
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 6, 2018

NorthStar Realty Europe Corp.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation)

001-37597

(Commission File Number)

32-0468861

(I.R.S. Employer Identification No.)

590 Madison Avenue, 34th Floor, New York, NY

(Address of principal executive offices)

10022

(Zip Code)

(212) 547-2600

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On November 6, 2018, NorthStar Realty Europe Corp. (the “Company”) reported its results of operations and financial condition for the quarter ended September 30, 2018. A copy of the press release issued by the Company, which refers to certain supplemental information that is available on the Shareholders subpage of the Company’s website at www.nrecorp.com, is attached hereto as Exhibit 99.1.

Use of Website to Distribute Material Company Information

The Company’s website address is www.nrecorp.com. The Company uses its website as a channel of distribution for important company information. Important information, including press releases, analyst presentations and financial information regarding the Company, is routinely posted on and accessible on the Shareholders subpage of its website, which is accessible by clicking on the tab labeled “Shareholders” on the website home page. The Company also uses its website to expedite public access to time-critical information regarding the Company in advance of or in lieu of distributing a press release or a filing with the U.S. Securities and Exchange Commission disclosing the same information. Therefore, investors should look to the Shareholders subpage of the Company’s website for important and time-critical information. Visitors to the Company’s website can also register to receive automatic e-mail and other notifications alerting them when new information is made available on the Shareholders subpage of the website.

Item 9.01. Financial Statements and Exhibits.

The following exhibits are furnished as part of this report:

- (d) Exhibits.

Exhibit No.	Description
99.1	NorthStar Realty Europe Press Release, dated November 6, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NorthStar Realty Europe Corp.
(Registrant)

Date: November 6, 2018

By: /s/ Trevor K. Ross
Trevor K. Ross
General Counsel and Secretary

EXHIBIT INDEX

Exhibit No.	Description
99.1	NorthStar Realty Europe Press Release, dated November 6, 2018



NORTHSTAR REALTY EUROPE ANNOUNCES THIRD QUARTER 2018 RESULTS

NEW YORK, November 6, 2018 -- NorthStar Realty Europe Corp. (NYSE: NRE) (“NorthStar Realty Europe” or “NRE”), a European office REIT, today announced its results for the third quarter ended September 30, 2018.

Third Quarter 2018 Financial Results and Highlights

- U.S. GAAP net income attributable to common stockholders: \$0.6 million, or \$0.01 per diluted share, for the third quarter 2018. U.S. GAAP total equity was \$533 million, or \$10.64 per share, as of September 30, 2018
- Cash available for distribution (“CAD”): \$11.5 million, or \$0.23 per share
- Net operating income (“NOI”) of \$23.5 million and same store NOI of \$23.7 million, representing an increase of \$0.9 million, or 3.7%, quarter-over-quarter and \$2.0 million, or 9.2%, year-over-year
- Nine months 2018 expense savings of \$2.1 million, in line with the \$2-3 million guidance for the full year 2018
- EPRA¹ net asset value (“NAV”) of \$20.85 per share as of September 30, 2018, in line with the second quarter
- Definitive agreement executed to sell the Trianon Tower for approximately \$762 million, generating above 20% IRR and releasing approximately \$360 million of net equity
- Cash dividend of \$0.15 per share declared for the third quarter 2018

Mahbod Nia, Chief Executive Officer and President, commented: “We are pleased to announce another successful quarter, during which we increased same store NOI by 3.7% quarter-over-quarter, benefiting from significant leasing activity during the year. We also made further progress with our expense saving initiatives and remain on track to meet our stated 2018 savings target of \$2-3 million.”

Mr. Nia continued: “Today, we signed a definitive sale and purchase agreement to sell the Trianon Tower for \$762 million, allowing us to crystallise the value uplift generated through our execution of numerous asset management initiatives during our ownership period and generating a significant return on investment on behalf of our stockholders.”

For more information and a reconciliation of CAD, NOI and same store NOI to net income (loss) attributable to common stockholders and a reconciliation of EPRA NAV to total equity, please refer to the tables on the following pages.

Portfolio Overview

\$2.1 billion portfolio market value² (“Portfolio Market Value” or “Valuation”) comprising of a \$2.1 billion real estate portfolio value based on the mid-year 2018 independent valuation by Cushman & Wakefield LLP adjusted for currency movements and a \$34.1 million preferred equity investment.

Real Estate Portfolio Leasing Activity^{3,4}

As of September 30, 2018, NRE’s real estate portfolio comprised of 23 properties located across Germany, the U.K. and France with approximately 282,000 rentable square meters, 97% weighted average occupancy and a 6.1 year weighted average remaining lease term to expiry (“WALT”).

- The office portfolio comprised of 18 properties with 204,000 rentable square meters, had a 96% weighted average occupancy and a 6.1 year WALT as of September 30, 2018.
- The other (non-office) portfolio, which represented 6% of the third quarter 2018 portfolio NOI, comprised of 5 properties with 77,000 rentable square meters, had a 97% weighted average occupancy and a 6.7 year WALT as of September 30, 2018.

Same Store Net Operating Income (Currency Adjusted)

Same store sequential quarter-over-quarter rental income and NOI increased by \$0.9 million, or 3.7%, driven by additional rental income from leases secured in the previous quarter for Marly, Uhlandstrasse and certain assets in the Trias U.K. portfolio.

Same store sequential year-over-year rental income for the three and nine months ended September 30, 2018 increased by \$1.2 million, or 5.3%, and \$2.6 million, or 3.8%, respectively, reflecting the commencement of new leases in the second half of 2017 and during 2018. Same store year-over-year NOI for the three and nine months ended September 30, 2018 increased by \$2.0 million, or 9.2%, and \$5.8 million, or 9.1%, respectively, reflecting the aforementioned leasing activity and increased recoverability of operating expenses.

Dispositions

On September 24, 2018, NRE completed the sale of Office 123 in Lisbon, Portugal for \$15 million, 6% above the mid-year Valuation, releasing \$15 million of net equity to NRE and resulting in NRE's exit from the Portuguese market.

In the nine months ended September 30, 2018, NRE sold two properties (Office 123 in Lisbon, Portugal and Maastoren in Rotterdam, the Netherlands) for \$203 million, releasing \$75 million of net equity.

On November 6, 2018, NRE executed a definitive sale and purchase agreement to sell the Trianon Tower in Frankfurt, Germany, NRE's largest asset, for €670 million, or approximately \$762 million based on the exchange rate as of November 5, 2018, in line with the mid-year Valuation. Since acquiring the asset in July 2015, NRE has completed numerous value enhancing initiatives including a 10 year lease with Deutsche Bundesbank and obtaining a LEED Platinum certification following an extensive refurbishment program. NRE expects to release approximately \$360 million of net equity after repayment of financing and transaction costs and a \$6 million retained interest in the form of preferred equity certificates with a 7% yield. Completion is subject to customary conditions, including the purchasers' closing on a €390 million (or \$445 million based on the exchange rate as of November 5, 2018) mortgage facility and is expected before year end 2018.

Liquidity and Financing

As of September 30, 2018, NRE's overall leverage⁵ was 51% based on the Portfolio Market Value. As of November 2, 2018, total liquidity was \$135 million, comprising \$65 million of unrestricted cash and \$70 million of availability under NRE's revolving credit facility.

	\$ in millions	
Unrestricted cash	\$	65
Revolving credit facility		70
Total liquidity	\$	135

In August 2018, NRE entered into a 2 year extension for \$54 million of loans related to the Trias France portfolio, increasing the principal balance to \$77 million and reducing the blended margin above EURIBOR from 1.85% to 1.65%.

Stockholder's Equity

NRE had 50.1 million shares of common stock, operating partnership units and restricted stock units ("RSUs") not subject to performance hurdles outstanding as of September 30, 2018.

As of September 30, 2018, total equity was \$533 million (U.S. GAAP depreciated value), or \$10.64 per share and EPRA NAV was \$20.85 per share, in line with the second quarter. For more information and a reconciliation of EPRA NAV to total equity, please refer to the tables on the following pages.

Share Repurchase Program

On March 12, 2018, the board of directors of NRE authorized the repurchase of up to \$100 million of NRE's outstanding common stock. During the third quarter, NRE repurchased 1.0 million shares of common stock for approximately \$13.8 million at a weighted average price of \$13.71 per share. Since the authorization in March 2018 through September 30, 2018, NRE repurchased a total of 6.1 million shares of common stock for approximately \$83.4 million at a weighted average price of \$13.73 per share.

Third Quarter 2018 Disclosure Supplement Presentation

A third quarter 2018 disclosure supplement presentation will be posted on NRE's website, www.nrecorp.com, which provides additional details regarding NRE's operations and portfolio.

Third Quarter 2018 Conference Call

NRE will conduct a conference call to discuss the results on Tuesday, November 6, 2018 at 9:00 a.m. ET. Hosting the call will be Mahbod Nia, Chief Executive Officer, Keith Feldman, Chief Financial Officer and Trevor Ross, General Counsel.

To participate in the event by telephone, please dial +1 866 966 5335 (U.S. Toll Free), or +44 (0) 20 3003 2666 (International) or 0808 109 0700 (U.K. Toll Free), using passcode: NorthStar.

The call will also be broadcast live over the internet and can be accessed from NRE's website at www.nrecorp.com. For those unable to participate during the live call, a replay of the call will be available approximately two hours after the call through December 5, 2018 by dialing +1 866 583 1039 (U.S. Toll Free), or +44 (0) 20 8196 1998 (International) or 0800 633 8453 (UK Toll Free), using passcode: 1376525.

About NorthStar Realty Europe Corp.

NorthStar Realty Europe Corp. is a European focused commercial real estate company with predominately prime office properties within key cities in Germany, the United Kingdom and France, organized as a REIT and managed by an affiliate of Colony Capital, Inc. (NYSE: CLNY), a leading global equity REIT with an embedded investment management platform. For more information about NorthStar Realty Europe Corp., please visit www.nrecorp.com.

Investor Relations

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NorthStar Realty Europe Corp.
Consolidated Balance Sheets
(\$ in thousands, except per share data)
Unaudited

	September 30, 2018	December 31, 2017
Assets		
Operating real estate, gross	\$ 1,566,505	\$ 1,606,890
Less: accumulated depreciation	(119,133)	(95,356)
Operating real estate, net	1,447,372	1,511,534
Preferred equity investments	34,137	35,347
Cash and cash equivalents	61,869	64,665
Restricted cash	7,097	6,917
Receivables, net of allowance of \$691 and \$747 as of September 30, 2018 and December 31, 2017, respectively	8,013	9,048
Assets held for sale	—	169,082
Derivative assets, at fair value	10,941	7,024
Intangible assets, net	100,831	114,185
Other assets, net	28,466	23,115
Total assets	\$ 1,698,726	\$ 1,940,917
Liabilities		
Mortgage and other notes payable, net	\$ 1,092,708	\$ 1,223,443
Accounts payable and accrued expenses	16,954	27,240
Due to affiliates	4,259	3,590
Derivative liabilities, at fair value	426	5,270
Intangible liabilities, net	25,142	28,632
Liabilities related to assets held for sale	—	648
Other liabilities	24,276	25,757
Total liabilities	1,163,765	1,314,580
Commitments and contingencies		
Redeemable noncontrolling interest	1,930	1,992
Equity		
NorthStar Realty Europe Corp. Stockholders' Equity		
Preferred stock, \$0.01 par value, 200,000,000 shares authorized, no shares issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 49,726,647 and 55,402,259 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	498	555
Additional paid-in capital	860,853	940,579
Retained earnings (accumulated deficit)	(333,464)	(347,053)
Accumulated other comprehensive income (loss)	1,564	25,618
Total NorthStar Realty Europe Corp. stockholders' equity	529,451	619,699
Noncontrolling interests	3,580	4,646
Total equity	533,031	624,345
Total liabilities, redeemable noncontrolling interest and equity	\$ 1,698,726	\$ 1,940,917

NorthStar Realty Europe Corp.
Consolidated Statements of Operations
(\$ in thousands, except for per share data)
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Rental income	\$ 23,920	\$ 27,747	\$ 75,744	\$ 79,308
Escalation income	4,283	5,641	15,186	16,360
Interest income	708	704	2,143	1,001
Other income	76	171	497	708
Total revenues	28,987	34,263	93,570	97,377
Expenses				
Properties - operating expenses	5,690	7,519	19,422	22,521
Interest expense	5,318	6,536	17,280	19,641
Transaction costs	1,129	332	1,986	1,565
Management fee, related party	4,011	3,585	12,391	10,716
Other expenses	1,150	1,996	3,847	6,604
General and administrative expenses	1,952	1,723	5,631	5,875
Compensation expense ⁽¹⁾	1,741	2,839	3,292	20,094
Depreciation and amortization	11,013	14,396	34,640	39,479
Total expenses	32,004	38,926	98,489	126,495
Other income (loss)				
Other gain (loss), net	627	(3,510)	(15)	(10,833)
Realized gain on sales, net	2,706	1,719	42,020	7,397
Income (loss) before income tax benefit (expense)	316	(6,454)	37,086	(32,554)
Income tax benefit (expense)	240	(352)	277	(316)
Net income (loss)	556	(6,806)	37,363	(32,870)
Net (income) loss attributable to noncontrolling interests	(4)	36	(225)	303
Net income (loss) attributable to NorthStar Realty Europe Corp. common stockholders	\$ 552	\$ (6,770)	\$ 37,138	\$ (32,567)
Earnings (loss) per share:				
Basic	\$ 0.01	\$ (0.12)	\$ 0.70	\$ (0.59)
Diluted	\$ 0.01	\$ (0.12)	\$ 0.68	\$ (0.59)
Weighted average number of shares:				
Basic	49,991,303	55,155,440	52,125,685	55,004,888
Diluted	51,983,064	55,602,078	53,960,553	55,565,341

(1) For the nine months ended September 30, 2018, compensation expense includes the effects of the adoption of the accounting standard update related to stock compensation accounting (ASU 2018-07). Compensation expense for the three and nine months ended September 30, 2018 and 2017 is comprised of equity-based compensation expenses. For the nine months ended September 30, 2017, compensation expense includes the impact of substantially all time based and certain performance based awards vesting in connection with the change of control of the Manager (the "Mergers").

Non-GAAP Financial Measures

Included in this press release are Cash Available for Distribution, or CAD, net operating income, or NOI, same store net operating income, or same store NOI, Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, or Adjusted EBITDA and EPRA net asset value, or EPRA NAV, each a “non-GAAP financial measure,” which measures NRE’s historical or future financial performance that is different from measures calculated and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, within the meaning of the applicable Securities and Exchange Commission, or SEC, rules. NRE believes these metrics can be a useful measure of its performance which is further defined below.

Cash Available for Distribution

We believe that CAD provides investors and management with a meaningful indicator of operating performance. We also believe that CAD is useful because it adjusts for a variety of items that are consistent with presenting a measure of operating performance (such as transaction costs, depreciation and amortization, equity-based compensation, realized gain on sales, net, asset impairment and non-recurring bad debt expense). We adjust for transaction costs because these costs are not a meaningful indicator of our operating performance. For instance, these transaction costs include costs such as professional fees associated with new investments, which are expenses related to specific transactions. Management also believes that quarterly distributions are principally based on operating performance and our board of directors includes CAD as one of several metrics it reviews to determine quarterly distributions to stockholders. The definition of CAD may be adjusted from time to time for our reporting purposes in our discretion, acting through our audit committee or otherwise. CAD may fluctuate from period to period based upon a variety of factors, including, but not limited to, the timing and amount of investments, new leases, repayments and asset sales, capital raised, use of leverage, changes in the expected yield of investments and the overall conditions in commercial real estate and the economy generally.

We calculate CAD by subtracting from or adding to net income (loss) attributable to common stockholders, noncontrolling interests and the following items: depreciation and amortization items including straight-line rental income or expense (excluding amortization of rent free periods), amortization of above/below market leases, amortization of deferred financing costs, amortization of discount on financings and other and equity-based compensation; other gain (loss), net (excluding any realized gain (loss) on the settlement on foreign currency derivatives); realized gain on sales, net; impairment on depreciable property; acquisition gains or losses; transaction costs; foreign currency gains (losses) related to sales; impairment on goodwill and other intangible assets; the incentive fee relating to the Amended and Restated Management Agreement and one-time events pursuant to changes in U.S. GAAP and certain other non-recurring items. These items, if applicable, include any adjustments for unconsolidated ventures.

CAD should not be considered as an alternative to net income (loss) attributable to common stockholders, determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating CAD involves subjective judgment and discretion and may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies.

The following table presents a reconciliation of net income (loss) attributable to common stockholders to CAD for the three and nine months ended September 30, 2018 and 2017 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss) attributable to common stockholders	\$ 552	\$ (6,770)	\$ 37,138	\$ (32,567)
Non-controlling interests	4	(36)	225	(303)
<i>Adjustments:</i>				
Depreciation and amortization items ⁽¹⁾⁽²⁾	13,719	17,096	40,914	61,656
Other (gain) loss, net ⁽³⁾⁽⁴⁾	(1,110)	3,742	(2,895)	12,521
Realized (gain) on sales, net	(2,706)	(1,719)	(42,020)	(7,397)
Transaction costs and other ⁽⁵⁾⁽⁶⁾	1,068	438	2,396	2,480
CAD	\$ 11,527	\$ 12,751	\$ 35,758	\$ 36,390
CAD per share⁽⁷⁾	\$ 0.23	\$ 0.23	\$ 0.68	\$ 0.65

- Three months ended September 30, 2018 reflects an adjustment to exclude depreciation and amortization of \$11.0 million, amortization expense of capitalized above/below market leases of \$0.2 million, amortization of deferred financing costs of \$0.8 million and amortization of equity-based compensation of \$1.7 million. Three months ended September 30, 2017 reflects an adjustment to exclude depreciation and amortization of \$14.4 million, amortization of above/below market leases of \$(0.8) million, amortization of deferred financing costs of \$0.7 million and amortization of equity-based compensation of \$2.8 million.
- Nine months ended September 30, 2018 reflects an adjustment to exclude depreciation and amortization of \$34.6 million, amortization expense of capitalized above/below market leases of \$0.6 million, amortization of deferred financing costs of \$2.4 million and amortization of equity-based compensation of \$3.3 million. Nine months ended September 30, 2017 reflects an adjustment to exclude depreciation and amortization of \$39.5 million, amortization expense of capitalized above/below market leases of \$(0.3) million, amortization of deferred financing costs of \$2.3 million and amortization of equity-based compensation of \$20.1 million.
- Three months ended September 30, 2018 CAD includes a \$0.5 million net loss related to the settlement of foreign currency derivatives. Three months ended September 30, 2017 CAD includes a \$0.2 million net gain related to the settlement of foreign currency derivatives.
- Nine months ended September 30, 2018 CAD includes a \$2.9 million net loss related to the settlement of foreign currency derivatives. Nine months ended September 30, 2017 CAD includes a \$1.7 million net gain related to the settlement of foreign currency derivatives.
- Three months ended September 30, 2018 reflects an adjustment to exclude \$1.1 million of transaction costs. Three months ended September 30, 2017 reflects an adjustment to exclude \$0.4 million of transaction costs.
- Nine months ended September 30, 2018 reflects an adjustment to exclude \$2.0 million of transaction costs and \$0.4 million taxes related to sales and other one-time items. Nine months ended September 30, 2017 reflects an adjustment to exclude \$1.6 million of transaction costs and \$0.9 million of payroll taxes associated with the acceleration of equity awards due to the Mergers.
- CAD per share is based on 50.8 million and 52.8 million weighted average shares (common shares outstanding including operating partnership units and RSUs not subject to performance hurdles) for the three and nine months ended September 30, 2018, respectively. Based on 55.8 million weighted average shares (common shares outstanding, including LTIPs and RSUs not subject to performance hurdles) for the three and nine months ended September 30, 2017. CAD per share does not take into account any potential dilution from restricted stock units subject to performance metrics not currently achieved.

Net Operating Income

We believe NOI is a useful metric for evaluating the operating performance of our real estate portfolio in the aggregate. Portfolio results and performance metrics represent 100% for all consolidated investments. Net operating income represents total property and related revenues, adjusted for: (i) amortization of above/below market leases; (ii) straight-line rent (except with respect to results and performance metrics represent 100% for all consolidated investments. Net operating income reflects total property and related revenues, adjusted for: (i) amortization of above/below market leases; (ii) straight-line rent (except with respect to rent free period); (iii) other items such as adjustments related to joint ventures and non-recurring bad debt expense and less property operating expenses. However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, transaction costs, depreciation and amortization expense, realized gain on sales, net and other and other items under U.S. GAAP and capital expenditures and leasing costs, all of which may be significant economic costs. NOI may fail to capture significant trends in these components of U.S. GAAP net income (loss) which further limits its usefulness.

NOI should not be considered as an alternative to net income (loss), determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating NOI involves subjective judgment and discretion and may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies.

The following table presents a reconciliation of NOI of our real estate equity and preferred equity segments to property and other related revenues less property operating expenses for the three and nine months ended September 30, 2018 and 2017 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Rental income	\$ 23,920	\$ 27,747	\$ 75,744	\$ 79,308
Escalation income	4,283	5,641	15,186	16,360
Other income	76	171	497	708
Total property and other income	28,279	33,559	91,427	96,376
Properties - operating expenses	5,690	7,519	19,422	22,521
<i>Adjustments:</i>				
Interest income	708	704	2,143	1,001
Amortization and other items ⁽¹⁾⁽²⁾	200	(789)	772	(257)
NOI⁽³⁾	\$ 23,497	\$ 25,955	\$ 74,920	\$ 74,599

- (1) Three months ended September 30, 2018 primarily excludes \$0.2 million of amortization of above/below market leases. Three months ended September 30, 2017 primarily excludes \$(0.8) million of amortization of above/below market leases.
- (2) Nine months ended September 30, 2018 primarily excludes \$0.6 million of amortization of above/below market leases and \$0.1 million of other one-time items. Nine months ended September 30, 2017 primarily excludes \$(0.3) million of amortization of above/below market leases.
- (3) The following table presents a reconciliation of net income (loss) to NOI of our real estate equity segment for the three and nine months ended September 30, 2018 and 2017 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 556	\$ (6,806)	\$ 37,363	\$ (32,870)
Remaining segments ⁽ⁱ⁾	7,525	11,023	19,405	46,735
<i>Real estate equity and preferred equity segment adjustments:</i>				
Interest expense	5,055	6,325	16,611	18,896
Other expenses	1,150	1,996	3,847	6,604
Depreciation and amortization	11,013	14,396	34,640	39,479
Other (gain) loss, net	109	1,049	2,994	2,199
Realized (gain) on sales, net	(2,706)	(1,719)	(42,020)	(7,397)
Income tax (benefit) expense	(240)	352	(277)	316
Other items	1,035	(661)	2,357	637
Total adjustments	15,416	21,738	18,152	60,734
NOI	\$ 23,497	\$ 25,955	\$ 74,920	\$ 74,599

- (i) Reflects the net (income) loss in our corporate segment to reconcile to net operating income.

Same Store Net Operating Income

We believe same store NOI is a useful metric for evaluating the operating performance as it reflects the operating performance of the real estate portfolio and provides a better measure of operational performance for a quarter-over-quarter comparison. Same store net operating income is presented for the same store portfolio, which comprises all properties that were owned by us at the end of the reporting period. We define same store net operating income as NOI excluding (i) properties that were acquired or sold during the period, (ii) impact of foreign currency changes and (iii) amortization of above/below market leases. We consider same store NOI to be an appropriate and useful supplemental performance measure. Same store NOI should not be considered as an alternative to net income (loss), determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating same store net operating income involves subjective judgment and discretion and may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies. Same store portfolio is defined as properties in operation throughout the full periods presented under the comparison, excluding the impact of foreign currency changes, and included 23 properties and our preferred equity segment (in case of quarter over quarter and year over year comparison).

The following table presents our same store analysis for the real estate equity segment which comprises 23 properties (281,636 rentable square meters) and our preferred equity segment adjusted for currency movement and excludes properties that were acquired or sold at any time during the three months ended September 30, 2018 and 2017 and June 30, 2018 (dollars in thousands):

	Three Months Ended September 30,		Year-over-year Increase (Decrease)		Three Months Ended June 30, 2018 ⁽¹⁾	Quarter-over-quarter Increase (Decrease)	
	2018	2017 ⁽¹⁾	Amount	%		Amount	%
Occupancy (end of period)	97%	83%			94%		
Same store							
Rental income ⁽²⁾	\$ 23,841	\$ 22,645	\$ 1,196	5.3%	\$ 22,961	\$ 880	3.8%
Escalation income	\$ 4,532	\$ 4,258	\$ 274		5,184	(652)	
Interest Income	\$ 708	\$ 688	\$ 20		692	16	
Other income	105	170	(65)		127	(22)	
Total revenues	29,186	27,761	1,425	5.1%	28,964	222	0.8%
Utilities	1,262	1,192	70		1,264	(2)	
Real estate taxes and insurance	1,280	1,166	114		1,398	(118)	
Management fees	481	438	43		531	(50)	
Repairs and maintenance	1,954	2,195	(241)		2,095	(141)	
Other ⁽²⁾⁽³⁾	540	1,094	(554)		860	(320)	
Properties - operating expenses	5,517	6,085	(568)	(9.3)%	6,148	(631)	(10.3)%
Same store net operating income	\$ 23,669	\$ 21,676	\$ 1,993	9.2%	\$ 22,816	\$ 853	3.7%

(1) Three months ended September 30, 2017 and June 30, 2018 are translated using the average exchange rate for the three months ended September 30, 2018.

(2) Adjusted to exclude amortization of above/below market leases and ground leases.

(3) Includes non-recoverable VAT, bad debt expense, ground rent, administrative costs and other non-reimbursable expenses.

The following table presents a reconciliation from net income (loss) to same store net operating income for the real estate equity and preferred equity segments for the three months ended September 30, 2018 and 2017 and June 30, 2018 (dollars in thousands):

	Three Months Ended September 30,		Three Months Ended June, 2018
	2018	2017	
Net income (loss)	\$ 556	\$ (6,806)	\$ 37,875
Corporate segment net (income) loss ⁽¹⁾	7,525	11,023	2,352
Other (income) loss ⁽²⁾	15,416	21,738	(15,795)
Net operating income	23,497	25,955	24,432
Sale of real estate investments and other ⁽³⁾⁽⁴⁾	172	(4,279)	(1,616)
Same store net operating income	\$ 23,669	\$ 21,676	\$ 22,816

(1) Includes management fees, general and administrative expense, compensation expense, corporate interest expense and corporate transaction costs.

(2) Includes realized gain on sales offset by depreciation and amortization expense, loss on interest rate caps, and other expenses in the real estate equity segment.

(3) Primarily reflects the impact of net operating income of sold assets.

(4) Three months ended September 30, 2017 and June 30, 2018 are translated using the average exchange rate for the three months ended September 30, 2018.

The following table presents our same store analysis for the real estate equity segment which comprises 23 properties (281,636 square meters) adjusted for currency movement and excludes properties that were acquired or sold at any time during the nine months ended September 30, 2018 and 2017 (dollars in thousands):

	Nine Months Ended September 30,		Increase (Decrease)	
	2018	2017 ⁽¹⁾	Amount	%
<i>Occupancy (end of period)</i>	97%	83%		
Same store				
Rental income ⁽²⁾	\$ 71,981	\$ 69,346	\$ 2,635	3.8%
Escalation income	14,548	13,027	1,521	
Other income	404	457	(53)	
Total revenues	86,933	82,830	4,103	5.0%
Utilities	3,872	4,024	(152)	
Real estate taxes and insurance	3,999	3,702	297	
Management fees	1,511	1,392	119	
Repairs and maintenance	6,204	6,459	(255)	
Other ⁽²⁾⁽³⁾	2,253	3,922	(1,669)	
Properties - operating expenses	17,839	19,499	(1,660)	(8.5)%
Same store net operating income	\$ 69,094	\$ 63,331	\$ 5,763	9.1%

(1) Nine months ended September 30, 2017 is translated using the average exchange rate for the nine months ended September 30, 2018.

(2) Adjusted to exclude amortization of above/below market leases and ground leases.

(3) Includes non-recoverable VAT, bad debt expense, ground rent, administrative costs and other non-reimbursable expenses.

The following table presents a reconciliation from net income (loss) to same store net operating income for the real estate equity segment for the nine months ended September 30, 2018 and 2017 (dollars in thousands):

	Nine Months Ended September 30,	
	2018	2017
Net income (loss)	\$ 37,363	\$ (32,870)
Corporate segment net (income) loss ⁽¹⁾	19,405	46,735
Other (income) loss ⁽²⁾	18,152	60,734
Net operating income	74,920	74,599
Sale of real estate investments and other ⁽³⁾⁽⁵⁾	(7,969)	(12,269)
Interest income ⁽⁴⁾	2,143	1,001
Same store net operating income	\$ 69,094	\$ 63,331

(1) Includes management fees, general and administrative expense, compensation expense, corporate interest expense and corporate transaction costs.

(2) Includes realized gain on sales offset by depreciation and amortization expense, loss on interest rate caps, and other expenses in the real estate equity segment.

(3) Primarily reflects the impact of net operating income of sold assets.

(4) Reflects interest income earned in the preferred equity segment.

(5) Nine months ended September 30, 2017 is translated using the average exchange rate for the nine months ended September 30, 2018.

Adjusted EBITDA

We believe that Adjusted EBITDA provides investors and management with a meaningful indication of operating performance. We also believe that Adjusted EBITDA is useful because it adjusts for a variety of items that are consistent with presenting a measure of operating performance (such as depreciation and amortization items, interest expense, income tax benefit (expense), realized gain on sales, net, transaction costs, equity-based compensation and asset impairment). The definition of Adjusted EBITDA may be adjusted from time to time for our reporting purposes in our discretion, acting through our audit committee or otherwise. Adjusted EBITDA may fluctuate from period to period based upon a variety of factors, including, but not limited to, the timing and amount of investments, repayments and asset sales, capital raised, changes in the expected yield of investments and the overall conditions in commercial real estate and the economy generally.

We calculate Adjusted EBITDA by subtracting from or adding to net income (loss) attributable to common stockholders, non-controlling interests and the following items: depreciation and amortization items including straight-line rental income or expense (excluding amortization of rent free periods), amortization of above/below market leases and equity-based compensation; interest expense; income tax (benefit) expense; other gain (loss), net (excluding any realized gain (loss) on the settlement on foreign currency derivatives); realized gain on sales, net; impairment on depreciable property; acquisition gains or losses; transaction costs; foreign currency gains (losses) related to sales; impairment on goodwill and any other intangible assets; the incentive fee relating to the Amended and Restated Management Agreement and one-time events pursuant to changes in U.S. GAAP and certain other non-recurring items. These items, if applicable, include any adjustments for unconsolidated ventures.

Adjusted EBITDA should not be considered as an alternative to net income (loss) attributable to common stockholders, determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating Adjusted EBITDA involves subjective judgment and discretion and may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies.

The following table presents a reconciliation of net income (loss) attributable to common stockholders to Adjusted EBITDA for the three months ended September 30, 2018, June 30, 2018 and September 30, 2017 (dollars in thousands):

	Three Months Ended		
	September 30, 2018	June 30, 2018	September 30, 2017
Net income (loss) attributable to common stockholders	\$ 552	\$ 37,658	\$ (6,770)
Non-controlling interests	4	217	(36)
<i>Adjustments:</i>			
Depreciation and amortization items ⁽¹⁾⁽²⁾⁽³⁾	12,953	13,366	16,446
Income tax (benefit) expense	(240)	(76)	352
Interest expense	5,318	5,855	6,536
Other (gain) loss, net ⁽⁴⁾⁽⁵⁾⁽⁶⁾	(1,110)	(3,302)	3,742
Realized (gain) on sales, net	(2,706)	(38,117)	(1,719)
Transaction costs and other ⁽⁷⁾⁽⁸⁾⁽⁹⁾	1,129	645	332
Adjusted EBITDA	\$ 15,900	\$ 16,246	\$ 18,883

- (1) Three months ended September 30, 2018 reflects an adjustment to exclude depreciation and amortization of \$11.0 million, amortization expense of capitalized above/below market leases of \$0.2 million and amortization of equity-based compensation of \$1.7 million.
- (2) Three months ended June 30, 2018 reflects an adjustment to exclude depreciation and amortization of \$12.0 million, amortization expense of capitalized above/below market leases of \$0.2 million and amortization of equity-based compensation of \$1.2 million.
- (3) Three months ended September 30, 2017 reflects an adjustment to exclude depreciation and amortization of \$14.4 million, amortization of above/below market leases of \$(0.8) million and amortization of equity-based compensation of \$2.8 million.
- (4) Three months ended September 30, 2018 Adjusted EBITDA includes a \$0.5 million net loss related to the settlement of foreign currency derivatives.
- (5) Three months ended June 30, 2018 Adjusted EBITDA includes a \$1.0 million net loss related to the settlement of foreign currency derivatives.
- (6) Three months ended September 30, 2017 Adjusted EBITDA includes a \$0.2 million net gain related to the settlement of foreign currency derivatives.
- (7) Three months ended September 30, 2018 reflects an adjustment to exclude \$1.1 million of transaction costs.
- (8) Three months ended June 30, 2018 reflects an adjustment to exclude \$0.4 million of transaction costs and \$0.2 million related to other one-time items.
- (9) Three months ended September 30, 2017 reflects an adjustment to exclude \$0.3 million of transaction costs.

EPR Net Asset Value (EPR NAV)

As our entire portfolio is based in Europe, our management calculates European Public Real Estate Association net asset value, or EPR NAV, a non-GAAP measure, to compare our balance sheet to other European real estate companies and believes that disclosing EPR NAV provides investors with a meaningful measure of our net asset value. Our calculation of EPR NAV is derived from our U.S. GAAP balance sheet with adjustments reflecting our interpretation of EPR's best practices recommendations. Accordingly, our calculation of EPR NAV may be different from how other European real estate companies calculate EPR NAV, which utilize International Financial Reporting Standards ("IFRS") to prepare their balance sheet. EPR NAV makes adjustments to net assets as determined in accordance with U.S. GAAP in order to provide our stockholders a measure of fair value of our assets and liabilities with a long-term investment strategy. This performance measure excludes assets and liabilities that are not expected to materialize in normal circumstances. EPR NAV includes the revaluation of investment properties and excludes the fair value of financial instruments that we intend to hold to maturity, deferred tax and goodwill that resulted from deferred tax. All other assets, including real property and investments reported at cost are adjusted to fair value based upon an independent third party valuation conducted in December and June of each year. This measure should not be considered as an alternative to measuring our net assets in accordance with U.S. GAAP.

The following table presents a reconciliation of total equity to EPR NAV as at September 30, 2018 and June 30, 2018 (dollars in thousands, other than per share data):

	September 30, 2018
Total Equity	\$ 533,031
<i>Adjustments</i>	
Operating real estate, net intangibles and other	(1,536,108)
Fair value of properties	2,055,243
Adjusted NAV	1,052,166
Diluted NAV, after the exercise of options, convertibles and other equity interests	1,052,166
Fair value of financial instruments	(8,027)
EPR NAV	1,044,139
EPR NAV per share⁽¹⁾	\$ 20.85

(1) Based on 50.1 million common shares, operating partnership units and RSUs not subject to performance hurdles outstanding as of September 30, 2018. EPR NAV per share does not take into account any potential dilution from restricted stock units subject to performance metrics not currently achieved.

Safe Harbor Statement

This press release contains certain “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements are generally identifiable by use of forward looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “seek,” “anticipate,” “estimate,” “believe,” “could,” “project,” “predict,” “hypothetical,” “continue,” “future” or other similar words or expressions. Forward looking statements are not guarantees of performance and are based on certain assumptions, discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward looking information. Such statements include, but are not limited to, the likelihood and timing of successfully completing sales transactions and the amount of the net equity released after repayment of financing and transaction costs; the expected run rate cost savings as a result of operational efficiencies, the time required to achieve such run rate cost savings; the availability of future borrowings under the revolving credit facility; the ability to execute on NRE’s strategy; NRE’s ability to maintain dividend payments, at current levels, or at all, and the timing of dividend levels declared; whether NRE will make repurchases of its common stock pursuant to the stock repurchase program and the level or timing of any such repurchases. Forward looking statements are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying any forward-looking statements will not materialize or will vary significantly from actual results. Variations of assumptions and results may be material. Factors that could cause actual results to differ materially from NRE’s expectations include, but are not limited to, NRE’s liquidity and financial flexibility; NRE’s future cash available for distribution; the pace and result of any asset disposals contemplated by NRE; NRE’s use of leverage; and the anticipated strength and growth of NRE’s business. Factors that could cause actual results to differ materially from those in the forward looking statements are specified in NRE’s annual report on Form 10-K for the year ended December 31, 2017, and its other filings with the Securities and Exchange Commission. Such forward looking statements speak only as of the date of this press release. NRE expressly disclaims any obligation to release publicly any updates or revisions to any forward looking statements contained herein to reflect any change in its expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

Disclaimer

As an opinion, the valuation by Cushman & Wakefield LLP referenced in this release is not a measure of realizable value and may not reflect the amount that would be received if the property in question were sold. Real estate valuation is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. Real estate valuations are subject to a large degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the commercial or residential real estate markets. For example, in the appraisal, a number of the properties were valued using the special assumption that such properties would be purchased through a tax-efficient special purpose vehicle, and is therefore subject to lower purchaser transaction expenses. If one or more assumptions are incorrect, the value may be materially lower than the appraised value.

Endnotes

1. EPRA = European Public Real Estate Association.
 2. The external third-party valuation was prepared by Cushman & Wakefield LLP in accordance with the current U.K. and Global edition of the Royal Institution of Chartered Surveyors' (RICS) Valuation - Professional Standards (the "Red Book") on the basis of "Fair Value", which is widely recognized within Europe as the leading professional standards for independent valuation professionals. Each property is classified as an investment and has been valued on the basis of Fair Value adopted by the International Accounting Standards Board. This is the equivalent to the Red Book definition of Market Value. The Red Book defines Market Value as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion. The Cushman & Wakefield LLP valuation assumes that certain properties would be purchased through market accepted structures resulting in lower purchaser transaction expenses (taxes, duties, and similar costs). This Cushman & Wakefield LLP valuation is as of June 30, 2018 adjusted for currency movements as of September 30, 2018.
The \$2.1 billion Portfolio Market Value comprises \$2.1 billion real estate portfolio value based on the independent valuation by Cushman & Wakefield LLP and \$34 million preferred equity investment (please refer to Note 11, “Fair Value” in the
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NRE Quarterly Report on Form 10-Q for the three months ended September 30, 2018 included in Part I Item 1. "Financial Statements").

3. Excludes the preferred equity investment.
4. Occupancy and weighted average remaining contractual lease term based on rent roll as of September 30, 2018, on a same store basis.
5. Leverage, or loan to value, is calculated as property level debt plus portfolio level preferred equity divided by the Portfolio Market Value and unrestricted cash net of any outstanding balance on the revolving credit facility.