	13,112	34,404
NET DEFERRED TAX LIABILITY CARRIED FORWARD, OUT OF WHICH:	**223,834**	**158,864**
DEFERRED TAX ASSET	(3,299)	-
DEFERRED TAX LIABILITY	227,133	158,864

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

	Group 31 Dec 2017	Group 31 Dec 2016
Tax losses	135,006	185,204
Temporary differences between accounting and tax value of investment property	(1,499,756)	(1,110,121)
NET DEFERRED TAX LIABILITY	**(223,834)**	**(158,864)**

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
Netherlands	25%[1]	25%[1]
Romania	16%	16%
Slovakia	21%[2]	22%[2]
Serbia	15%	15%
Czech Republic	19%	19%
Croatia	18%	20%[3]
Bulgaria	10%	-

1) This rate applies to taxable profits above €0.2million and a 20% tax rate to lower amounts.

2) 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.

3) 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 theoretical tax expense and the effective tax expense ids presented below, separated on reconciliations prepared using the domestic rate in each individual jurisdiction.

	Romania	Slovakia	Croatia	Czech Republic	Bulgaria	Serbia	Total
Accounting profit	284,870	47,894	20,685	10,759	10,385	5,206	**379,799**
Tax at the domestic rates applicable to profits in the country concerned	45,579	10,058	3,723	2,044	1,039	781	**63,224**
Tax effect of Joint Ventures	(3,035)	-	-	-	-	-	**(3,035)**
Tax effect of (non-taxable income)/ expenses that are not deductible for tax purposes	(5,836)	120	1,022	(379)	(83)	(529)	**(5,685)**
Tax expense	36,708	10,178	4,745	1,665	956	252	**54,504**

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 profit before taxation	211,033	99,177
At Company's income tax rate 25% (2016: 25%)	(52,758)	(24,794)
Effect of other 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 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	(440)	(6)
- Deferred tax expense for taxable temporary differences (net)	(1,225)	(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 expense reported in the income statement	**(54,504)**	**(36,472)**
Effective tax rate, including deferred tax expense (%)	***25.83%***	***36.77%***

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
Deferred tax liability (net)	**31-Dec-17**	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Acquired under business combinations (note 26)	(13,124)	(34,404)	-	-
Recognised unused tax losses	-	*3,953*	-	-
Deferred tax liability on investment property valuation	*(13,124)*	*(38,357)*	-	-
Valuation of investment property at fair value	(232,381)	(149,722)	(44,314)	(26,370)
Recognised unused tax losses	21,671	26,356	(8,638)	(7,344)
Corrections	-	(1,094)	1,094	(1,094)
Total	**(223,834)**	**(158,864)**	**(51,858)**	**(34,808)**

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate fiscal losses of €184,237 thousand (31 December 2016: €237,569 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 €49,231 thousand (31 December 2016: €52,366 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 expiry dates for these losses are as follows:

	Group	**Group**
	31 Dec 2017	31 Dec 2016
2017	-	2,197
2018	408	21
2019	2,601	4,063
2020	4,264	4,317
2021	2,162	1,972
2022	7,891	7,891
2023	8,394	8,394
2024	10,897	10,897
2025	12,614	12,614
Total	**49,231**	**52,366**

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.

21. NET RENTAL AND RELATED INCOME

	Group 31 Dec 2017	Group 31 Dec 2016
Rent	191,415	147,454
Service charge recoveries	44,275	32,751
Other recoveries	37,454	29,585
Revenues from rent and recoveries	**273,144**	**209,790**
Property management, tax, insurance and utilities	(49,926)	(38,119)
Property maintenance cost	(30,844)	(25,395)
Provisions and allowances for doubtful debts	(696)	(844)
Property operating expenses	**(81,466)**	**(64,358)**
TOTAL	**191,678**	**145,432**

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	213,988	171,536
Later than 1 year and not later than 5 years	519,934	438,508
Later than 5 years	160,436	294,721
TOTAL	**894,358**	**904,765**

22. ADMINISTRATIVE EXPENSES

	Group 31 Dec 2017	Group 31 Dec 2016
Staff costs*	(4,954)	(5,163)
Audit and advisory services	(2,554)	(1,815)
Travel and accommodation	(15)	(164)
Companies administration	(3,230)	(2,960)
TOTAL	**(10,753)**	**(10,102)**

** Staff costs capitalised as investment property under development in 2017 amount to €1,961 thousand (2016: €2,014 thousand).*

23. ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2017	Group 31 Dec 2016
Fees for finalised acquisitions	(3,869)	(2,760)
Fees for ongoing acquisitions	(498)	(378)
Fees for terminated acquisitions	(563)	(296)
TOTAL	**(4,930)**	**(3,434)**

24. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

	Group 31 Dec 2017	Group 31 Dec 2016
Fair value adjustments of investment property in use (Note 9)	168,757	158,391
Fair value adjustments of investment property under development (Note 10)	6,162	(9,918)
Fair value adjustments of investment property held for sale (Note 15)	(833)	(5,310)
TOTAL	**174,086**	**143,163**

25. NET FINANCE INCOME/(EXPENSE)

	Group 31 Dec 2017	Group 31 Dec 2016
Interest income on loans granted	2,520	3,650
Interest on bank deposits	16	587
Interest and penalties on receivables	41	13
Finance income	**2,577**	**4,250**
Interest expense on financial liabilities measured at amortised cost	(4,963)	(4,187)
Interest expense capitalised on developments	4,142	5,765
Interest expense on intercompany borrowings	(115,871)	(119,758)
Other intercompany finance expense*	(20,749)	(50,238)
Bonds borrowing costs**	(18,305)	(16,737)
Bank charges	(1,591)	(645)
Finance expense	**(157,337)**	**(185,800)**
TOTAL	**(154,760)**	**(181,550)**

** Other intercompany finance expense represent guarantee fees.*

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

26. BUSINESS COMBINATIONS AND SIGNIFICANT ASSET DEALS

During 2017, the Group continued its expansion within CEE, entering the Bulgarian market. In some cases, 100% of equity interests were acquired, whereas in others the Group acquired investment property. For further details see Note 12.

Serdika Center and Office

The Group acquired Serdika Center, a 51,500m² 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 28,500m² 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	(2,453)
Total identifiable net assets at fair value	**204,401**
Total consideration paid in cash	**204,401**

**out of which cash in the subsidiaries acquired in the transaction amounts to €2,885 thousand*

Paradise Center

The Group acquired Paradise Center, the largest modern shopping centre in Sofia with 82,000m² 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*

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	Paradise Center	Total
Profit after tax	13,042	2,724	**15,766**
Recoveries and contractual rental income	8,207	1,755	**9,962**

27. **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 the Company. 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%.

28. 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	**163,774**	**26,102**	**1,802**	**-**	**191,678**
Revenue from rent and recoveries	236,055	35,059	2,030	-	273,144
Property operating expenses	(72,281)	(8,957)	(228)	-	(81,466)
Administrative expenses	(1,474)	(992)	(17)	(8,270)	(10,753)
Acquisition fees	(4,708)	(217)	(5)	-	(4,930)
Fair value adjustments of investment property	161,086	12,541	459	-	174,086
Foreign exchange gain/(loss)	(598)	(108)	(22)	(58)	(786)
Gain/(Loss) on disposal of investment property	(102)	540	-	-	438
Profit before Net finance expense	**317,978**	**37,866**	**2,217**	**(8,328)**	**349,733**

Segment results 31 Dec 2016	Retail	Office	Industrial	Corporate	Total
Net rental and related income	**121,276**	**22,356**	**1,800**	**-**	**145,432**
Revenue from rent and recoveries	177,514	30,263	2,013	-	209,790
Property operating expenses	(56,238)	(7,907)	(213)	-	(64,358)
Administrative expenses	(5,147)	(563)	(48)	(4,344)	(10,102)
Acquisition fees	(4,339)	-	-	905	(3,434)
Fair value adjustments of investment property	138,196	5,700	(733)	-	143,163
Foreign exchange gain/(loss)	(177)	4	3	(21)	(191)
Loss on disposal of investment property held for sale	(140)	(345)	-	-	(485)
Other operating income	(16)	15	1	-	-
Profit before Net finance expense	**249,653**	**27,167**	**1,023**	**(3,460)**	**274,383**

Segment assets and liabilities 31 Dec 2017	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**3,046,109**	**436,776**	**16,234**	**6,257**	**3,505,376**
Investment property	2,911,092	392,831	16,234	-	3,320,157
—Investment property in use	2,727,901	392,831	16,234	-	3,136,966
—Investment property under development	183,191	-	-	-	183,191
Goodwill	51,510	10,310	-	5,882	67,702
Deferred tax assets	3,016	283	-	-	3,299
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	44,242	2,953	-	375	47,570
Current assets	**73,273**	**15,287**	**670**	**106,884**	**196,114**
Trade and other receivables	31,882	5,726	89	1,399	39,096
Cash and cash equivalents	41,391	9,561	581	105,485	157,018
Investment property held for sale	**1,528**	**8,710**	-	-	**10,238**
TOTAL ASSETS	**3,120,910**	**460,773**	**16,904**	**113,141**	**3,711,728**
SEGMENT LIABILITIES					
Non-current liabilities	**373,427**	**39,954**	**2,171**	**2,455,119**	**2,870,671**
Intercompany borrowings	-	-	-	1,564,399	1,564,399
Bank loans	157,004	10,086	-	-	167,090
Bonds	-	-	-	890,720	890,720
Deferred tax liabilities	201,302	25,329	502	-	227,133
Other long-term liabilities	15,121	4,539	1,669	-	21,329
Current liabilities	**71,260**	**13,128**	**405**	**13,789**	**98,582**
Trade and other payables	63,804	12,507	405	2,917	79,633
Bank loans	7,456	621	-	-	8,077
Bonds	-	-	-	10,872	10,872
TOTAL LIABILITIES	**444,687**	**53,082**	**2,576**	**2,468,908**	**2,969,253**

Segment assets and liabilities 31 Dec 2016	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
SEGMENT ASSETS					
Non-current assets	**2,272,377**	**366,165**	**15,775**	**47,108**	**2,701,425**
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	-	41,226	43,219
Financial assets at fair value through profit or loss	3	3	-	-	6
Current assets	**63,692**	**9,568**	**468**	**13,038**	**86,766**
Trade and other receivables	35,457	4,366	80	636	40,539
Cash and cash equivalents	28,235	5,202	388	12,402	46,227
Investment property held for sale	**2,375**	**13,150**	-	-	**15,525**
TOTAL ASSETS	**2,338,444**	**388,883**	**16,243**	**60,146**	**2,803,716**
SEGMENT LIABILITIES					
Non-current liabilities	**304,312**	**36,279**	**2,101**	**1,823,637**	**2,166,329**
Intercompany borrowings	-	-	-	1,334,402	1,334,402
Bank loans	154,886	10,707	-	95,000	260,593
Bonds	727	125	5	394,210	395,067
Deferred tax liabilities	136,642	21,769	428	25	158,864
Other long-term liabilities	12,057	3,678	1,668	-	17,403
Current liabilities	**64,715**	**12,826**	**418**	**99,511**	**177,470**
Trade and other payables	57,554	12,205	418	12,781	82,958
Intercompany borrowings		-	-	25,738	25,738
Bank loans	7,161	621	-	(243)	7,539
Bonds	-	-	-	61,235	61,235
TOTAL LIABILITIES	**369,027**	**49,105**	**2,519**	**1,923,148**	**2,343,799**

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
Bulgaria	7,297	10,385	476,180
Slovakia	26,633	47,894	405,065
Croatia	15,679	20,685	245,275
Czech Republic	5,497	10,759	87,970
Serbia	3,313	5,206	111,724
Holding	-	(168,766)	-
Total	**191,678**	**211,033**	**3,320,157**

Country results 31 Dec 2016	Net rental and related income	Profit before tax	Investment property
Romania	113,680	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	-	(186,576)	-
Total	**145,432**	**99,177**	**2,546,772**

**The Holding segment represents management and holding entities in The Netherlands.*

29. 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 €49,440 thousand (31 December 2016: €37,671 thousand) and from suppliers worth €14,376 thousand (31 December 2016: €11,212 thousand) related to ongoing developments.

Capital expenditure commitments

Contractual obligations to construct or develop investment properties totaled €65 million at 31 December 2017 (2016: €10.6 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Fiscal Unity

NE Property Cooperatief U.A. is part of a fiscal unity for corporate income tax, and is therefore jointly and severally liable for the tax payable by the fiscal unity as a whole.

30. RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The subsidiaries and the Company directors are related parties for the Company. The subsidiaries of the Company are detailed in Note 32. Other companies from the NRP Group are Nepi Rockcastle plc, Nepiom Limited, Nepi Investments Limited, Nepi Holdings Limited.
Directors' fees were of €196 thousand in the year ended 31 December 2017 and €241 thousand in the year ended 31 December 2016. No other payments were made to Directors, except for reimbursements of travel and accommodation.

Material related party transactions

Other related party transactions are Intercompany borrowings (presented in Note 17, Note 25 and Note 39), guarantee fee charged by NRP plc to the Company (presented in Note 17, Note 25 and Note 39 as "Other intercompany finance expense") and royalty fees charged by NRP plc to the Company (presented in Note 38).

Transactions with joint ventures are presented in Note 26.

31. 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.

Management is 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.

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
After profit appropriation

	Note	Company 31 Dec 2017	Company 31 Dec 2016
ASSETS			
Non-current assets		**2,734,545**	**2,142,565**
Investments in subsidiaries	33	416,576	368,584
Loans granted to subsidiaries	33	2,313,625	1,773,633
Other long-term assets		4,344	348
Current assets		**166,029**	**88,701**
Trade and other receivables	34	4,379	3,829
Loans granted to subsidiaries	33	57,492	72,631
Cash and cash equivalents	35	104,158	12,241
TOTAL ASSETS		**2,900,574**	**2,231,266**
EQUITY AND LIABILITIES			
Equity		**418,215**	**302,247**
Share capital	37	508,895	382,866
Accumulated profit		(90,680)	(80,619)
Total liabilities		**2,482,359**	**1,929,019**
Non-current liabilities		**2,467,939**	**1,824,063**
Intercompany borrowings		1,576,791	1,334,775
Bank loans	17	-	95,000
Bonds	17	891,148	394,288
Current liabilities		**14,420**	**104,956**
Trade and other payables	36	3,011	15,940
Intercompany borrowings	17	758	26,420
Bank loans	17	(418)	(243)
Bonds	17	11,069	62,839
TOTAL EQUITY AND LIABILITIES		**2,900,574**	**2,231,266**

All amounts in Thousand Euro unless otherwise stated

STATEMENT OF COMPREHENSIVE INCOME

	Note	Company 31 Dec 2017	Company 31 Dec 2016
Administrative expenses	38	(7,843)	(5,753)
Acquisition fees		(1,445)	(2,337)
Other operating income		6,622	5,080
Loss before net finance expense		**(2,666)**	**(3,010)**
Net finance expense	39	**(7,395)**	**(47,213)**
Finance income		157,684	173,653
Impairment expense		(6,898)	(32,616)
Finance expense		(158,181)	(188,250)
Loss before tax		**(10,061)**	**(50,223)**
Income tax expense		-	-
Loss after tax		**(10,061)**	**(50,223)**
Total comprehensive income for the year		**(10,061)**	**(50,223)**

All amounts in Thousand Euro unless otherwise stated

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
Balance at 1 January 2016	**36,389**	**(30,396)**	**5,993**
– Increase in equity contributions	346,477	–	346,477
– Loss for the year	–	(50,223)	(50,223)
BALANCE AT 31 DECEMBER 2016	**382,866**	**(80,619)**	**302,247**
Balance at 1 January 2017	**382,866**	**(80,619)**	**302,247**
– Increase in equity contributions	126,029	–	126,029
– Loss for the year	–	(10,061)	(10,061)
BALANCE AT 31 DECEMBER 2017	**508,895**	**(90,680)**	**418,215**

All amounts in Thousand Euro unless otherwise stated

STATEMENT OF CASH FLOWS

	Note	Company 31 Dec 2017	Company 31 Dec 2016
OPERATING ACTIVITIES			
Loss after tax		(10,061)	(50,223)
Adjustments			
Other operating income		-	(5,080)
Other administrative expenses	38	5,548	-
Net finance expense	39	7,395	47,213
Depreciation expense		263	-
Operating profit/ (loss) before changes in working capital		**3,145**	**(8,090)**
Changes in working capital			
(Increase)/decrease in trade and other receivables		(543)	5,248
Increase/(decrease) in trade and other payables		(11,981)	4,544
Interest paid		(146,514)	(83,042)
Interest received		169,535	174,537
CASH FLOWS FROM OPERATING ACTIVITIES		**13,642**	**93,197**
INVESTING ACTIVITIES			
Investments in acquisitions and developments			
Acquisition of other long-term assets		(51)	(162)
Loans granted to third parties		(4,208)	-
Investments in subsidiaries	33	(654)	(109,625)
Loans granted to subsidiaries	33	(630,519)	(650,325)
Repayments of loans to subsidiaries	33	40,024	70,003
CASH FLOWS USED IN INVESTING ACTIVITIES		**(595,408)**	**(690,109)**
FINANCING ACTIVITIES			
Proceeds from intercompany borrowings	17	318,683	185,484
Proceeds from bank loans	17	-	130,000
Proceeds from bonds	17	500,000	50,000
Repayment of bank loans	17	(95,000)	(35,000)
Repayment of bonds		(50,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		**673,683**	**330,484**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**91,917**	**(266,428)**
Cash and cash equivalents brought forward	35	12,241	278,669
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	**104,158**	**12,241**

All amounts in Thousand Euro unless otherwise stated

NOTES TO THE COMPANY FINANCIAL STATEMENTS

32. BASIS OF PREPARATION

The company financial statements of NE PROPERTY COOPERATIEF U.A ("the Company") have been prepared in accordance with IFRS as adopted by European Union.
In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements. For an appropriate interpretation, the company financial statements of NE PROPERTY COOPERATIEF U.A should be read in conjunction with the consolidated financial statements.
All amounts are presented in €'000, unless stated otherwise. The balance sheet and income statement references have been included. These refer to the notes.

33. 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. In the Company's financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The assessment of recoverability of investments in subsidiaries carried out by management as at 31 December 2017 resulted in an impairment of €6,780 thousand (31 December 2016: €32,452 thousand).

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	31 Dec 2017	31 Dec 2016
Arena Center Zagreb d.o.o.	2006/ Nov 2016	Croatia	Property-owning	Direct	100	54,369	54,630
AUPARK Kosice SC, s.r.o.	Nov 2008/Dec 2014	Slovakia	Services	Direct	100	3,235	2,735
AUPARK Kosice, spol. s.r.o.	Jan 2004/Dec 2014	Slovakia	Property-owning	Direct	100	11,167	10,167
AUPARK Piestany SC, s.r.o.	Nov 2008/ Aug 2016	Slovakia	Services	Direct	100	1,226	16,015
AUPARK Piestany, spol. s.r.o.	Apr 2004/ Aug 2016	Slovakia	Property-owning	Direct	100	5,034	2,199
AUPARK Tower Kosice, s.r.o.	Nov 2008/Dec 2014	Slovakia	Property-owning	Direct	100	3,401	3,401
AUPARK Žilina SC a.s.	Oct 2008/ Aug 2013	Slovakia	Services	Direct	100	900	900
AUPARK Žilina spol. s.r.o.	Dec 2003/ Aug 2013	Slovakia	Property-owning	Direct	100	16,963	16,963
Aurora Mall Buzau SRL	Oct 2012	Romania	Property-owning	Direct	100	2	2
Braila Promenada Mall SRL	Sep 2009	Romania	Property-owning	Indirect	100	8,300	8,300
Brasov Shopping City SRL	Jun 2011	Romania	Property-owning	Direct	100	-	2
Bulfeld EOOD	April 2007/ Dec 2017	Bulgaria	Property-owning	Indirect	100	130,894	-

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	31 Dec 2017	31 Dec 2016
CEE Property Bulgaria EOOD	Jul 2008/ Aug 2017	Bulgaria	Property-owning	Indirect	100	17,927	-
City Park Constanta SRL (previously named Everest Investitii si Consultanta SRL)	Feb 2005/ Nov 2013	Romania	Property-owning	Indirect	100	33,120	28,975
Cluj Business Centre SRL **	Jul 2012	Romania	Property-owning	Direct	50	*	*
Constanta Shopping City SRL (previously named Nepi Five Property Development SRL)	Mar 2013	Romania	Property-owning	Direct	100	2	2
Deva Shopping City SRL (previously named Mercureal SRL)	Jul 2005/ Aug 2013	Romania	Property-owning	Direct	100	2	2
E-power Supply Czech sro	Jul 2017	Czech Republic	Services	Direct	100	*	-
E-Power Supply d.o.o. Beograd	Jul 2017	Serbia	Services	Direct	100	*	-
E-power supply EOOD	Nov 2017	Bulgaria	Services	Direct	100	*	-
E-power supply management doo	Sept 2017	Croatia	Services	Direct	100	3	-
E-Power Supply s.r.o.	Nov 2015	Slovakia	Services	Direct	100	105	55
FDC Braila B.V.	Sep 2009	Netherlands	Holding	Direct	100	2,713	2,713
Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	Indirect	100	*	*

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	31 Dec 2017	31 Dec 2016
Floreasca Center SRL	Apr 2011/Nov 2014	Romania	Property-owning	Direct	100	27,044	27,044
FORUM Usti s.r.o.	Jan 2005/ Feb 2016	Czech Republic	Property-owning	Direct	100	37,840	37,840
Galati Shopping City SRL	Jun 2012	Romania	Property-owning	Direct	100	2	2
General Building Management SRL	Aug 2004/ Jan 2008	Romania	Property-owning	Direct	100	-	1,400
General Investment SRL	Mar 2003/ Jan 2008	Romania	Property-owning	Direct	100	2,326	2,686
HANSA Imobillien EOOD	Oct 2008/ Aug 2017	Bulgaria	Property-owning	Indirect	100	3,360	-
Ingen Europe B.V.	Dec 2010	Netherlands	Holding	Direct	100	18,273	18,273
INLOGIS VI s.r.o.	Jun 2011/Dec 2014	Slovakia	Property-owning	Direct	100	8,045	7,245
Iris Titan Shopping Center SRL (previously named Degi Titan SRL)	Apr 2005/Jul 2015	Romania	Property-owning	Indirect	100	43,078	43,078
Lakeview Office Building SRL	Jul 2004/ Jan 2013	Romania	Property-owning	Direct	100	13,529	13,529
Marketing Advisers SRL	Apr 2014	Romania	Services	Direct	100	10	2
Mega Mall Bucuresti SRL (previously named ELJ Vatra SRL)	Feb 2007/ Aug 2013	Romania	Property-owning	Direct	100	10,000	10,000

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	31 Dec 2017	31 Dec 2016
Modatim Business Facility SA	Nov 2015	Romania	Property-owning	Indirect	100	33,214	33,214
NEPI Bucharest One SRL	Sep 2007	Romania	Property-owning	Direct	100	-	3,845
NEPI Bucharest Two SRL	Dec 2007	Romania	Property-owning	Direct	100	1,630	1,630
NEPI Croatia Management d.o.o.	Jan 2017	Croatia	Services	Direct	100	3	-
NEPI Czech Management s.r.o.	Sep 2016	Czech Republic	Services	Direct	100	*	*
Nepi Eighteen Property Services SRL	Feb 2016	Romania	Property-owning	Direct	100	10	*
Nepi Fifteen Real Estate Administration SRL	Jan 2014	Romania	Property-owning	Direct	100	10	2
Nepi Four Real Estate Solutions SRL	Mar 2013	Romania	Property-owning	Direct	100	10	2
NEPI Investment Management SRL	Jun 2010	Romania	Services	Direct	100	7,207	7,207
NEPI Project Four EOOD	Nov 2017	Bulgaria	Property-owning	Direct	100	*	-
NEPI Project One EOOD	Mar 2017	Bulgaria	Property-owning	Direct	100	*	-
NEPI Project Three EOOD	Nov 2017	Bulgaria	Services	Direct	100	*	-
NEPI Project Two EOOD	May 2017	Bulgaria	Holding	Direct	100	*	-
NEPI Real Estate Development d.o.o.	Nov 2014	Serbia	Services	Direct	100	10	10

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	31 Dec 2017	31 Dec 2016
NEPI Real Estate Project One d.o.o.	Jan 2016	Serbia	Property-owning	Direct	100	1	1
Nepi Real Estate Project Three d.o.o.	Oct 2016	Serbia	Property-owning	Direct	100	1	1
NEPI Real Estate Project Two d.o.o.	Jan 2016	Serbia	Property-owning	Direct	100	1	1
Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	Direct	100	10	2
NEPI Six Development SRL	May 2012	Romania	Property-owning	Direct	100	10	2
Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	Direct	100	10	2
Nepi Slovak Centres One a.s.	Jul 2014	Slovakia	Services	Direct	100	25	25
NEPI Slovakia Management s.r.o.	Jun 2013/ Aug 2013	Slovakia	Services	Direct	100	385	335
NEPI Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	Direct	100	2	2
Nepi Three Building Management SRL	Mar 2013	Romania	Property-owning	Direct	100	-	2
New Energy Management SRL	Jan 2014	Romania	Services	Direct	100	2	2
NRE Sibiu Shopping City SRL	Jan 2007/ Mar 2016	Romania	Property-owning	Direct	100	35,377	35,377
Otopeni Warehouse and Logistics SRL	Sep 2010	Romania	Property-owning	Direct	100	1,807	1,807

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	31 Dec 2017	31 Dec 2016
Ploiesti Shopping City SRL **	Dec 2010/Feb 2012	Romania	Property-owning	Direct	50	5,693	2,927
Promenada Mall Bucuresti SRL (previously named Floreasca City Center SRL)	Oct 2005/Oct 2014	Romania	Property-owning	Direct	100	67,349	67,349
Ramnicu Valcea Shopping City SRL	Aug 2014	Romania	Property-owning	Direct	100	*	*
Real Estate Asset Management SRL	Jul 2014	Romania	Services	Direct	100	10	2
Retail Park Pitesti SRL	Jan 2010	Romania	Property-owning	Direct	100	13,010	4,010
SCP s.r.o.	Apr 2006/ Jul 2016	Slovakia	Property-owning	Direct	100	5,379	16,604
SEK d.o.o.	Jul 2007/Oct 2014	Serbia	Property-owning	Direct	100	11,465	11,465
Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	Direct	100	5,971	5,971
Shopping City Piatra Neamt SRL	Jan 2014	Romania	Property-owning	Direct	100	13,510	2
Shopping City Sibiu (previously named Bel Rom Trei SRL)	Aug 2008/ Mar 2016	Romania	Property-owning	Direct	100	6,637	6,637
Shopping City Timisoara SRL	Jun 2012	Romania	Property-owning	Direct	100	17,302	2
Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Holding	Direct	100	11	11

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	31 Dec 2017	31 Dec 2016
Targu Jiu Development SRL	Oct 2012	Romania	Property-owning	Direct	100	2	2
Targu Mures Shopping City SRL	Feb 2016	Romania	Property-owning	Direct	100	10	*
Timisoara City Business Center One SRL	Jan 2012	Romania	Property-owning	Direct	100	12,324	12,324
Timisoara Office Building SRL	Jan 2012	Romania	Property-owning	Direct	100	15,456	15,456
Victoriei Office Building SRL	Aug 2011	Romania	Property-owning	Direct	100	3,640	4,795
Vulcan Value Centre SRL	Apr 2012/ Sep 2013	Romania	Property-owning	Direct	100	5,002	5,002
					Sub-total direct investments	***416,576***	***368,584***
					Sub-total indirect investments	***298,790***	***175,604***

** less than €1 thousand*

*** joint venture companies*

**** dormant companies*

The Company has given loans to its subsidiaries that were included in the consolidated financial statements, and are detailed below.

Subsidiary/ joint venture	31 Dec 2017 Non current	31 Dec 2017 Current	31 Dec 2016 Non-current	31 Dec 2016 Current
Arena Center Zagreb d.o.o.	170,710	8,366	170,710	8,359
AUPARK Kosice SC, s.r.o.	1,124	3	2,083	-
AUPARK Kosice, spol. s.r.o.	22,334	59	22,869	-
AUPARK Piestany, spol. s.r.o.	12,040	32	18,155	350
AUPARK Tower Kosice, s.r.o.	6,796	50	7,389	42
AUPARK Žilina spol. s.r.o.	-	-	313	3
Aurora Mall Buzau SRL	6,854	35	7,493	16
Braila Promenada Mall SRL	70,938	2,304	66,640	5,137
Brasov Shopping City SRL	12,938	682	12,162	838
City Park Constanta SRL (previously named Everest Investitii si Consultanta SRL)	27,385	1,508	27,010	171
Cluj Business Centre SRL **	6,000	12	9,839	35
Constanta Shopping City SRL (previously named Nepi Five Property Development SRL)	74,984	712	68,706	6,252
Deva Shopping City SRL (previously named Mercureal SRL)	64,915	270	64,096	1,948
Floreasca Business Park SRL	58,860	114	60,562	408
Floreasca Center SRL	2,361	191	2,052	271
FORUM Usti s.r.o.	43,324	237	44,000	406
Galati Shopping City SRL	67,492	3,469	46,277	1,971
General Building Management SRL	3,527	215	4,481	413
General Investment SRL	8,590	45	9,952	569
INLOGIS VI s.r.o.	5,288	14	4,939	441
Iris Titan Shopping Center SRL (previously named Degi Titan SRL)	38,717	93	40,709	294
Lakeview Office Building SRL	46,338	670	47,221	409
Marketing Advisers SRL	260	16	143	8
Mega Mall Bucuresti SRL (previously named ELJ Vatra SRL)	268,393	5,270	268,595	530
Modatim Business Facility SA	5,026	12	7,443	15
NEPI Bucharest One SRL	12,483	265	12,469	138
NEPI Bucharest Two SRL	9,067	205	9,378	117
Nepi Eighteen Property Services SRL	40	2	5	-
Nepi Fifteen Real Estate Administration SRL	11,948	906	10,527	641
Nepi Four Real Estate Solutions SRL	36,090	2,877	28,821	3,125
NEPI Investment Management SRL	204	16	184	20
NEPI Project Four EOOD	11,019	45	-	-

Subsidiary/ joint venture	31 Dec 2017 Non current	31 Dec 2017 Current	31 Dec 2016 Non-current	31 Dec 2016 Current
NEPI Project One EOOD	204,407	1,708	-	-
NEPI Project Two EOOD	255,454	2,063	-	-
NEPI Real Estate Project One d.o.o.	62,050	3,618	31,400	2,050
NEPI Real Estate Project Two d.o.o.	5,516	412	5,020	46
Nepi Seventeen Land Development SRL	9	1	8	1
NEPI Six Development SRL	27	2	25	2
Nepi Sixteen Real Estate Investment SRL	49,840	3,986	44,895	4,946
NEPI Ten Development Solutions SRL	12,728	313	12,179	442
Nepi Three Building Management SRL	654	53	594	64
NRE Sibiu Shopping City SRL	50,435	2,979	48,732	1,702
Otopeni Warehouse and Logistics SRL	2,391	39	2,539	58
Ploiesti Shopping City SRL **	18,128	1,303	19,710	1,035
Promenada Mall Bucuresti SRL (previously named Floreasca City Center SRL)	117,599	1,549	112,906	7,240
Ramnicu Valcea Shopping City SRL	34,266	1,368	9,496	714
Real Estate Asset Management SRL	6	-	5	1
Retail Park Pitesti SRL	23,123	61	31,242	1,678
SCP s.r.o.	24,467	64	28,020	765
SEK d.o.o.	28,694	2,367	26,229	2,379
Severin Shopping Center SRL	22,620	85	22,735	1,660
Shopping City Piatra Neamt SRL	24,322	183	35,396	2,069
Shopping City Sibiu (previously named Bel Rom Trei SRL)	14,079	581	14,349	31
Shopping City Timisoara SRL	75,503	354	86,651	7,274
Sofia Commercial Centre EOOD	91	1	-	-
Targu Jiu Development SRL	35,825	149	35,315	611
Targu Mures Shopping City SRL	10,140	501	4,010	60
Timisoara City Business Center One SRL	19,286	1,136	19,623	13
Timisoara Office Building SRL	30,711	1,013	27,934	1,037
Victoriei Office Building SRL	34,404	2,656	29,532	2,847
Vulcan Value Centre SRL	50,805	252	49,865	979
Total	**2,313,625**	**57,492**	**1,773,633**	**72,631**

The assessment of recoverability of loans granted to subsidiaries carried out by management as at 31 December 2017 resulted in an impairment of €11,753 thousand (31 December 2016: €16,498 thousand). However, the term loan between the Company and Nepiom Limited stipulates that in case the Company cannot recover a certain portion of the loans granted to its subsidiaries (that are financed out of the term loan granted to the Company by Nepiom Limited), the Company may claim this uncollectable amount from Nepiom Limited, the obligation of the Company in respect to the uncollectable amount being limited to 1% of the amount. Therefore, the Company assigned the impairment charge in the amount of €11,635 thousand (31 December 2016: €16,333 thousand) to Nepiom Limited, recording in its account the remaining 1% of the total impairment charge, representing €118 thousand (31 December 2016: €165 thousand).

The current portion of loans granted to subsidiaries include interest accrued as at each year end. Carrying amounts of the loans granted to subsidiaries approximate the fair value of those loans. During 2017, the Company increased its investment in certain subsidiaries through conversion of loans to equity in total amount of €53,666 thousand (2016: €66,100 thousand).

No securities or guarantees have been agreed for intercompany loans. The contractual maturity is 31 December 2021 or 31 December 2017. For loans that expired as at 31 December 2017, management has classified these as non-current as they are not expected to be received in the next financial year. Interest rates on the intercompany loans were decreased from 12% to 8% effective 1 October 2016.

34. TRADE AND OTHER RECEIVABLES

	Company 31 Dec 2017	Company 31 Dec 2016
Receivable from group companies	3,928	3,798
Prepaid fees	111	7
Other receivables	340	24
TOTAL	**4,379**	**3,829**

35. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Company 31 Dec 2017	Company 31 Dec 2016
EUR	104,127	12,211
RON	31	30
TOTAL	**104,158**	**12,241**

36. TRADE AND OTHER PAYABLES

	Company 31 Dec 2017	Company 31 Dec 2016
Deferred consideration on business combinations	2,151	3,262
Administrative and secretarial accrued expenses	569	104
Guarantee fee*	-	4,965
Payable to group companies	291	7,609
TOTAL	**3,011**	**15,940**

* On 1 October 2016, the Company concluded a service agreement with its ultimate parent, NRP plc, which states that the Company will pay an annual guarantee fee to NRP plc for its role of guarantor under the external financing agreements concluded by the Company, namely issued fixed coupon bonds, revolving facilities and any other secured or un-secured financing arrangements that the Company can enter into in the future.

At 1 October 2016, NRP plc has converted its receivable related to the guarantee fee for financial years 2015 and 2016 (for the period 1 January – 30 September) into equity contributions. This has been achieved through a three party agreement dated 1 October 2016, between NEPI plc, NEPI Holdings Ltd (Company's member) and the Company, whereby the parties agree that NRP plc waives its right to receive the guarantee fee in exchange of a capital contribution on its shares in NEPI Holdings Ltd, and NEPI Holdings Ltd considers the amount contributed as a capital contribution on its membership rights in the Company. The payable balance outstanding as at 31 December 2016 in the table above represents the guarantee fee under the new service agreement concluded on 1 October 2016 (for the period 1 October – 31 December 2016).

At 31 December 2017, Company's equity has been increased with an amount of €36,998 thousand as a result of guarantee fee, royalty fee and other management fee payable to NRP plc conversion to equity contributions. This has been achieved through a three party agreement between NRP plc, NEPI Holdings Ltd (Company's member) and the Company, whereby the parties agree that NRP plc waives its right to receive the named fees in exchange of a capital contribution on its shares in NEPI Holdings Ltd, and NEPI Holdings Ltd considers the amount contributed as a capital contribution on its membership rights in the Company.

37. EQUITY

The difference between equity according to the company balance sheet and equity according to the consolidated balance sheet of €317,357 thousand (2016: €157,665 thousand), as well as the result according to the company income statement and result according to the consolidated income statement of €159,692 thousand (2016: €115,244 thousand) is due mainly to the following:

Retained earnings differences explained	**Company 31 Dec 2017**	**Company 31 Dec 2016**
(Profit)/loss attributable to non-	-	2,316
Eliminated Intercompany transaction	(164,497)	(142,396)
Share of profit of joint venture	16,068	6,383
Deferred tax expense	(51,858)	(34,808)
Current tax expense	(2,646)	(1,664)
Profit on disposal of investment property held for sale	438	(485)
Results of subsidiaries, net of	362,981	286,128
Other	(794)	(230)
Profit/loss difference	**159,692**	**115,244**
Acquisition of non-controlling interest	-	(22,124)
Differences from previous years	157,665	64,545
Accumulated profit	**317,357**	**157,665**

At 31 December 2017, the Company has converted part of its outstanding debt towards Nepiom Ltd, in amount of €89,030 thousand, into equity contributions. This has been achieved by way of a four party assignment agreement between NRP plc, NEPIOM Ltd, NEPI Holdings Ltd (Company's member) and the Company, whereby the above mentioned amount has been assigned by NEPIOM Ltd to NEPI Holdings Ltd, the latter becoming the new creditor towards the Company of the said amount. The resulting loan payable by the Company to NEPI Holdings Ltd has been converted effective as of 31 December 2017 into a capital contribution on NEPI Holdings Ltd's membership rights in the Company.

In addition, at 31 December 2017, Company's equity has been increased with an amount of €36,998 thousand as a result of guarantee fee, royalty fee and other management fee payable for the year 2017 conversion to equity contributions. This has been achieved through a three party agreement between NRP plc, NEPI Holdings Ltd (Company's member) and the Company, whereby the parties agree that NRP plc waives its right to receive the named fees in exchange of a capital contribution on its shares in NEPI Holdings Ltd, and NEPI Holdings Ltd considers the amount contributed as a capital contribution on its membership rights in the Company.

In accordance with the Company's Articles of Association, the directors propose to allocate the current year result to the accumulated losses.

38. ADMINISTRATIVE EXPENSES

	Company 31 Dec 2017	Company 31 Dec 2016
Staff costs*	(451)	(494)
Audit and advisory services	(1,126)	(934)
Travel and accommodation	(304)	(127)
Companies administration	(414)	(358)
Royalty fees - intra-group	(5,548)	(3,840)
TOTAL	**(7,843)**	**(5,753)**

During the year 2017, the average number of employees, based on full time equivalents, was 4 (2016: 4). The company did not have any employees working outside the Netherlands.

The statutory directors' remuneration is presented in the table below (in EUR):

	Jan van Vollenhoven	Eugen Barba	Mirela Covasa	Bogdan Voinescu	Total
2017	94,770	79,304	21,708	-	195,782
2016	86,963	87,917	18,071	47,570	240,521

Fees incurred with PwC were as follows:

2017	*PricewaterhouseCoopers Accountants N.V.* (€)	*Other PwC network* (€)	*Total PwC network* (€)
Audit of the financial statements	35,000	8,000	43,000
Other assurance procedures	54,450	20,336	74,786
	89,450	**28,336**	**117,786**

2016	*PricewaterhouseCoopers Accountants N.V.* (€)	*Other PwC network* (€)	*Total PwC network* (€)
Audit of the financial statements	30,000	8,000	38,000
Other assurance procedures	-	-	-
	30,000	**8,000**	**38,000**

39 NET FINANCE INCOME/(EXPENSE)

	Company 31 Dec 2017	Company 31 Dec 2016
Interest income from subsidiaries	157,674	173,125
Interest on bank deposits	10	528
Finance income	**157,684**	**173,653**
Interest expense on financial liabilities measured at amortised cost	(1,578)	(756)
Interest expense on intercompany borrowings	(116,072)	(119,889)
Impairment of investments in equity of controlled subsidiaries	(6,780)	(32,452)
Impairment of intercompany loans	(118)	(164)
Interest expense on bonds	(16,570)	(15,194)
Amortisation of bonds borrowings costs	(1,133)	(1,061)
Other intercompany finance expense*	(20,944)	(50,430)
Amortisation of bonds issue discount	(403)	(307)
Bank charges	(1,481)	(613)
Finance expense	**(165,079)**	**(220,866)**
TOTAL	**(7,395)**	**(47,213)**

* *Other intercompany finance expense represent guarantee fees.*

40. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Disclosures in relation to the Group's exposure to risks, as well as its objectives, policies and processes for measuring and managing risk made in note 6 are relevant to the Company as well. The Company's maximum exposure to credit risk at the reporting date is set out below.

Credit exposure on financial instruments	Note	Company 31 Dec 2017	Company 31 Dec 2016
Loans granted to subsidiaries	33	2,371,117	1,846,264
Trade and other receivables	34	4,268	3,829
Cash and cash equivalents	35	104,158	12,241
TOTAL		2,479,543	1,862,334

41. SUBSEQUENT EVENTS

In March 2018, the Company has extended its revolving credit facility of €100 million with ING, for an additional term of three years.
Management 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.

Other Information

Provisions in the Articles of Association relating to profit

Pursuant to the company's Articles of Association, the result shall be at full disposal of the annual general meeting of members. Distribution of profits may only be made to the extent that members' equity exceeds the total of the issued and paid-up capital and legal reserves.

Amsterdam, 27 April 2018

Board of Directors,

De handtekening
is door de KvK
onleesbaar gemaakt

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