**Echo Polska Properties N.V.**
(Incorporated in the Netherlands)
(Company number 64965945)
JSE share code: EPP
ISIN: NL0011983374

**Board of Directors**

**Amsterdam, 8 March 2017**

## General information

**Directors:**

| | |
|---|---|
| Hadley Dean | (Chief executive officer) |
| Maciej Adam Drozd | (Chief financial officer) |
| Robert Weisz | (Independent non-executive chairman) |
| Marek Marian Belka | (Independent non-executive director) |
| Marc Wainer | (Non-executive director) |
| Andrew König | (Non-executive director) |
| Maciej Dyjas | (Non-executive director) |
| Nebil Senman | (Non-executive director) |
| Dionne Hirschowitz | (Independent non-executive director) |
| Andrea Philippa Steer | (Independent non-executive director) |
| Peter Driessen | (Independent non-executive director) |

**Registered Office:**
Echo Polska Properties N.V.
Rapenburgerstraat 175 M
1011VM Amsterdam
The Netherlands

**Company Secretary:**
Rafal Kwiatkowski
(Master of Laws)
al. Solidarnosci 36
25-323 Kielce
Poland

**Auditors:**
Dutch Statutory Auditors
Ernst & Young Accountants LLP
(Registration number 24432944)
Zwartewaterallee 56
8031 DX  Zwolle
The Netherlands

## CONTENT

# DIRECTORS' REPORT

## RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group's annual financial statements of Echo Polska Properties N.V. comprising the consolidated and company-only statement of financial position at 31 December 2016 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 4 January 2016 to 31 December 2016 and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and the requirements of the Companies Act of South Africa (due to requirements resulting from company's shares being listed on the Johannesburg Stock Exchange ("JSE") as described below) and requirements of the Dutch Corporate Governance Code where obligatory, and the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these group annual financial statements.

## NATURE OF BUSINESS

Echo Polska Properties N.V. (the "company" or "EPP") is a Dutch-based real estate company that follows the REIT formula, owning a EUR 1.4 billion diversified portfolio of 9 office, 10 retail projects located throughout 14 major cities in Poland and one retail development site in the centre of Warsaw, totalling 498.575 sqm, characterized by their strong economy and purchasing power, and ability to attract international investment interests.

On 30 August 2016 EPP successfully listed it shares on the Euro MTF market of the Luxembourg Stock Exchange ("LuxSE") and on 13 September 2016 it listed it shares on the Main Board of the JSE in the Real Estate Holdings and Development Sector. The company has a dual primary listing on both LuxSE and the JSE.

## STRATEGY

The company's strategy is to build a real estate leader in Poland with a weighted focus towards retail properties in key locations, supported by strategic office sites, which leverages its scale and relationships to provide a leading cash-generating property group delivering consistently high returns to the company's shareholders. Consequently the acquisition pipeline is comprised primarily of retail assets with focus on city-dominant retail schemes such as Towarowa 22 site in Warsaw and the recent acquisition of retail centre Zakopianka in Krakow.

We pursue both acquisitions and new developments, as appropriate, while focusing organically on extracting the maximum value from our existing retail assets through refurbishments and expansion. Currently the extensions of Galaxy and Outlet Park in Szczecin are well underway with Galaxy already 73% pre-let and Outlet Park fully let. Both developments will be completed in Q4 2017.

## ORGANISATION

Set out below are details of all direct and indirect subsidiaries of the company as at 31 December 2016:

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **1** | Echo Polska Properties N.V. | Netherlands | Parent | | |
| **2** | Forum XXIX Fundusz Inwestycyjny Zamknięty | Poland | Holding company | 17 February 2016 | 100% |
| **3** | Forum XXXIV Fundusz Inwestycyjny Zamknięty | Poland | Holding company | 17 February 2016 | 100% |
| **4** | GP Office S.à r.l. | Luxemburg | Holding company | 22 February 2016 | 100% |
| **5** | GP Retail S.à r.l. | Luxemburg | Holding company | 22 February 2016 | 100% |
| **6** | SPV Retail – 1 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **7** | SPV Retail – 2 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **8** | SPV Retail – 3 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **9** | SPV Retail – 4 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **10** | SPV Retail – 5 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **11** | SPV Office – 1 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **12** | SPV Office – 2 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **13** | SPV Office – 3 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **14** | SPV Office – 4 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **15** | SPV Office – 5 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **16** | Verinaco Holding Limited | Cyprus | Holding company | 14 December 2016 | 100% |
| **17** | Echo Polska Properties (Cyprus) PLC | Cyprus | Holding company | 14 December 2016 | 100% |
| **18** | Projekt Echo - 118 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **19** | Echo - Galeria Amber Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **20** | Projekt Echo - 43 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **21** | Magellan West Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **22** | Projekt Echo - 106 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **23** | Vousoka Polska Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **24** | Projekt Echo - 97 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **25** | Projekt Echo - 126 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **26** | Projekt Echo - 98 Sp. z o.o. | Poland | Holding company | 30 May 2016 | 100% |
| **27** | Projekt Echo - 109 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **28** | Echo Polska Properties Sp. z o.o. (previously: Camas Investments Sp. z o.o.) | Poland | Holding company | 10 May 2016 | 100% |
| **29** | Minster Investments Sp. z o.o. | Poland | Holding company | 12 May 2016 | 100% |
| **30** | Projekt Echo - 124 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **31** | Echo - Park Rozwoju Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **32** | Echo - West Gate Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **33** | Iris Capital Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **34** | Projekt Echo - 125 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **35** | Projekt Echo - 69 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **36** | Ventry Investments Sp. z o.o. | Poland | Holding company | 1 July 2016 | 100% |
| **37** | Emfold Investments Sp. z o.o. | Poland | Holding company | 1 July 2016 | 100% |
| **38** | Flaxton Investments Sp. z o.o. | Poland | Holding company | 1 July 2016 | 100% |
| **39** | Verwood Investments Sp. z o.o. | Poland | Holding company | 21 October 2016 | 100% |
| **40** | EPP Facility Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property Management | 1 July 2016 | 100% |
| **41** | EPP Property Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property Management | 1 July 2016 | 100% |
| **42** | Echo Polska Properties Spółka z ograniczoną odpowiedzialnością S.K. (previously: Camas Investments Spółka z ograniczoną odpowiedzialnością S.K.) | Poland | Holding company | 10 May 2016 | 100% |

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| 43 | Minster Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Holding company | 12 May 2016 | 100% |
| 44 | Centrum Przemyśl - Projekt Echo - 118 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 45 | Echo - Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 46 | Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 47 | Echo Pasaż Grunwaldzki Magellan West Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 48 | Galaxy - Projekt Echo - 106 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 49 | Vousoka Polska Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 50 | Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 51 | Outlet Park - Projekt Echo - 126 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 52 | Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 53 | Galeria Kielce - Projekt Echo - 109 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 54 | Farrina Investments - Projekt Echo - 124 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| 55 | Echo - Park Rozwoju Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **56** | Echo - West Gate Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **57** | A4 Business Park - Iris Capital Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **58** | Oxygen - Projekt Echo - 125 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **59** | Astra Park - Projekt Echo - 69 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **60** | Ventry Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 1 July 2016 | 100% |
| **61** | Emfold Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 1 July 2016 | 100% |
| **62** | Flaxton Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 1 July 2016 | 100% |
| **63** | Orkney Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **64** | Ormonde Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **65** | Otway Holdings Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **66** | Oughton Trading Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **67** | Oxland Trading Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **68** | Wagstaff Investments Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **69** | Wetherall Investments Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **70** | Wylde Holdings Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **71** | Sackville Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **72** | Macintyre Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **73** | Mackinnon Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **74** | Ravenshaw Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **75** | Rundle Holdings Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **76** | Dorsetshire Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **77** | Friedland Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **78** | Epiphet Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **79** | Dauphine Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **80** | Allwell Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **81** | Leuthen Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **82** | Trappaud Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **83** | Pebworth Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **84** | Wisbech Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **85** | Norcross Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **86** | Projekt Echo 138 Sp. z o.o. | Poland | Holding company | 22 December 2016 | 70% |
| **87** | Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 22 December 2016 | 53.74% |

The average number of employees, expressed in full-time equivalents, in 2016 was 88 and can be detailed as follows:

| Department | Number of employees |
|---|---|
| Retail | 47 |
| Office | 9 |
| Other | 32 |
| **Total** | **88** |

**BUSINESS REVIEW**

**ACQUISITIONS**

The company was formed on 4 January 2016 and the group was established on 17 February 2016 by the acquisition of an established property portfolio from our affiliate Echo Investment group („Echo Investment"), which comprised ten retail and six office properties located across Poland. In the reporting period the company managed to secure a quality pipeline of new projects from Griffin and Echo Investment. Subsequent to the listings some of these have finalised, boosting the portfolio to its current 10 retail and 9 office properties and one retail development project described below.

The acquisition of the flagship Towarowa Street retail development site in Warsaw was concluded in December 2016. The intention is to create the largest, most creative and sustainable shopping centre in Poland and central Europe by developing an AAA tier regional retail scheme which will unite all aspects of retail in Europe with an outstanding tenant mix and focused on sustainability. The exciting development will address the changing needs of the retail market as well as focus on latest green building developments including ensuring high energy efficiency. It will be developed over the next three to four years and will represent one of our main focus areas.

On 12 December 2016 the company concluded a preliminary agreement to acquire a 100% holding in Park Handlowy Zakopianka with GLA of 27, 463 sqm ("Zakopianka Shopping Centre" or the "Centre") (excluding portions of the Centre leased to owner occupied Carrefour and Castorama stores). The Centre forms part of a retail park located within the affluent southern part of Krakow with a catchment area of 1.3 million inhabitants. The transaction is expected to complete in Q2 2017.

In line with strategy, subsequent to year-end the company concluded a preliminary acquisition agreement with real estate funds managed by Blackstone, to acquire, as a portfolio transaction, four retail properties for an aggregate consideration of EUR 166.57 million. To this end, EPP will acquire:

- Galeria Twierdza Shopping Centre situated in Klodzko, Poland;
- Galeria Twierdza Shopping Centre situated in Zamosc, Poland;
- Galeria Tecza Shopping Centre situated in Kalisz, Poland; and
- Wzorcownia Shopping Centre situated in Wloclawek, Poland.

## FINANCIAL OVERVIEW

### General

This is the first operating year for the group, so no historical data is available for comparison.

The equity (excluding deferred tax) as at 31 December 2016 amounted to EUR 683 million with equity per share at 1.16 eurocents/share representing a 12% increase since 30 June 2016 (post IPO share capital increase). The growth was mainly due to net result for the period and fair value gain on investment property portfolio.

The net cash generated from operating activities amounted to EUR 25 million with EUR 363 million used in the reporting period in investment activities (business combinations, assets acquisitions and investment in joint ventures) and EUR 360 million generated from financing activities (mainly from a successful IPO ) resulting in a cash and cash equivalents balance of EUR 22 million providing sufficient liquidity for the group to meet its current obligations. There are no financing needs for group's operating activity other than those related to the planned acquisitions or developments. The acquisitions and development projects shall be financed by the mix of external debt and equity keeping the LTV ratio on the comparable level to 2016.

No research and development activities of material impact on the group's result were undertaken by the company in the reporting period.

The net profit attributable to the company's shareholders for the period from 4 January to 31 December 2016 amounted to EUR 78 million with distributable earnings amounting to EUR 34 million in line with the expectations.

There were no exceptional events affecting the group's performance and results that were not considered in the group's consolidated financial statements.

### Property valuations

The portfolio was valued at 31 December 2016 by Savills Sp. z o.o., the independent valuation expert as per the Investment Property accounting policy at EUR 1.359 million with a 3.3% increase in value on the existing portfolio since the last valuation date (30 June 2016). This significant growth was driven by our effective and active asset management measured by an up to 32% reduction in vacancies, 127 leases signed in the reporting period and yield compression.  The footfall increase in the retail sector (yoy) was 3.3% with vacancy rate (based on GLA) of 1.7% in the retail sector and 4.4% in offices sector.

### Borrowings

The primary objective of the group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating.

As at 31 December 2016, the all-in blended rate of the group's debt was 1.85%. The group has total debt facilities of EUR 795 million that is measured using the amortised cost method. The average loan maturity as at 31 December 2016 is 5.1 years.

The group's financial position is analysed taking into account the cash and cash equivalents position and loan-to-value ratio which as at 31 December 2016 amounts to 54.8%.

Banking covenants vary according to each loan agreement, but typically require that the loan-to-value ratio does not exceed 55% to 70%.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

During the current period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

As at year end 90% of the drawn-down debt has been hedged through interest rate swaps while the remaining portion of unhedged facilities relates to bank debt drawn down in December 2016 for ROFO (Right Of First Offer) acquisitions that in accordance with the group's 100% interest rate hedging policy and respective facilities requirements shall be fully hedged by 31 March 2017.

**SEGMENT OPERATIONS**

The group operates in two reporting segments, split as follows:

- Retail — acquires, develops and leases shopping malls,
- Office — acquires, develops and leases offices.

| Period ended 31 December 2016 | Retail | Office | Total |
|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* |
| **Segment profit** | | | |
| Rent and recoveries income | 71 638 | 23 640 | **95 278** |
| Straight line rental income | 196 | 1 037 | **1 233** |
| Property operating expenses | (22 643) | (6 566) | **(29 209)** |

| Year ended 31 December 2016 | Retail | Office | Total |
|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* |
| **Segment assets** | | | |
| Investment in joint ventures | 54 285 | | 54 285 |
| Investment property | 972 392 | 387 040 | 1 359 432 |
| **Total segment assets** | **1 026 677** | **387 040** | **1 413 717** |
| Bank borrowings | 564 241 | 230 380 | 794 621 |
| **Total segment liabilities** | **564 241** | **230 380** | **794 621** |

Segment assets represent investment property and the investment in the joint ventures.

Segment liabilities represent loans and borrowing, as these are the only liabilities reported to the Board on a segmental basis.

**OUTLOOK**

Looking ahead we expect good growth in retail sales, which supports our continued focus on assets in this sector. We have also recently seen a strong uptake on the office side and expect this to continue unabated given Poland's high levels of education and employable public together with a track record of low unemployment, as well as unprecedented growth in the Business Process Outsourcing („BPO") services market. Also the recently introduced state sponsored child allowance programme called Family 500+ (PLN 500 per month per every second and next child in a family), has a disproportionately higher impact on disposable income growth in suburban communities.

Poland remains an attractive investment and business destination with particularly outsourcing benefitting from uncertainty in other European market. The majority of outsourcing jobs are in regional cities which not only supports our office portfolio, but also increases general spending power driving demand for retail.

The company intends to pursue its growth strategy by completion of the preliminary acquisition agreements of Zakopianka shopping centre (as described in the Note 7 to the consolidated financial statements) in Cracow and BlackStone portfolio (as described in the subsequent events section below). The additional financing shall be obtained by the group's subsidiaries in relation to the acquisition agreements completed or development projects.

The workforce is expected to grow in line with the expansion of the group's operation and shall amount to ca. 100 employees in 2017.

## RISK APPETITE AND RISK MANAGEMENT

## RISK APPETITE

### Strategic and business risks

EPP has a clear strategy and wants to pursue growth within a well-defined asset class, clear acquisition criteria and geography. Within the framework EPP is prepared to take risks in a responsible and sustainable way that is in line with the interest of its stakeholders.

### Operational risks

EPP key value is performance excellence and by embedding this into our culture on a day to day basis ensures that we are able to deliver expected returns and meet expectations of our stakeholders. EPP sets a clear management agenda that gives clear focus.

### Compliance risks

One of EPP key values is transparency and EPP strives to comply with laws and regulations wherever the group is active. EPP considers it important that it correctly applies the relevant tax laws and industry specific standards and to fully comply with these laws as to their object and purpose.

### Financial risks

EPP adopts conservative financial policy ensuring proper equity and debt management and maintenance of strong financial profile. The company's appetite for any finance related risk is low and EPP is willing to mitigate all of the risk factors involved to the extent possible. The group's senior management oversees the management of these risks and is supported by an audit and risk committee that advises on financial risks and the appropriate financial risk governance framework for the group.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the group's internal policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

## RISK MANAGEMENT

### Risk management process

Risk management is integral to the company's growth strategy and ensuring that our strategic objectives are met. A process is in place to identify, assess, manage and monitor risks. Occurrence of any or all of the above risks could potentially result in the group's financial risks outlined above becoming material, which in turn could have a material impact on the group's financial performance.

**Risk management framework**

The board is ultimately responsible for risk management in conjunction with the audit and risk committee. The committee is responsible for overseeing that an appropriate risk management policy line with industry standards is in place. Executive management and property managers are responsible for the day-to-day risk management. The board assessed the organisation and functioning of the internal risk management and control systems. The outcome of this assessment were discussed with the audit and risk committee.

**MAIN RISKS**

**Strategic and business risks**

1) **Market value of the portfolio**

The group's portfolio is subject to risks particular to real estate investments and the market value of our portfolio which is the important metric having an impact on the group's NAV.

Significant increases (decreases) in ERV (Estimated Rental Value) and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

The risk in the decrease of portfolio value resulting from the drop in the rental revenues and increase in vacancy rate is mitigated by active asset management and:

- Ensuring high occupancy levels
- Proactive asset management
- Contractual leases with financially sound tenants
- Geographic diversity
- Tenant mix
- Staggering of major lease expiries

2) **Development risk**

A delayed schedule for master planning, increased costs of construction and rental revenues below the expectations may significantly impact the results of the investments.

On development projects EPP continues a partnership dialog and cooperation with city authorities. EPP together with our strategic business partners provide proper assurance on the positive social and urban impact of the project to the city authorities.

Echo Investment S.A. our partner in the development projects has a long term experience in both construction and development of commercial projects across Poland. Cost assessment has been prepared and updated based on the current market conditions. Retail projects are being validated with the leading retailers in Poland with feedback requested from most of the anchors tenants.

**Operational risks**

**1) Increase in operational costs**

The group's has strong and experienced asset management, financial management, property and facility management teams.

The property and facility management function has been internalised as of 1 July 2016 enabling the group to fully control the property management process. The group is able to better control operational costs and the costs growth risk is mitigated by operational control of budget performance and structuring of the lease agreements with operational costs being recharged to tenants. The green building certification and sustainability initiatives help maintain stable cost level from tenants' perspective.

**2) Delayed maintenance**

Although real estate lasts for a long time, shopping centres need maintenance and need to be kept up to modern standards to remain attractive. As the influence on rent levels can only be felt over the longer term, there is a risk that buildings are not maintained or updated as they should. EPP employs professionals who supervised the best technical teams to ensure a that the long term maintenance plan is properly deployed and budgets prepared.

**Compliance risks**

**1) Tax compliance**

The tax landscape is characterised by frequent changes.  As the regulatory requirements are increasing, business and finance transformation require effective management of tax risks involved. The risk management framework requires appropriate strategy for effective tax control. The management, supported by an external team of reputable tax advisors, monitors the efficiency of the tax strategy across the group's operating structures to ensure the business delivers in line with the strategy.

**2) Legislation**

The board is ultimately responsible for ensuring compliance with laws and regulations. New legislation that impacts the group is discussed at board meetings. The directors are assisted in this regard by the company secretary. New legislation initiatives and other regulatory changes are monitored at an early stage by respective team members supported by external advisors to determine impact of new regulations and deciding on actions to be taken. This could be also exercised in cooperation with peers in the industry to ensure the impact for the real estate industry is clearly understood.

**Financial risks**

**1) Liquidity risk**

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans monitoring the available cash position on a daily basis and performing continuing analysis of cash requirements taking into account the group's operations and planned acquisitions.

**2) Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage its interest rate risk, the group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2016, after taking into account the effect of interest rate swaps, 90% of the group's borrowings are hedged with the remaining portion to be fully hedged by 31 March 2017.

The interest rate sensitivity analysis of the changes in the interest rates and their impact on the group's equity and profit before tax is presented in the Note 28 to the consolidated financial statements.

**3) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives.

Tenants are assessed according to group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance and present security of its liabilities resulting from lease agreements in the form of bank or parent entity guarantee or cash deposit. The credit quality of the tenant is assessed based on an credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

## CORPORATE SOCIAL RESPONSIBILITIES

The EPP business model relies on well-managed and maintained assets. Green building is a core value of EPP. We are certified in terms of sustainable property management and certain properties are certified with globally recognised LEED (Leadership in Energy and Environmental Design) and BREEAM certificates.

Not only do our properties foster local employment but we actively participate in CSR activities in the communities in which our properties are based. Beneficiaries are identified based on proximity to our properties, need and accreditation.

## GOING CONCERN

The directors consider that the company and its subsidiaries have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt going concern basis in preparing the company's consolidated and standalone financial statements.

## APPROVAL OF GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the group were approved by the Board of Directors on 8 March 2017.

## DIRECTORS

The directors of the company as at the date of this report were:

Hadley Dean (Chief executive officer)
*(Male, 44, British)*

Hadley Dean brings more than 20 years of real estate experience to Echo Polska Properties. Most recently the CEO of Compass Offices' European, Middle Eastern, and African operations, Hadley helped Compass grow to become Hong Kong's largest serviced office provider with a network extending to Australia, Japan, Kazakhstan, Singapore, and the United Arab Emirates. Prior to Compass, Hadley served as a Managing Partner at Colliers International, an industry-leading global real estate services company operating in 66 countries. Responsible for Colliers' Eastern Europe region, Mr. Dean managed business across twelve countries, sixteen offices, and more than 750 employees. He was also Colliers' EMEA Management Board Member. Hadley holds a BSc from the University of Newcastle-upon-Tyne, and a Property valuation and Management degree from Sheffield Hallam University.

Maciej Adam Drozd (Chief financial officer)
*(Male, 51, Polish)*

Maciej has been deputy CEO at Echo, one of the largest investment and development companies in Poland listed on the Warsaw Stock Exchange, in charge of the company's finance. Maciej started his professional career in 1995 at Eastbridge Group, a Luxembourg private investment fund managing over EUR 2.5 billion in assets related to retail, consumer goods and real estate, overseeing financial operations of selected subsidiaries within the group. He was promoted to CFO and managing partner of the group in 2009. Maciej graduated from University of Warsaw with a master's degree in Philosophy and Management, and received his MBA from the University of Illinois.

Robert Weisz (Independent non-executive chairman)
*(Male, 66, Dutch)*

Robert Weisz serves as Partner and Managing Director of Timevest, a European commercial property investment company. Its portfolio includes high street shopping and commercial retail locations in Germany, the Czech Republic, and the Netherlands. Previously, Mr. Weisz was Partner and Managing Director of DBN Group, a commercial property company operating in the Netherlands and the US. Mr. Weisz has been visiting professor at the Technical University of Eindhoven's Urban Planning Design Group since 2004 and was formerly a guest lecturer in property finance and valuation at the Amsterdam School of Real Estate and University of Groningen. Mr. Weisz is the co-author of three textbooks on property investment. He obtained MBA, CA, Fellow of the Royal Institute of Chartered Surveyors RICS.

Marek Marian Belka (Independent non-executive director)
*(Male, 64, Polish)*

Marek Belka is a former Prime Minister of Poland (2004-2005) and President of Narodowy Bank Polski (Polish Central Bank) (2010-2016). He qualified as an economist with an M.A., Ph.D. and Habilitacja (higher degree common in continental Europe). He has held various political positions since 1996, including Advisor to the President of Poland, Minister of Finance and Deputy Prime Minister. He has also held positions in international organizations, serving as Executive Secretary of the Economic Commission for Europe (in the rank of Undersecretary General of the U.N.) and Director of European Department in the International Monetary Fund (2008-2010). Marek worked in Albania as advisor to three consecutive PMs of the country and in the Coalition Provisional Authority in Iraq (2003-2004). He was member of Board of Directors of two commercial banks in Poland (at different times) and served as Chairman of LOT Polish Airlines in 2002-2003.

Peter Driessen (Independent non-executive director)
*(Male, 69, Dutch)*

Until 1 July 2016, Peter served as the European Director of Capital Markets with CB Richard Ellis in Amsterdam, where he focused primarily on providing strategic and property-specific investment advice to both Dutch and international investors across all property sectors. Previously, Peter served as Co-Founder and Managing Director of Colliers BDR / Insignia BDR, as a board member of BCD Holdings, and as Director Real Estate Investments at Centraal Beheer Pensioenverzekeringen N.V. (Achmea Group). He currently serves as a member of the supervisory board of three international real estate investment funds of Syntrus Achmea Real Estate & Finance.

Maciej Dyjas (Non-executive director)
*(Male, 52, German)*

Maciej Dyjas is a Co-Managing Partner and Co-CEO of Griffin Real Estate, a leading and dynamically-growing investment group operating in Central & Eastern Europe's commercial real estate market. He is also a Managing Partner at Cornerstone Partners – a private equity investment firm, active in the CEE region - with an impressive track-record of transactions. Before joining Griffin and Cornerstone, he was a Managing Partner and CEO of Eastbridge Group, a Luxembourg-based private investment fund that manages over €1.5 billion in assets related to retail, consumer goods, and real estate. He graduated from the University of Warsaw and University of Stuttgart with degrees in Mathematics, IT, and Management.

Dionne Hirschowitz (Independent non-executive director)
*(Female, 48, South African)*

Dionne has a B Com LLB from Wits and thereafter was admitted as an Attorney of the Supreme Court of South Africa. She lived in London for 11 years where she worked at Stenham Property managing commercial property investments for offshore clients. On her return to South Africa, she was appointed as the director of Ellerine Bros. Proprietary Limited, which is involved in equities and property investments.

Andrew König (Non-executive director)
*(Male, 48, South African)*

A qualified Chartered Accountant with 22 years of commercial and financial experience, Andrew was previously the group Financial Director of Independent News and Media. He is responsible for the management of Redefine as well as all aspects of regulatory compliance, corporate activity and communications, and for ensuring the board's strategy is implemented. Andrew holds degrees in BCom and B Acc CA (SA).

Nebil Senman (Non-executive director)
*(Male, 44, German/Turkish)*

Nebil Senman is a Co-Managing Partner of Griffin Real Estate, a leading and dynamically-growing investment group operating in Central & Eastern Europe's commercial real estate market. Previously, Nebil held positions for nine years as Senior Vice President and Supervisory Board Member of Oaktree's German and Polish real estate funds and operations worth several billion Euro. Before joining Oaktree, Nebil spent eight years within the real estate advisory and corporate finance division at Ernst & Young Real Estate (previously Arthur Andersen) where he held different managerial positions. Nebil is a graduate of universities in Berlin (TU Berlin), Paris (ESCP-EAP) and London (LSE). He holds an MBA and a degree in civil engineering, and a post-graduate diploma in real estate management (EBS). He is a member of the Royal Institution of Chartered Surveyors, MRICS.

Andrea Philippa Steer (Independent non-executive director)
*(Female, 45, South African/Irish)*

Andrea is International Legal Counsel at Randstad Holding N.V., an HR services company with operations in 39 countries, headquartered in Amsterdam and listed on the Amsterdam Stock Exchange (AEX). Previously, she held roles as legal consultant at the SBS Broadcasting Group (Amsterdam) and as an associate at Clifford Chance LLP (Amsterdam). Andrea is a Solicitor of England and Wales, an Attorney of the High Court of South Africa, and is registered with the Dutch Law Society (Nederlandse Orde van Advocaten) as a foreign lawyer practising within the EU.

Marc Wainer (Non-executive director)
*(Male, 67, South African)*

Until August 2014, Marc was Chief Executive Officer of Redefine Properties Limited, before moving in to his role as Executive Chairman. He has 40 years' experience in all aspects of real estate. Marc's primary focus is on acquisitions and disposals, international investments, and investor relations, as well as playing a role in conceptual development at Redefine.

**DIRECTORS' INTEREST**

Set out below are the direct and indirect beneficial interests of directors and their associates in EPP ordinary shares as the date of this report:

| Beneficially held | | | | |
|---|---|---|---|---|
| Director | Directly | Indirectly | Total | Percentage |
| Hadley Dean | 500 000 | - | 500 000 | 0.1% |
| Marc Wainer | 10 290 584 | 25 726 456* | 36 017 040 | 6.14% |
| Andrew Konig | 4 888 027 | 25 726 456* | 30 614 483 | 5.22% |
| **Total** | **15 678 611** | **51 704 176** | **67 131 523** | **11.45%** |

** Marc Wainer and Andrew Konig hold 40% and 15% of the Equity in The Big Five International Limited, which holds 25 726 456 EPP shares.*

Subsequent to 31 December 2016, on 6 January 2017, Ellwain Investments Proprietary Limited acquired 251 264 EPP shares at R19.52 per share for an aggregate consideration of R4 904 673.28 by way of an off-market acquisition of shares pursuant to a scheme of arrangement entered into between the Pivotal Fund Limited ("Pivotal") and Pivotal shareholders. Pivotal shareholders, inter alia, acquired 0.09382 EPP shares for every Pivotal share held. Marc Wainer has a 50% interest in Ellwain Investments Proprietary Limited.

**DIRECTORS' INTEREST IN CONTRACTS**

No material contracts in which the directors have an interest were entered into during the period. All transactions are detailed in Note 26 – Related parties and related -party transactions to the group's consolidated financial statements.

**DIRECTORS' REMUNERATION**

The details of the directors' emoluments accrued or paid for the period to 31 December 2016 are set out in the table below:

| | Basic salaries* | Directors' fees** | Bonuses and other performance payments** | Total |
|---|---|---|---|---|
| | | | | 2016 |
| | | | | *EUR'000* |
| **Executive Directors** | | | | |
| Hadley Dean | 161 | - | 275 | 436 |
| Maciej Drozd | 87 | - | 50 | 137 |
| **Total** | **248** | **-** | **325** | **573** |
| **Non -Executive Directors** | | | | |
| Robert Weisz | - | 45 | - | 45 |
| Marc Wainer | - | 25 | - | 25 |
| Marek Belka | - | 31 | - | 31 |
| Andrew Konig | - | 25 | - | 25 |
| Maciej Dyjas | - | 25 | - | 25 |
| Nebil Senman | - | 25 | - | 25 |
| Dionne Ellerine | - | 30 | - | 30 |
| Andrea Steer | - | 40 | - | 40 |
| Peter Driessen | - | 37 | - | 37 |
| **Total** | **-** | **283** | **-** | **283** |

** paid out in 2016 by Echo Polska Properties Sp. z o.o.*

*** The fees comprise the annual bonuses and a sign -up bonus with regards to Hadley Dean consulting agreement. The respective fees have been accrued as of 31 December 2016 at Echo Polska Properties N.V. level.*

All remuneration components are outlined in the table above.

The 2016 executive directors bonuses were dependent on the successful IPO of the company which was fulfilled in September 2016.

No costs have been accrued in relation to pension charges and long-term incentive awards or schemes in the reporting period. No loans, deposits or guarantees have been provided to the (non-)executive directors by the Company and its (in) direct subsidiaries in the reporting period

**DISTRIBUTION TO SHAREHOLDERS**

Distributions to shareholders are disclosed in note 11 of the consolidated financial statements.

**CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

1. **BOARD OF DIRECTORS**

EPP's board considers corporate governance practices to be a critical element in delivering sustainable growth for the benefit of all stakeholders. In conducting the affairs of the company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by the principles of the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance ("**King III**") and by the principles and best practice provisions of the Dutch corporate governance code ("**Dutch Code**").

In regularly reviewing the company's governance structures, the board exercises and ensures effective and ethical leadership, always acting in the best interests of the company and at the same time concerning itself with the sustainability of its business operations.

A register of all 75 King III principles and the extent of EPP's compliance therewith, is available on the company's website at www.echo-pp.com. EPP explains in its Director's Report if it does not comply with any of the principles and best practice provisions of the Dutch Code. The "comply or explain" report of the company is in accordance with the Dutch Code and will also be made available on the company's website.

EPP maintains a one-tier board consisting of two executive directors and nine non-executive directors, five of whom are considered independent according to King III and the Dutch Code. The chairman, Robert Weisz, is an independent non-executive director whose role is separate from that of the chief executive officer.

The board is collectively responsible for EPP's management and the general affairs of EPP's business. The executive directors are in charge of the day-to-day management of EPP. The non-executive directors are entrusted with the supervision of the performance of the tasks by the members of the board. Each member of the board has a duty to properly perform the duties assigned to him or her and to act in EPP's corporate interest.

The non-executive directors are individuals of calibre, credibility and have the necessary skills and experience to provide judgment that is independent of management on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance.

The current board's diversity of professional expertise and demographics make it a highly effective board with regards to EPP's current strategies. The board, through the nomination and remuneration committees, shall ensure that in nominating successive directors for appointment by the general meeting, the board as a whole will continue to reflect, whenever possible, a diverse set of professional and personal backgrounds ensuring a clear balance of power and authority so that no one director has unfettered powers of decision making. The information needs of the board are reviewed annually.

In terms of the articles of association, one-third of the non-executive directors must be re-elected annually.

Board meetings are held at least quarterly, with additional meetings convened when circumstances necessitate. The board sets the strategic objectives of EPP and determines the company's investment and performance criteria, and is in addition responsible for the company's sustainability, proper management, control and, compliance, and the ethical behaviour of the businesses under its direction. The board has established specific committees (audit and risk committee, investment committee, nomination and remuneration committee) to give detailed attention to certain of its responsibilities, which operate within defined, written terms of reference that are capable of amendment by the board from time to time as the need arises.

The board has established an orientation programme to familiarise incoming directors with the company's operations, senior management and business environment, and to induct them in their fiduciary duties and responsibilities. New directors with no or limited board experience receive development and education to inform them of their duties, responsibilities, powers and potential liabilities.

Directors ensure that they have a working understanding of applicable laws. The board ensure that the company complies with applicable laws and considers adherence to non-binding industry rules and codes and standards. In deciding whether or not non-binding rules shall be complied with, the board will factor the appropriate and ethical considerations that must be taken into account.

The board appraises the chairperson's performance and ability to add value on an annual or such other basis as the board may determine. The nomination and remuneration committee appraises the performance of the chief executive officer and other senior executives, at least annually.

The board as a whole, as well as individual directors, have their overall performance reviewed on an annual basis in order to identify areas of concern or improvement in the discharge of its/their functions. This review is undertaken by the chairperson and, if so determined by the board, an independent service provider. Nominations for the re-appointment of a director only occur after the evaluation of the performance and attendance of the director.

The board has started working on determining a policy for detailing the procedures for appointments to the board. Such appointments are to be formal and transparent and a matter for the board as a whole assisted where appropriate by the nomination and remuneration committee.

The board has approved a charter setting out its responsibilities for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the company's risk management and internal controls, communication policy and director selection, orientation and evaluation. The group member companies adopted the governance framework, policies, processes and procedures as set by the board in consultation with the directors of its various subsidiaries.

The board has delegated certain functions to the audit and risk committee, the nomination and remuneration committee and the investment committee. The board is conscious of the fact that such delegation of duties is not an abdication of the board members' responsibilities.

## 2. DEVIATIONS FROM THE DUTCH CODE

The board subscribes to the Dutch Code's principles and best practice provisions. In accordance with the Dutch Code's "comply or explain" principle, EPP has outlined below departures from the Dutch Code. The deviations from the corporate governance code are also published on the company's website.

The principles are based on a company with a two-tier board structure, whereby a supervisory board supervises the management board. The one-tier board structure, with non-executive directors who supervise the executive directors, is only explicitly mentioned in best practice principle III.8. In 2012 the Corporate Governance Code Monitoring Committee (the "**Committee**") provided guidelines in how to interpret the other best practice principles on a company with a one-tier board structure. The Committee advised that in principle all provisions for the supervisory board mutatis mutandis apply to non-executive directors and that all provisions for the management board mutatis mutandis apply to executive directors and in some instances also apply to the nonexecutive directors. The text of the (best practice) provisions below should be read bearing this in mind.

Certain principles and best-practice provisions in the Corporate Governance Code do not apply to EPP or are not yet implemented within the organization. EPP is still in its start-up phase and is currently in the process of formulating its regulations and policy's. The below overview is prepared in accordance with (close to) final drafts, which are expected to be adopted in the first half of 2017.

The reasons why and to what extent EPP has not yet implemented or decided not to adopt certain principles and best-practice provisions are explained below.

*II.1.2 The management board shall submit to the supervisory board for approval:*

*a) the operational and financial objectives of the company;*

*b) the strategy designed to achieve the objectives;*

*c) the parameters to be applied in relation to the strategy, for example in respect of the financial ratios; and*
*d) corporate social responsibility issues that are relevant to the enterprise.*

*The main elements shall be mentioned in the annual report.*

Since EPP has a one-tier board, the non-executive directors are already involved in these subjects.. The company does not require a specific approval of the non-executive directors.

*II.1.3 The company shall have an internal risk management and control system that is suitable for the company. It shall, in any event, employ as instruments of the internal risk management and control system:*

*a) risk analyses of the operational and financial objectives of the company;*

*b) a code of conduct which should be published on the company's website;*

*c) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and*

*d) a system of monitoring and reporting.*

EPP has not adopted its code of conduct yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish its code of conduct on the company's website at www.echo-pp.com.

*II.1.7 The management board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature within the company to the chairman of the management board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of management board members shall be reported to the chairman of the supervisory board. The arrangements for whistleblowers shall be posted on the company's website.*

EPP has not adopted its whistleblower policy yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish its whistleblower policy on the company's website at www.echo-pp.com.

*II.2.1 Before drawing up the remuneration policy and determining the remuneration of individual management board members, the supervisory board shall analyse the possible outcomes of the variable remuneration components and how they may affect the remuneration of the management board members.*

EPP has not adopted its remuneration policy yet but expects to do adopt this in the first half of 2017. EPP subscribes to the provisions of BPP II.2.1.

*II.2.3 In determining the level and structure of the remuneration of management board members, the supervisory board shall take into account, among other things, the results, the share price performance and non-financial indicators relevant to the long term objectives of the company, with due regard for the risks to which variable remuneration may expose the enterprise.*

The remuneration of the executive directors is still in the process of being determined. A long term incentive plan is being considered.

*II.2.12 The remuneration report of the supervisory board shall contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years. The report shall explain how the chosen remuneration policy contributes to the achievement of the long-term objectives of the company and its affiliated enterprise in keeping with the risk profile. The report shall be posted on the company's website.*

EPP has not adopted its remuneration policy yet.

*II.2.14 The main elements of the contract of a management board member with the company shall be made public after it has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the management board member will be proposed. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable remuneration component, any agreed redundancy scheme and/or severance pay, any conditions of a change-of-control clause in the contract with a management board member and any other remuneration components promised to the management board member, pension arrangements and performance criteria to be applied.*

These elements have been disclosed in the prospectus for the initial public offering of the company.

*Provision II.3.4: All transactions in which there are conflicts of interest with management board members shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with management board members that are of material significance to the company and/or to the relevant board members require the approval of the supervisory board. Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best practice provisions II.3.2 to II.3.4 inclusive have been complied with.*

The company does not entirely comply with this provision, as a decision to enter into a transaction that involves a conflicted Board Member is adopted by the Board without the required approval of the non-executive directors.

*III.1.1 The division of duties within the supervisory board and the procedure of the supervisory board shall be laid down in terms of reference. The supervisory board's terms of reference shall include a paragraph dealing with its relations with the management board, the general meeting and the central works council or works council. The terms of reference shall be posted on the company's website.*

EPP has not adopted the board's terms of reference yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish the board's terms of reference on the company's website at www.echo-pp.com.

*III.2.1 All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.*

Four out of nine non-executive directors do not qualify as independent within the meaning of the Dutch Code. These non-independent -executive directors are, through their wider association with the group and its operations over the years, considered to have unique knowledge of the group and its industry. The current board's diversity of professional expertise and demographics make it a highly effective board with regards to EPP's current strategies.

*III.3.1 The supervisory board shall prepare a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the supervisory board members.*

*The profile shall deal with the aspects of diversity in the composition of the supervisory board that are relevant to the company and shall state what specific objective is pursued by the board in relation to diversity. In so far as the existing situation differs from the intended situation, the supervisory board shall account for this in the report of the supervisory board and shall indicate how and within what period it expects to achieve this aim. The profile shall be made generally available and shall be posted on the company's website.*

EPP has not prepared a non-executive board profile yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish the non-executive board profile on the company's website at www.echo-pp.com.

*III.3.5 A person may be appointed to the supervisory board for a maximum of three 4-year terms.*

All board members, shall retire per the end of EPP's first annual general meeting. At each annual general meeting thereafter, one third (1/3) of the board members then in office, or if their number is not three or a multiple of three, the number nearest to one third (1/3), but not less than one third (1/3), shall resign from office, provided that at least one third (1/3) of the non-executive board members then in office, or if their number is not three or a multiple of three, the number nearest to one third (1/3), but not less than one third (1/3), shall resign from office. A retiring board member may be reappointed, provided he is eligible for appointment.

*III.3.6 The supervisory board shall draw up a retirement schedule in order to avoid, as far as possible, a situation in which many supervisory board members retire at the same time. The retirement schedule shall be made generally available and shall be posted on the company's website.*

EPP has not adopted a rotation schedule yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish the rotation schedule on the company's website at www.echo-pp.com.

*Provision III.4.1: The chairman of the supervisory board shall ensure that:*

*(a) the supervisory board members follow their introduction and education or training programme;*

*(b) the supervisory board members receive in good time all information which is necessary for the proper performance of their duties;*

*(c) there is sufficient time for consultation and decision-making by the supervisory board;*

*(d) the committees of the supervisory board function properly;*

*(e) the performance of the management board members and supervisory board members is assessed at least once a year;*

*(f) the supervisory board elects a vice-chairman; and*

*(g) the supervisory board has proper contact with the management board and the works council (or central works council).*

EPP for the most part complies with this provision, except that no formal vice-chairman has been appointed. If the chairman is not available to attend a Board meeting, in practice one of the other independent non-executive directors will chair the meeting.

*III.4.3 The supervisory board shall be assisted by the company secretary. The company secretary shall ensure that correct procedures are followed and that the supervisory board acts in accordance with its* *statutory obligations and its obligations under the articles of association. He shall assist the chairman of the supervisory board in the actual organisation of the affairs of the supervisory board (information, agenda, evaluation, training programme, etc.). The company secretary shall, either on the recommendation of the supervisory board or otherwise, be appointed and dismissed by the management board, after the approval of the supervisory board has been obtained.*

Since EPP has a one-tier board, the non-executive directors are already involved in this appointment. No separate recommendation of approval by the non-executive directors is required.

*III.5.1 The supervisory board shall draw up terms of reference for each committee. The terms of reference shall indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The terms of reference may provide that a maximum of one member of each committee may not be independent within the meaning of best practice provision III.2.2. The terms of reference and the composition of the committees shall be posted on the company's website.*

EPP has not adopted the terms of reference for each committee yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish the terms of reference for each committee on the company's website at www.echo-pp.com.

*III.5 Composition and role of three key committees of the supervisory board Principle If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. The function of the committees is to prepare the decision-making of the supervisory board. If the supervisory board decides not to appoint an audit committee, remuneration committee or selection and appointment committee, best practice provisions III.5.4, III.5.5, III.5.8, III.5.9, III.5.10, III.5.14, V.1.2, V.2.3, V.3.1, V.3.2 and V.3.3 shall apply to the entire supervisory board. In its report, the supervisory board shall report on how the duties of the committees have been carried out in the financial year.*

EPP has combined the remuneration committee and selection and appointment committee into one nomination and remuneration committee. Due to the size of the company it does not believe to be efficient to maintain a separate remuneration committee and selection and appointment committee.

*III.6.1 A supervisory board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, to the chairman of the supervisory board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. If the chairman of the supervisory board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he shall report this immediately to the vice-chairman of the supervisory board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. The supervisory board member concerned may not take part in the assessment by the supervisory board of whether a conflict of interest exists. A conflict of interest exists in any event if the company intends to enter into a transaction with a legal entity:*

*i) in which a supervisory board member personally has a material financial interest;*

*ii) which has a management board member who is related under family law to amember of the supervisory board of the company; or* *iii) in which a member of the supervisory board of the company has a management or supervisory position.*

EPP for the most part complies with this provision, except that no formal vice-chairman has been appointed. If the chairman of the board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, in practice he shall report this immediately this to another non-executive directors.

*III.6.5 The terms of reference of the supervisory board shall contain rules on dealing with conflicts of interest and potential conflicts of interest between management board members, supervisory board members and the external auditor on the one hand and the company on the other. The terms of reference shall also stipulate which transactions require the approval of the supervisory board. The company shall draw up regulations governing ownership of and transactions in securities by management or supervisory board members, other than securities issued by their 'own' company.*

EPP has not adopted the board's terms of reference yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish the board's terms of reference on the company's website at www.echo-pp.com.

*IV.1.1 The general meeting of shareholders of a company not having statutory two tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.*

The company does not entirely comply with this provision. EPP's general meeting may overrule the binding nomination by a resolution adopted by a majority of at least two thirds of the votes cast representing more than half of the issued capital.

*IV.3.13 The company shall formulate an outline policy on bilateral contacts with the shareholders and publish this policy on its website*.

EPP has not adopted a bilateral contact policy yet, but expects to do adopt this in the first half of 2017. Upon adoption EPP will publish the bilateral contact policy on the company's website at www.echo-pp.com.

*V.3 Internal audit function Principle The internal auditor shall operate under the responsibility of the management board.*

Due to the size of the company, the board does not consider it to be cost effective to maintain a full-time internal audit function. The company's situation and needs in terms of internal audit function will be reassessed on a yearly basis. The board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.

## 3. AUDIT AND RISK COMMITTEE

The board has established an audit and risk committee comprising Peter Driessen (chairperson), Robert Weisz and Andrea Steer, all of whom are independent non-executive directors. All of the members are financially literate.

The committee's primary objective is to provide the board with additional assurance regarding the efficacy and reliability of the financial information used by the directors to assist them in the discharge of their duties. The committee monitors the existence of adequate and appropriate financial and operating controls and ensures that significant business, financial and other risks have been identified and are being suitably managed, and satisfactory standards of governance, reporting and compliance are in operation.

The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation will be performed by management and accompanied by external audits conducted by external practitioners whose work will be overseen by, and reported to, the audit and risk committee. These systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of the company's assets, and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. The audit and risk committee is governed by a charter which was approved by the board.

Due to the size of the company, the board does not consider it to be cost effective to maintain a full-time internal audit function. The company's situation and needs in terms of internal audit function will be reassessed on a yearly basis. The board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.

The audit and risk committee meets at least three times a year. Executives and managers responsible for finance and the external auditors attend the audit and risk committee meetings. The audit and risk committee is responsible for reviewing the finance function of the company on an annual basis.

In 2016, the audit and risk committee meetings were held two times: on 29 September 2016 to discuss the condensed consolidated financial statements of the company as at 30 June 2016 and for the period from 4 January 2016 to 30 June 2016 and on 7 December 2016 to discuss the audit plan concerning the company for the year 2016.

The audit and risk committee may authorise engaging for non-audit services with the appointed external auditors or any other practising audit firm, after consideration of the following:

- the essence of the work to be performed may not be of a nature that any reasonable and informed observer would construe as being detrimental to good corporate governance or in conflict with that normally undertaken by the accountancy profession;
- the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments;
- the work being done may not conflict with any requirement of generally accepted accounting practice or principles of good corporate governance;
- consideration to the operational structure, internal standards and processes that were adopted by the audit firm in order to ensure that audit independence is maintained in the event that such audit firm is engaged to perform accounting or other non-audit services to its client base. Specifically:

– of these services to the company;

– the company may not appoint an audit firm to EPP's systems or processes where such audit firm will later be required to express a view as to the functionality or effectiveness of such systems or processes;

- the company may not appoint an audit firm to provide services where such audit firm will later be required to express a view on the fair representation of information based on the result the total fee earned by an audit firm for non-audit services in any financial year of the company, expressed as a percentage of the total fee for audit services, may not exceed 35% without the approval of the board; and
- an audit firm will not be engaged to perform any management functions (e.g. acting as curator) without the express prior approval of the board. An audit firm may be engaged to perform operational functions, including that of bookkeeping, when such audit firm are not the appointed external auditors of the company and work is being performed under management supervision.

The audit and risk committee may delegate the approval of the appointment of an audit firm for non-audit services to management. Management shall report back on the use of the appointed external auditors or any other practising audit firm for non-audit services at meetings of the audit and risk committee.

Information relating to the use of non-audit services from the appointed external auditors of the company shall be disclosed in the notes to the annual financial statements. Separate disclosure of the amounts paid to the appointed external auditors for non-audit services as opposed to audit services, shall be made in the annual financial statements.

The audit and risk committee must consider on an annual basis and satisfy itself of the appropriateness of the expertise and experience of the chief financial officer and the company must confirm this by reporting to shareholders in its annual report that the audit and risk committee has executed this responsibility. The audit and risk committee has satisfied itself of the appropriateness of the expertise and experience of the chief financial officer. The audit and risk committee has reviewed these annual financial statements prior to submission to the Board for approval. The audit and risk committee has also assessed the independence of the external auditors and is satisfied with their independence.

The risk management policy is in accordance with industry practice and specifically prohibits EPP from entering into any derivative transactions that are not in the normal course of the company's business.

The audit and risk committee consists only of independent non-executive directors and has reviewed these annual financial statements prior to submission to the Board for approval. The audit and risk committee has also assessed the independence of the external auditors and is satisfied with their independence.

### 4. NOMINATION AND REMUNERATION COMMITTEE

The nomination and remuneration committee is comprised of Marek Belka (chairperson), Andrea Steer and Dionne Hirschowitz, all of whom are independent non-executive directors. The nomination and remuneration committee's primary responsibilities are:

- to assess, recruit, nominate for appointment and approve new directors; and
- to monitor the remuneration policy of the company and more specifically the executive directors and ensure that directors and executives are remunerated fairly and responsibly following adoption of the respective policies by the company.

EPP has not adopted its remuneration policy yet but expects to do adopt this in the first half of 2017.

The procedure for appointments to the board is formal and transparent, free from any dominance of any one particular shareholder. Any new appointees are required to possess the necessary skills to contribute meaningfully to board deliberations and to enhance board composition in accordance with recommendation, legislation, regulations and best practice.

The committee considers the mix of regular salary remuneration, annual bonuses and incentive elements that meet the company's needs. Incentives are based on targets that are stretching, verifiable and relevant.

Remuneration of non-executive directors, who do not receive incentive awards, is reviewed and set by the committee for ultimate approval by shareholders. The CEO and chief financial officer attend meetings by invitation.

The committee is mandated by the board to authorise the remuneration and incentivisation of all employees, including executive directors. In addition, the committee recommends directors' fees payable to non-executive directors and members of board sub-committees.

The committee's responsibilities and duties are governed by a charter.

## 5. INVESTMENT COMMITTEE

The board has established an investment committee comprised of Marc Wainer (chairperson), Peter Driessen, Andrew König, Maciej Dyjas, Nebil Senman and Hadley Dean. All of the members of the committee are experienced investors who have successfully concluded and realised investments in the property sector, in Poland or internationally. The committee's primary objective will be:

(i) to consider suitable acquisitions, which fit within the company's business strategy; and

(ii) to make final decisions regarding acquisitions and disposals to be made by the company, acting under a delegated mandate from the board.

The investment committee meets on an ad hoc basis as may be required in order to fulfil its mandate. In 2016 the investment committee met several times in order to review acquisitions proposals and make final decision for the company regarding investments.

## 6. INTERNAL CONTROLS

To meet the company's responsibility to provide reliable financial information, the company maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and those transactions are properly authorised and recorded.

The systems include a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the group, and the careful selection, training and development of people.

The company monitors the operation of the internal control systems in order to determine if there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The board of directors, operating through the audit and risk committee, oversees the financial reporting process and internal control systems. There are inherent limitations on the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

As directors of the company, we believe that that the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems worked properly in the period under review.

## 7. THE COMPANY SECRETARY

The board of directors have direct access to the company secretary, Rafał Kwiatkowski, who provides guidance and assistance in-line with the requirements outlined in King III and the JSE Listings Requirements and Dutch Code.

The company secretary is subjected to an annual evaluation by the board wherein the board will satisfy itself as to the competence, qualifications and experience of the company secretary.

The company secretary, where necessary, arranges training on changing regulations and legislation and could involve the group's sponsors, auditors or organisations such as the institute of directors. The company secretary is not a member of the board and an arms-length relationship exists between the board of directors and the company secretary.

The board is satisfied that an arms-length relationship is maintained between the company and the company secretary through the provisions of a service agreement entered into between the company and the company secretary which limits the duties of the company secretary to only those related to the corporate governance of the company and the administration of company documentation.

## 8. DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE

The company has started drafting a policy of prohibiting dealings by directors, the company secretary and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results, any period while the company is trading under cautionary announcement and at any other time deemed necessary by the board.

The board will determine an insider dealings code and establish a procedure for directors, in furtherance of their duties, to take independent professional advice, if necessary, at the company's expense. All directors have access to the advice and services of the company secretary.

## 9. COMMUNICATION

EPP meets regularly with institutional shareholders, private investors and investment analysts, as well as to provide presentations on the company and its performance and shall promote a stakeholder inclusive approach in operating the company.

The board appreciates that shareholder perceptions affect the company's reputation and in this regard will establish a policy for the engagement of the company's stakeholders. The board will encourage shareholders to attend annual general meetings.

## 10. BUSINESS RESCUE

The board will consider business rescue proceedings or other turn-around mechanisms as soon as the company is financially distressed. In this regard the board will ensure the company's solvency and liquidity is continuously monitored. A suitable practitioner will be appointed in the event that business rescue is adopted.

**SUBSEQUENT EVENTS**

On 31 January 2017 EPP has concluded a preliminary acquisition agreement (the "preliminary acquisition agreement") with Buffalo Poland Holdco S.a r.l, Buffalo Poland Holdco II S.a r.l and Factory Poland Holdco S.a.r.l, (the "sellers"), real estate funds managed by Blackstone, to acquire, as a composite transaction, 4 retail properties (the "properties") for an aggregate consideration of EUR 166.57 million ("the transaction" or "the acquisition/s"). To this end, EPP will acquire:

- 100% of the equity in Klodzko Retail LLC ("Klodzko Retail"), which holds the legal title (in the form of ownership rights) to the Galeria Twierdza Shopping Centre situated in Klodzko, Poland ("Twierdza Klodzko") for an aggregate purchase consideration of EUR40.67 million. Prior to the closing of the transaction Klodzko Retail will also acquire the perpetual ususfruct right to the plot adjacent to Twierdza Klodzko on which a Broaster Chicken Drive restaurant is located;
- 100% of the equity in Zamosc Retail LLC which holds the legal title (partly in the form of ownership rights and partly as the holder of perpetual usufruct rights) to the Galeria Twierdza Shopping Centre situated in Zamosc, Poland for an aggregate purchase consideration of EUR53.51 million;
- 100% of the equity in Kalisz Retail LLC which holds the legal title (in the form of a co-ownership right) to the Galeria Tecza Shopping Centre situated in Kalisz, Poland for an aggregate purchase consideration of EUR23.21 million. The remaining co-owner is Spolem Supermarket that owns the premises from which it operates within the Galeria Tecza Shopping Centre; and
- 100% of the equity in Wloclawek Retail LLC ("Wzorcownia Retail") which holds legal title to the Wzorcownia Shopping Centre situated in Wloclawek, Poland ("Wzorcownia") for an aggregate purchase consideration of EUR 49.17 million. Wzorcownia is spread across 16 different plots, with different forms of ownership rights. Wzorcownia Retail has ownership rights in respect of 2 plots and perpetual usufruct rights in respect of 1 plot, comprising the majority of Wzorcownia. Wzorcownia Retail owns 11 separate premises with a 25.27% share in the co-ownership right of the plots and 2 separate premises with a 60.19% share in the co-ownership right of the plots. The remaining co-ownership rights are held by individuals and Budizol Sp. z o. o. Property S.K.A. respectively.

The transaction is in line with EPP's stated strategy of acquiring quality retail assets in strategic locations. The properties comprise recently developed modern retail centers that are regionally dominant, each with a balanced tenant mix of predominately institutional quality tenants (including those representing leading international brands). Twierdza Klodzko and Wzorcownia are the only large modern retail properties in their respective cities. All four properties have easy access by road and public transport (with three of them located in the city centre) and are located in cities which are commercial, tourist or industrial hubs. The purchase consideration of EUR166.57 million represents an acquisition yield of approximately 7.5%.

The transaction is expected to close no earlier than 1 May 2017 and no later than 30 September 2017. The purchase consideration for the transaction will be paid in cash on the closing date of the transaction. The acquisitions will be funded through a combination of debt, potential proceeds from the recycling of assets and the issuance of new shares. The transaction remains conditional upon:

- EPP obtaining competition clearance from the President of the Polish Office of Competition and Consumer Protection;
- the issuance of an insurance policy in favour of EPP to cover any liability of the sellers under the sellers' warranties and representations furnished in terms of the transaction agreements;
- the issuance of an insurance policy in favour of EPP to cover any liability of the sellers in respect of the sellers' title to the equity in Klodzo Retail, Zamosc Retaill LLC, Kalisz Retail LLC and Wloclawek Retail LLC ("the companies") and the companies' title to the properties;
- the completion of certain internal corporate restructuring of the companies to ensure a positive net asset position and a reduction of the companies' liabilities under intra-group loans, to meet certain contractual criteria;
- EPP obtaining debt finance in respect of circa 55% of the total purchase consideration payable for the acquisitions.

Amsterdam, 8 March 2017

Hadley Dean
Chief executive officer

Maciej Drozd
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marek Marian Belka
Independent non-executive director

Peter Driessen
Independent non-executive director

Maciej Dyjas
Non-executive director

Dionne Hirschowitz
Independent non-executive director

Andrew König
Non-executive director

Nebil Senman
Non-executive director

Andrea Philippa Steer
Independent non-executive director

Marc Wainer
Non-executive director

## GENERAL INFORMATION

Echo Polska Properties N.V. (the "Company" or "EPP") is a real estate company that indirectly owns a portfolio of prime retail and office assets throughout Poland, a dynamic Central and Eastern Europe ("CEE") economy with a very attractive real estate market.

EPP was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law on 4 January 2016 in accordance with the applicable laws of the Netherlands and converted to a public company on 12 August 2016. The Company's official seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered address is at Rapenburgerstraat 175 M, 1011VM Amsterdam, the Netherlands. The Company is registered with the Dutch trade register under number 64965945.

The consolidated financial statements for the period ended 31 December 2016 comprise the Company and its subsidiaries (the "Group" or "EPP Group").

On 30 August 2016 EPP listed on Euro MTF market of the Luxembourg Stock Exchange ("LuxSE") and on 13 September 2016 listed on the Johannesburg Stock Exchange ("JSE") in the Real Estate Holdings and Development Sector. The Company has a dual primary listing on both LuxSE and the Main Board of the JSE.

As of 31 December 2016 the composition of the Company's Board of Directors was as follows:

| | |
|---|---|
| Hadley Dean | (Chief executive officer) |
| Maciej Adam Drozd | (Chief financial officer) |
| Robert Weisz | (Independent non-executive chairman) |
| Marek Marian Belka | (Independent non-executive director) |
| Marc Wainer | (Non-executive director) |
| Andrew König | (Non-executive director) |
| Maciej Dyjas | (Non-executive director) |
| Nebil Senman | (Non-executive director) |
| Dionne Hirschowitz | (Independent non-executive director) |
| Andrea Philippa Steer | (Independent non-executive director) |
| Peter Driessen | (Independent non-executive director) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | NOTES | Period from 4 January 2016 till 31 December 2016 |
|---|---|---|
| | | *EUR'000* |
| Rental income and recoveries | NOTE 15 | 95 278 |
| Straight line rental income | | 1 233 |
| Property operating expenses | | (29 209) |
| **Net property income** | | **67 302** |
| Other income | NOTE 17 | 2 109 |
| Other expenses | NOTE 17 | (2 610) |
| Administrative expenses | NOTE 16 | (12 532) |
| **Net operating profit** | | **54 269** |
| Profit from investment properties | NOTE 4 | 44 325 |
| **Profit from operations** | | **98 594** |
| Finance income | NOTE 18 | 7 339 |
| Finance costs | NOTE 19 | (18 582) |
| Cost of refinancing | NOTE 19 | (5 881) |
| Foreign exchange gains | | 2 192 |
| Participation in profits of joint ventures | | 12 526 |
| **Profit before taxation** | | **96 188** |
| **Taxation** | | |
| Current income tax | NOTE 21 | (878) |
| Deferred tax | NOTE 21 | (18 546) |
| **Profit for the period** | | **76 764** |
| Attributable to EPP shareholders | | 76 764 |
| Earnings per share: | | |
| Basic and diluted earnings, on profit for the period (EUR cents) | NOTE 22 | 20.9 |

The reconciliation between basic earnings, headline earnings and distributable earnings is disclosed on the page 42.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| | NOTES | |
|---|---|---|
| | | **Period from 4 January 2016 till 31 December 2016** |
| | | *EUR'000* |
| Profit for the period | | 76 764 |
| ***Other comprehensive income to be reclassified to profit or loss in subsequent periods*** | | |
| Foreign currency translation reserve | | (434) |
| **Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods** | | **(434)** |
| **Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods** | | **-** |
| **Total comprehensive income for the period, net of tax** | | **76 330** |
| **Total comprehensive income attributable to the Parent for the period, net of tax** | | **76 330** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | NOTE | As at 31 December 2016 |
|---|---|---|
| | | *EUR'000* |
| ***ASSETS*** | | |
| **Non-current assets** | | **1 423 834** |
| Investment in joint ventures | NOTE 3 | 54 285 |
| Tangible assets | | 85 |
| Investment property | NOTE 4 | 1 359 432 |
| Financial assets | NOTE 7 | 10 032 |
| **Current assets** | | **85 564** |
| Inventory | | 74 |
| Tax receivable | NOTE 5 | 9 |
| Trade and other receivables | NOTE 6 | 32 658 |
| Financial assets | NOTE 7 | 9 057 |
| Restricted cash | NOTE 8 | 21 845 |
| Cash and cash equivalents | NOTE 9 | 21 921 |
| **Total assets** | | **1 509 398** |
| ***EQUITY AND LIABILITIES*** | | |
| **Equity** | | **623 794** |
| Share capital | NOTE 10 | 474 702 |
| Share premium | | 95 095 |
| Accumulated profit | | 54 431 |
| Foreign currency translation reserve | | (434) |
| **Non-current liabilities** | | **818 458** |
| Bank borrowings | NOTE 12 | 741 776 |
| Related party financial liabilities | NOTE 26 | 5 885 |
| Other liabilities | NOTE 14 | 11 881 |
| Deferred tax liability | NOTE 21 | 58 916 |
| **Current liabilities** | | **67 146** |
| Bank borrowings | NOTE 12 | 52 845 |
| Related party financial liabilities | NOTE 26 | 221 |
| Tax payables | NOTE 13 | 175 |
| Trade payables | NOTE 14 | 13 819 |
| Provisions | | 86 |
| **Total equity and liabilities** | | **1 509 398** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | **Share capital** | **Share premium /Capital reserves** | **Accumulated profit /(loss)** | **Foreign currency translation reserve** | **Total equity** |
|---|---|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* |
| **Balance as at 4 January 2016** | **20** | **-** | **-** | **-** | **20** |
| Profit for the period | - | - | 76 764 | - | 76 764 |
| Other comprehensive income | | | | (434) | (434) |
| Total comprehensive income | - | - | 76 764 | (434) | 76 330 |
| Issue of ordinary shares | 474 682 | 110 157 | - | - | 584 839 |
| Acquisition of subsidiary and transaction costs | - | (15 062) | - | - | (15 062) |
| Dividend paid | - | - | (22 333) | | (22 333) |
| **Balance as at 31 December 2016** | **474 702** | **95 095** | **54 431** | **(434)** | **623 794** |

## CONSOLIDATED STATEMENT OF CASH FLOW

| | NOTES | |
|---|---|---|
| | | **Period from 4 January 2016 till 31 December 2016** |
| | | *EUR'000* |
| **Operating activities** | | |
| **Cash generated from operations** | NOTE 25 | **26 363** |
| Tax paid | | (707) |
| **Net cash generated from operating activities** | | **25 656** |
| | | |
| **Investing activities** | | |
| Acquisition of business net of cash acquired | | (164 154) |
| Investments in joint ventures | | (41 609) |
| Purchase of investment property | | (118 747) |
| Capital expenditure on completed investment property | | (14 768) |
| Loans granted | | (23 412) |
| Interest received | | (131) |
| Purchase of fixed and intangible assets | | (85) |
| **Net cash utilised in investing activities** | | **(362 906)** |
| | | |
| **Financing activities** | | |
| Proceeds from borrowings | | 832 687 |
| Repayment of borrowings | | (791 284) |
| Proceeds from issue of share capital | | 372 888 |
| Transaction costs on issue of shares | | (14 967) |
| Dividends paid | NOTE 11 | (22 333) |
| Interest paid | | (17 386) |
| **Net cash generated from financing activities** | | **359 605** |
| | | |
| **Net increase in cash and cash equivalents** | | **22 355** |
| | | |
| **Cash and cash equivalents at the beginning of the period** | | **-** |
| Effect of foreign exchange fluctuations | | (434) |
| **Cash and cash equivalents at end of period** | NOTE 9 | **21 921** |

## HEADLINE EARNINGS AND DISTRIBUTABLE INCOME RECONCILIATION

| | **Period from 4 January 2016 till 31 December 2016** |
|---|---|
| | *EUR'000* |
| Profit for the period attributable to EPP shareholders | 76 764 |
| Change in fair value of investment properties | (44 719) |
| **Headline and diluted earnings attributable to EPP shareholders** | **32 045** |
| | |
| Amortised cost valuation of long term financial liabilities | (1 502) |
| Straight-line rental income accrual (net of taxation) | (1 233) |
| Prepaid rental income | (251) |
| Deferred tax charge | 18 546 |
| Cost of refinancing | 5 881 |
| Foreign exchange gains | (2 192) |
| Consolidation adjustment on acquisition | 494 |
| Participation of profits in joint ventures | (12 526) |
| Capital gains | (5 255) |
| **Distributable income** | **34 007** |
| | |
| Actual number of shares in issue | 586 051 293 |
| Weighted number of shares in issue | 366 544 911 |
| Basic and diluted earnings per share (EUR cents)* | 20.9 |
| Headline earnings and diluted headline earnings per share (EUR cents)** | 8.7 |
| Distributable income per share (EUR cents)*** | 5.8 |

**  There are no dilutionary instruments in issue and therefore basic and diluted earnings are the same.*
***There are no dilutionary instruments in issue and therefore headline earnings and diluted headline earnings are the same.*
**** Calculated based on actual number of shares in issue as at 31 December 2016. The detailed calculation is being included in NOTE 22.*

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## NOTE 1. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared by the Management of the Company on 8 March 2017 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

The Group's financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and contingent consideration that have been measured at fair value. The consolidated financial statements are presented in EUR (€) and all values are rounded to the nearest thousand (€000), except where otherwise indicated.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Foreign currencies

*(i) Transactions and balances*

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate (the average rate published by the National Bank of Poland) prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

*(ii) Group companies*

The results and financial position of all group entities that have a functional currency other than EUR are translated into EUR in accordance with IAS 21. Assets and liabilities for each statement of financial position presented are translated at the closing foreign exchange rate as at the date of that financial position and income and expenses for each statement of comprehensive income are translated at the average exchange rate for that period (unless this average exchange rate is not a reasonable approximation of cumulative effect of the exchange rates effective on the transaction days - in which case income and expenses are translated at the exchange rates prevailing at the date of each transaction). The resulting exchange differences are recognised in other comprehensive income and the cumulative amounts are recognised in a separate component of equity. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the period ended 31 December 2016.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

### *(i) Subsidiaries*

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date, on which such control ends. The parent controls an entity, if the parent has:

- power over this entity,
- exposure, or rights, to variable returns from its involvement with the entity, and
- the ability to use its power over the entity to affect the amount of its returns.

The Company reassesses whether it controls the entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Where an investor has less than a majority of voting rights in the given entity, but the voting rights held are sufficient for the investor to have the practical ability to direct the relevant activities of the given entity unilaterally, it means that the investor has the power over this entity. When assessing whether the Company's voting rights are sufficient to give it power, the Company considers all facts and circumstances, including:

- the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Any changes in the shareholding structure of the parent company that do not result in a loss of control over subsidiary company are recognised as equity transactions. In such cases, in order to reflect changes in the relative interest in a subsidiary, the Group adjusts the carrying amount of the controlling and non-controlling interest. All differences between the value of the adjustment to the non-controlling interest and the fair value of the consideration paid or received are taken to the shareholders' equity and allocated to the owners of the parent.

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cashflows of the Group and all entities controlled by the Group. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Intercompany transactions, balances and unrealised profits or losses between the Group companies are eliminated on consolidation.

### *(ii) Investments in joint ventures*

Joint venture is a joint arrangement whereby two or more parties have joint control over a business.

The financial year of joint ventures and of the parent is the same. Prior to calculating the parent's share in the net assets of joint ventures, appropriate adjustments are made to bring the financial statements of those entities into line with the IFRSs applied by the Group. Joint ventures are carried in the consolidated financial statements in accordance with the equity method. Pursuant to this method, investments in joint ventures are initially recognized at cost and are subsequently adjusted to account for the Group's share in the financial result or other comprehensive income of those entities.

Investments in joint ventures are recognised using the equity method from the date, on which the given entity obtained the status of a joint venture. Upon making an investment in joint venture, the amount by which the costs of such investment exceed the value of the Group's share in the net fair value of identifiable assets and liabilities of this entity is recognized as goodwill, which amortisation is not permitted and included in the carrying amount of the underlying investment.

The amount by which the Group's share in net fair value of identifiable assets and liabilities exceed the cost of the investment is recognised directly in the financial result for the period, in which the investment was made.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in each joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in each joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of joint ventures' in the statement of profit or loss.

**Property acquisitions and business combinations**

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date.

Accordingly, no goodwill or deferred taxation arises.

**Combination of businesses under common control**

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory. This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.
The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interest method. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within equity. Comparative data is not adjusted.

## Investment property

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both. Investment properties are initially recognised at cost, including related transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

During construction period the properties developed by the Group are classified as investment property under construction and recognised as investment property once they are available for use.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

At least once a year investment properties are valued and adjusted to the fair value appraised by external real estate experts.

All other repair and maintenance costs of investment property are recognised as an expense in the profit and loss account when incurred.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

## Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value.

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 as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill on acquisition of a business entity is initially measured at acquisition cost which is an excess of:

- the sum total of:
  - the consideration paid,
  - the amount of all non-controlling interest in the acquiree, and
  - in the case of a business combination achieved in stages, the fair value, at the acquisition-date, of an interest in the acquiree,
- over the net fair value of the identifiable assets and liabilities at the acquisition date.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the synergy of combination. Each unit, or set of units (CGUs), to which the goodwill has been allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- be not greater than a single operating segment defined in IFRS 8 Operating Segments.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

## Financial assets

The following categories of financial assets are included in these financial statements:

- Loans and receivables - financial assets other than derivatives with fixed or determinable payments that are not quoted on an active market.

The classification of financial assets is determined at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs for all financial assets not carried at fair value.

Financial assets are recognised on the transaction date, and derecognised only when the contractual rights to cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

*(i) Bonds, loans, other financial assets and trade and other receivables*

Bonds, loans, other financial assets and trade and other receivables are financial assets classified as "Loans and receivables". They are subsequently measured at amortised cost, less the accumulated impairment losses.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*(ii) Cash and cash equivalents*

Cash and cash equivalents at bank and in hand and short-term investments held to maturity are measured at nominal value plus accrued interest.

Restricted cash, including: cash in rent accounts, securing the payments under loan agreements, securing the refund of security deposit and for reimbursement of tax on goods and services is presented separately in the consolidated statement of financial position.

Cash and cash equivalents presented in cash flow statement excludes restricted cash.

Cash and cash equivalents are classified as loan and receivables subsequently measured at amortised cost.

## Derivatives

Derivatives are recognised when the Group becomes a party to a binding agreement. The derivatives are used by the Group to mitigate the risks associated with changes in foreign exchange rates or interest rates.

The Group does not apply hedge accounting in accordance with IAS 39.

Derivatives are measured initially and subsequently at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives in the form of interest rate swaps ("IRS") directly related to the signed bank loan agreements and as a result converting loan variable interest rate into fixed interest rate ones for contracted loan volume are jointly measured with loan liabilities at amortised cost (i.e. the loan is considered a loan with a fixed rate). Derivatives in the form of IRS beyond that volume and not related to the specific loan agreement are treated as a separate derivative and measured separately at fair value through profit or loss.

## Financial liabilities

Financial liabilities include loans, borrowings, debt securities, trade payables and other financial liabilities. Financial liabilities (including trade payables) are initially measured at fair value less transaction costs and thereafter stated at amortised cost. In cases where the difference between that value and the amount due has no significant impact on the Group's financial results, such liabilities are stated at the amount due.

*(i) Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

*(ii) Received deposits and advances*

Deposits liabilities are initially recognised at fair value and subsequently measured at amortised cost.

## Inventory

Inventory measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss account, except to the extent that it relates to items recognised directly in other comprehensive income – in which case, the tax is also recognised in other comprehensive income, or to items recognised directly in equity – in which case, the tax is also recognised in equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising from the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all deductible temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward of unused tax credits or unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the

extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

### Equity

The company's ordinary shares are classified as share capital. External costs directly attributable to the issue of new shares are shown as a deduction in share premium, net of tax, from the proceeds.

### Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, for which it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses, however, provisions are recognised for onerous contracts where a contract is expected to be loss-making (and not merely less profitable than expected).

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

*(i) Rental income*

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. The Group is the lessor in operating leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

*(ii) Service charge and similar revenue*

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in net rental income gross of the related costs, as the Directors, based on the facts that the Group has credit risk and the primary responsibility for providing the service, consider that the Group acts as principal in this respect.

### Property operating expenses

Property operating expenses comprise maintenance costs of the relevant properties, media, security, cleaning etc. including costs of management operations following internalisation of the property management function in the Group.

### Other operating income and expenses

Other operating income and expenses comprise costs and revenue not related directly to the Group's principal business, in particular they result from bad debt recovered, damages and contractual penalty. Other operating income and expenses for the current period are recognised in the profit or loss in the period in which they are incurred (on an accrual basis).

### Finance income and cost

Finance income comprises income from interest on investing activities, dividends received, profit on disposal of investments, income from revaluation of financial instruments, profit on FX derivatives and foreign exchange gains. Finance cost comprises interest expense, commissions and costs, loss on disposal of investments, loss on FX derivatives and foreign exchange losses.

Interest income/cost is recognised as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument.

Finance income and costs for the current period are recognised in the profit or loss in the period in which they are incurred (on an accrual basis), except for borrowing costs which are capitalised in accordance with IAS 23.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## Fair value measurements

The Group measures derivatives and investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- 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
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. An operating segment's operating results are reviewed regularly by the Group's executive committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management NOTE 28
- Financial risk management objectives and policies NOTE 28
- Sensitivity analyses disclosures NOTE 28

### *Judgements*

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### *(i) Business combinations*

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.).
When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

#### *(ii) Classification of property*

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Inventory property comprises property that is held for sale in the ordinary course of business.

#### *(iii) Consolidation and joint arrangements*

The Group has determined that it controls and consolidates the subsidiaries in which it owners a majority of the shares. The Group is part owner of an investment in which it has currently 53.7% ownership interest. The Group has determined that it has joint control over the investee and the ownership is shared with the other owner. These investments are joint arrangements.

The joint arrangements are separately incorporated. The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11 Joint Arrangements. As a consequence, it accounts for its investments using the equity method.

*(iv) Operating lease contracts – the Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property), that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*(i) Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

*(ii) Valuation of investment property*

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 4.

## Standards and interpretations applicable, not yet effective

The following new standards and amendments to existing standards not yet effective will have no significant effect on the Group's reported results in future:

- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) - effective for financial years beginning on or after 1 January 2018,Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) - Amendments to IFRS 12 and IFRS 1 are effective for financial years beginning on or after 1 January 2017, while amendments to IAS 28 are effective for financial years beginning on or after 1 January 2018,
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) - effective for financial years beginning on or after 1 January 2018,

Management is currently analysing the impact of the below-mentioned amendments on the Group's financial statements and financial position in future periods:

- IFRS 9 Financial Instruments (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the effective date was deferred indefinitely by IASB –;
- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019,
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) – effective for financial years beginning on or after 1 January 2017,
- Amendments to IAS 7 Disclosure Initiative (issued on 29 January 2016) - effective for financial years beginning on or after 1 January 2017,
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) - effective for financial years beginning on or after 1 January 2018,
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) - effective for financial years beginning on or after 1 January 2018.

The Group has elected not to early adopt any of these standards.

## NOTE 3. INVESTMENT IN JOINT VENTURES

On 15 September 2016 EPP and Echo Investment S.A. ("Echo Investment") (collectively, "the purchasers") have concluded a preliminary purchase agreement in terms of which the purchasers will acquire the 22 Towarowa Street property on which a retail development will be undertaken ("the property") from Griffin Real Estate ("Griffin"), Poland's real estate fund ("the purchase agreement").

In terms of the purchase agreement, EPP will acquire a 70% interest in a special purpose vehicle that owns the property, with Echo Investment acquiring the remaining 30%. Echo Investment has also been appointed to develop the property, with EPP appointed to manage the property. The total purchase price payable for the property is up to EUR120 million, EUR5 million of which was paid as security upon signature of the purchase agreement. EUR78 million (including EUR5 million already paid) was payable upon the completion of the purchase of the property, with payment of an additional amount of up to EUR42 million dependent on the timing of satisfaction of various conditions. EPP and Echo will each be liable for only their pro rata portion of the purchase price.

The property is the biggest commercial area located in the centre of Warsaw, with a total area of about 6.5 ha and development capacity of over 100 000 sqm gross lettable area.
On 23 December 2016 EPP and Echo Investment concluded a final acquisition agreement.

The Group's interest in joint venture is accounted for using the equity method in the consolidated financial statements.

A reconciliation of summarised financial information to the carrying amount of the Group's interest in joint venture is set out below:

| | **31 December 2016** |
|---|---|
| **Summarised statement of Financial Position** | *EUR'000* |
| Current assets | 67 902 |
| Non-current assets – investment property | 102 000 |
| **Total assets** | **169 902** |
| Current liabilities | (68 700) |
| Non-current liabilities | (183) |
| **Total liabilities** | **(68 883)** |
| **Equity** | **101 019** |
| Proportion of the Group's interest | 53.74% |
| Group's carrying amount of the investment | 54 285 |

| | Period from 4 January 2016 till 31 December 2016 |
|---|---|
| **Extract from statements of Comprehensive Income** | *EUR'000* |
| Rental income | 43 |
| Property expenses | (22) |
| Other expenses | (519) |
| Gain on valuation of investment property | 24 371 |
| Finance income | 68 |
| Finance expense | (95) |
| **Profit before income tax** | **23 846** |
| Income tax expense | - |
| **Profit for the period** | **23 846** |
| Other comprehensive income | (259) |
| Total comprehensive income for the period | 23 587 |
| **Group's share of profit for the period** | **12 526** |

The relevant portion of deferred tax liability amounting to EUR 2 507 000 is being recognised at Limited Partner's level.

The Group has the following capital commitments related to the joint venture resulting from the settlement of the acquisition price payable in instalments with 2 instalments due after 31 December 2016 as follows:

- EUR 21 000 000 when the City of Warsaw authorities approve the zoning plan allowing for the development of the Warsaw retail development site project; and
- EUR 21 000 000 on receipt of a positive decision on the Warsaw retail development site project's impact on the environment.

## NOTE 4. INVESTMENT PROPERTIES

| Country | Poland | | Total |
|---|---|---|---|
| Class | Retail | Office | |
| | *EUR'000* | *EUR'000* | *EUR'000* |
| **Balance as at 4 January 2016** | - | - | - |
| Contribution in kind | 912 881 | 273 307 | 1 186 188 |
| Direct acquisitions of property | - | 113 473 | 113 473 |
| Capital expenditure on owned properties | 10 544 | 10 458 | 21 002 |
| Disposals | - | (7 338) | (7 338) |
| Capitalised letting fees | 358 | 249 | 607 |
| Amortisation of letting fees | (37) | (21) | (58) |
| Straight line rental income | 196 | 1 037 | 1 233 |
| Net gain/(loss) from fair value adjustment | 48 450 | (3 731) | 44 325 |
| **Balance as at 31 December 2016** | **972 392** | **387 040** | **1 359 432** |

| | 31 December 2016 |
|---|---|
| | *EUR'000* |
| Market value as estimated by the external valuer | 1 359 432 |
| Add: finance lease obligation recognised separately | - |
| Less: lease incentive balance included in prepayments | - |
| Fair value for financial reporting purposes | 1 359 432 |

EPP Group is a real estate group that owns a portfolio of 10 retail and 9 office assets located throughout Poland, a dynamic CEE economy with a very attractive real estate market. The properties are high quality, modern assets with solid property fundamentals. The majority of buildings are less than five years old.

The property portfolio offers an attractive and secure yield ranging from 5.5% to 7% fully let, a long lease expiration profile and a portfolio weighted average unexpired lease term of over five years.

The investment portfolio has a diversified tenant base of leading retailers with international brands representing approximately 64.7% of income in the case of retail properties and a tenant base of primarily blue chip companies in the case of office properties.

Valuation techniques

The fair value of completed investment properties is determined using a discounted cash flow (DCF) method.

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The valuations were performed by Savills Sp. z o.o., an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

Investment properties are measured at fair value and are categorised as level 3 investments. There were no transfers between levels 1, 2, and 3 during the reporting period.

The following table shows an analysis of the investment properties carried at fair value in the Consolidated statement of financial position by level of the fair value hierarchy:

| 31 December 2016 | Level 1*) | Level 2**) | Level 3***) | Total fair value |
|---|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* |
| Retail | - | - | 972 392 | 972 392 |
| Office | - | - | 387 040 | 387 040 |
| **Total** | - | - | 1 359 432 | 1 359 432 |

*) 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
***) Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Key inputs and assumptions for investment properties valued using the direct income capitalisation and discounted cashflow methods, in the process of leasing and for stabilised assets are as follows:

| 31 December 2016 | Valuation | Valuation technique | Net initial yield | Discount rate | Exit cap rate |
|---|---|---|---|---|---|
| | *EUR'000* | | % | % | % |
| Retail | 972 392 | Discounted Cash Flow | 5.5% – 9% | 6% - 8% | 5.85%-8.25% |
| Office | 387 040 | Discounted Cash Flow | 7% – 9% | 7% -9.5% | 6.5% -8% |
| **Total** | **1 359 432** | | | | |

As at 31 December 2016, the portfolio had the following vacancy rates and duration.

| | Retail | Office |
|---|---|---|
| | | |
| **Vacancy (%)** | 1.7%* | 4.3% |
| **WAULT (years)** | 5.9 | 4.1 |

**Vacancy profile of Retail assets not including extensions under development (Galaxy and Outlet Park III).*

Significant increases (decreases) in ERV and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties.

Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the ERV is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

The properties are encumbered by mortgages as security for bank borrowings outlined in the NOTE 12.

## NOTE 5. TAX RECEIVABLES

| | 31 December 2016 |
|---|---:|
| | *EUR'000* |
| Corporate income tax | 9 |
| **Total** | **9** |

## NOTE 6. TRADE AND OTHER RECEIVABLES

| | 31 December 2016 |
|---|---:|
| | *EUR'000* |
| Rent and service charge receivables | 3 843 |
| Prepayments and deferred costs | 1 372 |
| Value added tax | 26 901 |
| Other receivables | 542 |
| **Total** | **32 658** |

Rent and service charge receivables are non-interest bearing and are typically due within 14 days.
As at 31 December 2016, receivables with nominal value of EUR 420 000 were impaired.
As at 31 December 2016, the analysis of rent receivables that were past due but not impaired is set out below:

| Rent and service charge receivables | 31 December 2016 |
|---|---:|
| | *EUR'000* |
| Neither past due nor impaired | 679 |
| Past due but not impaired | |
| less than 30 days overdue | 2 367 |
| 30 to 90 days overdue | 797 |
| Individually determined to be impaired(gross) | |
| 90 to 180 days overdue | 221 |
| 180 days to 1 year overdue | 88 |
| more than 1 year overdue | 111 |
| Less: impairment | (420) |
| **Total rent and service charge receivables, net of impairment** | **3 843** |

See NOTE 28 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of receivables that are neither past due nor impaired.

The Group has securities established on trade receivables in the form of the assignment of amounts due under lease agreements to the banks' lending funds for particular investments.

## NOTE 7. FINANCIAL ASSETS

| | 31 December 2016 |
|---|---:|
| | *EUR'000* |
| Other financial assets in related entities | 4 110 |
| Other financial assets | 5 922 |
| **Long-term financial assets** | **10 032** |
| | |
| Other financial assets in related entities | 9 057 |
| **Short-term financial assets** | **9 057** |
| **Total** | **19 089** |

Other financial assets in related entities represent an advances by EPP subsidiaries to each of the Right Of First Offer ("ROFO") entities in connection with the ROFO projects. The advance represent 25% of the aggregate amount of the equity so far invested in the specified ROFO project at an agreed return. The contribution does not entitle EPP to any voting rights nor the share in the profit or loss other realized profit on the sale of respective investment property. These advances bear interest at 2% per annum.

Each advance entitles EPP (via its subsidiaries) to participate in the profits of the relevant ROFO projects. More specifically, in the event that a ROFO entity sells the property on which a given ROFO project is being developed on the market to either a third party purchaser or to EPP (or its designee), whether pursuant to the ROFO agreements or otherwise, EPP will receive 25% of the proceeds of such sale, net of debt and costs. EPP will also receive 25% of all distributions made by that ROFO entity and is required to contribute its proportion of funding in respect of any negative cash flows of that ROFO entity. However, if it fails to do so, Echo will be obliged to fund it via a loan of 10% per annum.

The carrying amount of the other financial assets approximate the fair value.

Other financial assets represent an advance transferred in relation to a preliminary agreement concluded on 12 December 2016 agreement to acquire 100% of the equity in EPISO 3 Zakopianka sp. z o.o (the "acquired entity") that is the holder of leasehold rights ("Zakopianka lease rights") that entitle the acquired entity to all rental income derived from leases concluded by tenants occupying premises within Park Handlowy Zakopianka ("Zakopianka Shopping Centre" or the "Centre") other than those portions of the Centre leased to owner occupied Carrefour and Castorama stores ("the transaction"). The Zakopianka lease rights owned by the acquired entity relate to that portion of the Centre with a GLA of 27,463m2. The Centre forms part of a retail park located within the affluent southern part of Krakow with a catchment area of 1.3 million inhabitants.

The acquired equity will be purchased for an aggregate acquisition cost of approx. EUR 54 million. The vendor of the equity in the acquired entity is EPISO 3 Netherlands Holding B.V. ("the seller"). The transaction is expected to close on 20 April 2017 and is conditional on:

- any indebtedness that the acquired entity has to any lender being discharged at the cost of the seller prior to closing such that the acquired entity will be acquired free of any debt

- the issuance of an insurance policy in favour of EPP to cover any liability of the seller under the seller's warranties and representations furnished in terms of the transaction agreement

## NOTE 8. RESTRICTED CASH

| | 31 December 2016 |
|---|---|
| | *EUR'000* |
| Tenants deposits | 14 227 |
| Debt service | 769 |
| Capital expenditures | 3 127 |
| Fit-out | 2 406 |
| Guarantee | 278 |
| Other | 1 038 |
| **Total** | **21 845** |

## NOTE 9. CASH AND CASH EQUIVALENTS

| | 31 December 2016 |
|---|---|
| | *EUR'000* |
| Cash at bank and on hand | 16 539 |
| Short-term deposits | 5 382 |
| **Total** | **21 921** |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## NOTE 10. SHARE CAPITAL

| | 31 December 2016 |
|---|---|
| ***Authorised shares (number)*** | |
| Ordinary share of EUR 0.81 each | 2 572 645 659 |
| Preference share of EUR 0.81 each | 1 |

| | 31 December 2016 |
|---|---|
| ***Ordinary shares issued and fully paid*** | *EUR'000* |
| As at 4 January 2016 | 20 |
| Issued in the period | 474 682 |
| As at 31 December 2016 | 474 702 |

| | 31 December 2016 |
|---|---:|
| ***Share premium*** | *EUR'000* |
| As at 4 January 2016 | - |
| Issued in the period | 110 157 |
| Transaction costs for issued share capital | (14 967) |
| As at 31 December 2016 | 95 190 |

Set out below are the names of shareholders, other than directors, that are directly or indirectly beneficially interested in 5% or more of the issued shares of EPP as at 31 December 2016. Where these are associates of directors of the Company, this has been indicated.

| Shareholder Type | Number of shares | % of issued capital |
|---|---:|---:|
| **Non-Public Shareholders** | **355 921 894** | **60.73%** |
| Directors and Associates (Direct & Indirect) | 30 857 220 | 5.27% |
| Redefine Properties Ltd (Holders > 10%) | 235 147 077 | 40.12% |
| Echo Prime Assets BV (Holders > 10%) | 89 917 597 | 15.34% |
| **Public Shareholders** | **230 129 398** | **39.27%** |
| **Total** | **586 051 292** | **100.00%** |

| Distribution of Shareholders | Number of Shares | % of issued Capital |
|---|---:|---:|
| Public Companies | 294 374 796 | 50.23% |
| Private Companies | 131 843 394 | 22.50% |
| Collective Investment Schemes | 37 649 079 | 6.42% |
| Retail Shareholders | 59 188 540 | 10.10% |
| Other | 62 995 483 | 10.75% |
| **Total** | **586 051 292** | **100.00%** |


| | 31 December 2016 |
|---|---:|
| ***Share premium*** | *EUR'000* |
| As at 4 January 2016 | - |
| Issued in the period | 110 157 |
| Transaction costs for issued share capital | (14 967) |
| As at 31 December 2016 | 95 190 |


On 17 February 2016 the Company issued 211 970 402 new ordinary shares with a nominal value of EUR 1 each acquired and paid up by Echo Investment by means of non-cash contributions of:

- 1 510 investment certificates in Forum XXIX Fundusz Inwestycyjny Zamkniety ("Fund I", "FIZ"), a closed-end investment fund under the laws of Poland, representing the entire capital of the Fund I, with a fair market value of EUR 46 459 000;

- 7 023 investment certificates in Forum XXXIV Fundusz Inwestycyjny Zamkniety ("Fund II", "FIZ"), a closed-end investment fund under the laws of Poland, representing the entire capital of the Fund II, with a fair market value of EUR 165 511 000.

As a result of the investment certificates transfer agreements entered into between Echo and EPP on 17 February 2016, Echo Investment transferred all investment certificates in the FIZs to EPP, thereby effectively transferring ownership of the property portfolio to EPP.

On 1 June 2016, the Company issued 202 910 878 new ordinary shares with a nominal value of EUR1 each, of which 194 987 826 shares were acquired and paid up by Redefine Properties Limited ("Redefine") and 7 923 052 shares were acquired and paid up by Echo Investment by means of cash contributions of:

- EUR 260 736 000 made by Redefine; and
- EUR 7 923 000 made by Echo Investment.

On 1 June 2016, the Company issued a preferred dividend distribution for the amount of EUR 9 775 000 to Echo Investment in relation to the completed extension of Outlet II project, financed by the cash contributions from Redefine and Echo Investment described above.

On 1 August 2016, the ordinary share capital was subdivided into 514 029 131 issued ordinary shares from 414 901 280 issued ordinary shares. The subdivision was effected in order to achieve a net asset value per ordinary share of exactly EUR 1. On 12 August 2016, pursuant to the conversion of EPP from a B.V. to an N.V. company, the authorised share capital was created to comprise 2 572 645 659 ordinary shares and one preference share. In addition, pursuant to the said conversion, the issued share capital was amended in such a way that one ordinary share was converted to one preference share.

On 12 August 2016, the Company issued 500 000 new ordinary shares with a nominal value of EUR 0.81 each acquired and paid up by Hadley James Tyzack Dean by means of a cash contribution for the amount of EUR 500 000.

On 31 August 2016 EPP undertook a private placement on the JSE, which closed on 6 September 2016. 71 522 161 ordinary shares (the "private placement shares") were issued at an issue price of EUR 1.45 (equivalent of R23.5322) and allotted to investors on 13 September 2016 pursuant to the private placement.

Immediately prior to the private placement and listing on the JSE the authorised share capital of the Company comprised 2 572 645 659 ordinary shares of EUR 0.81 each and 1 preference share of EUR 0.81 and the issued share capital of the Company comprised 514 529 131 ordinary shares of EUR 0.81 each and 1 preference share of EUR 0.81 (not listed on any stock exchange).

Immediately post the private placement and listing on the JSE the authorised ordinary share capital of the Company comprises 2 572 645 659 ordinary shares of EUR 0.81 each and 1 preference share of EUR 0.81 and the issued share capital of the Company comprises 586 051 292 ordinary shares of EUR 0.81 each (all of which are listed on the LuxSE and the JSE) and 1 preference share of EUR 0.81 (not listed on any stock exchange).

On 11 August 2016 the general meeting of shareholders resolved to distribute, as an interim distribution, to shareholders of the Company reflected in the original shareholders register of the Company as at 11 August 2016 ("qualifying shareholders"), an amount of the Company's cash available and deriving from the profits from operations attributable to the shareholders for the period ending on 31 August 2016 (the "specified period") (the "clean-out dividend"), in order to enable such qualifying shareholders to receive their share of the accrued distributable income prior to the private placement. Shareholders who acquired shares after 11 August 2016, which would include all shareholders who acquired ordinary shares in the Company on the JSE and the LuxSE on 13 September 2016, did not participate in the clean-out distribution. On 28 September 2016 the Board of Directors declared a clean-out dividend of EUR 12 558 000 which was fully paid out to the qualifying shareholders.

## NOTE 11. DISTRIBUTIONS MADE AND PROPOSED

| | **31 December 2016** |
|---|---:|
| | *EUR'000* |
| Cash dividends on ordinary shares declared and paid: | |
| Special dividend – Outlet II extension | 9 775 |
| Interim dividend for 2016: | 12 558 |
| Proposed interim dividend | 18 356 |
| **Total cash dividend for 2016:** | **40 689** |

The holder of the preference share shall be solely entitled to receive from the Company an interim dividend with priority over any other distributions made by the Company in relation to each planned extension to the Galaxy Shopping Centre, Outlet Park Phase III and Outlet Park Phase IV (Preferred Distribution). No other distribution shall be made on the preference share.

The Preferred Distribution shall be payable to holder of the preference share, if:

(a) an occupancy permit in relation to a given Extension has been granted by the relevant authority irrespective of whether such permit contains any conditions or post-issuance obligations; and
(b) at least sixty percent (60%) of the extended space of a given Extension has been leased or pre-leased to third parties on arm's length terms pursuant to the applicable DA; and
(c) Echo has executed the Master Lease for a period of three (3) years in relation to the space which has not been leased or pre-leased (at a rate per square meter no less than the average rate concluded with third parties in (b) above).

In 2016 the Company paid out the preferred distribution to Echo Investment of EUR 9 775 000 in relation to Outlet II extension completion.

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December 2016.

## NOTE 12. BANK BORROWINGS

As at 31 December 2016, the following bank borrowings made to the Group's subsidiaries remain outstanding:

| | Borrower | Type | Lender | Origination date | Loan currency | Interest | Final repayment date | Outstanding balance of loan (EUR) | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Non-current | Current |
| **1** | Echo Pasaż Grunwaldzki – Magellan West Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investement loan - Pasaż Grunwaldzki, Wrocław | Bank Zachodni WBK SA /Erste Group Bank AG | 2016/12/04 | EUR | 3M EURIBOR, IRS | 2022/12/05 | 156 382 | 3 304 |
| **2** | Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galaxy, Szczecin | Bank Zachodni WBK SA /Erste Group Bank AG | 2016/12/04 | EUR | 3M EURIBOR, IRS | 2022/12/05 | 125 748 | 2 696 |
| **3** | Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Echo, Kielce | HSBC BANK PLC | 2014/12/22 | EUR | 3M EURIBOR, IRS | 2019/12/30 | 93 933 | 2 000 |
| **4** | Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Amber, Kalisz | Landesbank Hessen-Thüringen Girozentrale | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2023/05/15 | 50 302 | 1 054 |
| **5** | Galeria Sudecka – "Projekt Echo – 43" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Sudecka, Jelenia Góra | Landesbank Hessen-Thüringen Girozentrale | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2023/05/15 | 32 004 | 671 |
| **6** | Galeria Olimpia – "Projekt Echo – 98" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Olimpia, Bełchatów | Landesbank Hessen-Thüringen Girozentrale | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2023/05/15 | 26 253 | 550 |

| | Borrower | Type | Lender | Origination date | Loan currency | Interest | Final repayment date | Outstanding balance of loan (EUR) Non-current | Current |
|---|---|---|---|---|---|---|---|---|---|
| 7 | Veneda – "Projekt Echo – 97" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Veneda, Łomża | Landesbank Hessen-Thüringen Girozentrale | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2023/05/15 | 21 064 | 442 |
| 8 | Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Outlet Park, Szczecin | Landesbank Hessen-Thüringen Girozentrale | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2023/05/15 | 37 789 | 792 |
| 9 | Centrum Przemyśl – Projekt Echo 118 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - CH Przemyśl | Landesbank Hessen-Thüringen Girozentrale | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2023/05/15 | 2 991 | 63 |
| 10 | "Vousoka Polska" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - CH Bełchatów | Landesbank Hessen-Thüringen Girozentrale | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2023/05/15 | 6 078 | 128 |
| 11 | Farrina Investments – Projekt Echo – 124 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Malta Office Park, Poznań | Berlin Hyp AG /ING Bank Śląski S.A. | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2021/06/01 | 32 862 | 684 |
| 12 | "Echo – Park Rozwoju" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Park Rozwoju phase I and II, Warsaw | Berlin Hyp AG /ING Bank Śląski S.A. | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2021/06/01 | 40 547 | 844 |
| 13 | Echo – West Gate Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - West Gate | Berlin Hyp AG /ING Bank Śląski S.A. | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2021/06/01 | 20 182 | 420 |
| 14 | A4 – Business Park – "Iris Capital" | Investment loan - | Berlin Hyp AG /ING Bank Śląski S.A. | 2016/05/13 | EUR | 3M EURIBOR, IRS | 2021/06/01 | 20 605 | 432 |

| | Borrower | Type | Lender | Origination date | Loan currency | Interest | Final repayment date | Outstanding balance of loan (EUR) Non-current | Current |
|---|---|---|---|---|---|---|---|---|---|
| | Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | A4 Business Park phase I-II, Katowice | | | | | | | |
| **15** | Oxygen – Projekt Echo – 125 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Oxygen, Szczecin | PKO BP SA | 2013/11/27 | EUR | 3M EURIBOR, IRS | 2017/03/27 | - | 11 109 |
| **16** | Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | Investment loan - Opolska I, Kraków | HSBC BANK PLC | 2016/12/16 | EUR | 3M EURIBOR, IRS | 2019/12/30 | 28 581 | 594 |
| **17** | Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | VAT loan - Opolska I, Kraków | HSBC BANK PLC | 2016/12/16 | PLN | 1M WIBOR | 2017/06/30 | - | 10 394 |
| **18** | Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | Investment loan - Tryton, Gdańsk | HSBC BANK PLC | 2016/12/16 | EUR | 3M EURIBOR, IRS | 2019/12/30 | 32 726 | 680 |
| **19** | Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | VAT loan - Tryton, Gdańsk | HSBC BANK PLC | 2016/12/16 | PLN | 1M WIBOR | 2017/06/30 | - | 10 918 |
| **20** | Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | Investment loan - Symetris I, Łódź | BGŻ BNP Paribas SA | 2016/12/01 | EUR | 3M EURIBOR | 2021/12/19 | 13 729 | 400 |
| **21** | Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | VAT loan - Symetris I, Łódź | BGŻ BNP Paribas SA | 2016/12/01 | PLN | 1M WIBOR | 2017/09/30 | - | 4 670 |
| | **Total** | | | | | | | **741 776** | **52 845** |

The bank loans are bearing floating interest rates. The interest rate risk is being mitigated by securing the floating interest rate with IRS. Please see the table with the details below:

| | Borrower | Type | Lender | Fixed rate (IRS) | Termination date of IRS | % of loan secured by IRS | Nominal amount of loan (EUR) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Fixed rate | Floating rate |
| 1 | Echo Pasaż Grunwaldzki – Magellan West Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Pasaż Grunwaldzki, Wrocław | BZ WBK SA /Erste Bank | (IRS 1) -0.471% (IRS 2) 0.0% | 2022/12/05 | 100% | 161 051 | - |
| 2 | Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galaxy, Szczecin | BZ WBK SA /Erste Bank | (IRS1) 0.56% (IRS2) 0.0% | 2012/12/16 | 100% | 131 449 | - |
| 3 | Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Echo, Kielce | HSBC | (IRS 1) 0.24% (IRS2) -0.265% | 2019/12/30 | 100% | 96 018 | - |
| 4 | Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Amber, Kalisz | Landesbank Hessen-Thüringen Girozentrale | (IRS1) 0.21% (IRS2) 0.10% | 2023/05/13 | 100% | 51 898 | - |
| 5 | Galeria Sudecka – "Projekt Echo – 43" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Sudecka, Jelenia Góra | Landesbank Hessen-Thüringen Girozentrale | (IRS1) 0.21% (IRS2) 0.10% | 2023/05/13 | 100% | 33 036 | - |
| 6 | Galeria Olimpia – "Projekt Echo – 98" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Galeria Olimpia, Bełchatów | Landesbank Hessen-Thüringen Girozentrale | (IRS1) 0.21% (IRS2) 0.10% | 2023/05/13 | 100% | 27 106 | - |
| 7 | Veneda – "Projekt Echo – 97" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Veneda, Łomża | Landesbank Hessen-Thüringen Girozentrale | (IRS1) 0.21% (IRS2) 0.10% | 2023/05/13 | 100% | 21 751 | - |
| 8 | Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Outlet Park, Szczecin | Landesbank Hessen-Thüringen Girozentrale | (IRS1) 0.21% (IRS2) 0.10% | 2023/05/13 | 100% | 38 999 | - |
| 9 | Centrum Przemyśl – Projekt Echo 118 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - CH Przemyśl | Landesbank Hessen-Thüringen Girozentrale | (IRS1) 0.21% (IRS2) 0.10% | 2023/05/13 | 100% | 3 127 | - |
| 10 | "Vousoka Polska" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - CH Bełchatów | Landesbank Hessen-Thüringen Girozentrale | (IRS1) 0.21% (IRS2) 0.10% | 2023/05/13 | 100% | 6 308 | - |

| | Borrower | Type | Lender | Fixed rate (IRS) | Termination date of IRS | % of loan secured by IRS | Nominal amount of loan (EUR) Fixed rate | Floating rate |
|---|---|---|---|---|---|---|---|---|
| 11 | Farrina Investments – Projekt Echo – 124 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Malta Office Park, Poznań | Berlin Hyp AG /ING Bank Śląski S.A. | (IRS1) -0.112% (IRS2) -0.114% (IRS3) -0.166% | 2021/06/01 | 100% | 33 858 | - |
| 12 | "Echo – Park Rozwoju" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Park Rozwoju phase I and II, Warsaw | Berlin Hyp AG /ING Bank Śląski S.A. | (IRS1) -0.112% (IRS2) -0.114% (IRS3) -0.166% | 2021/06/01 | 100% | 41 778 | - |
| 13 | Echo – West Gate Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - West Gate, Wrocław | Berlin Hyp AG /ING Bank Śląski S.A. | (IRS1) -0.112% (IRS2) -0.114% (IRS3) -0.166% | 2021/06/01 | 100% | 20 790 | - |
| 14 | A4 – Business Park – "Iris Capital" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - A4 Business Park phase I-II, Katowice | Berlin Hyp AG /ING Bank Śląski S.A. | (IRS1) -0.112% (IRS2) -0.114% (IRS3) -0.166% | 2021/06/01 | 100% | 21 384 | - |
| 15 | Oxygen – Projekt Echo – 125 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa | Investment loan - Oxygen, Szczecin | PKO BP SA | 1.21% | 2017/03/27 | 92% | 10 204 | 905 |
| 16 | Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | Investment loan - Opolska I, Kraków | HSBC BANK PLC | n/a | n/a | 0% | - | 29 556 |
| 17 | Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | VAT loan - Opolska I, Kraków | HSBC BANK PLC | n/a | n/a | 0% | - | 10 918 |
| 18 | Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | Investment loan - Tryton, Gdańsk | HSBC BANK PLC | n/a | n/a | 0% | - | 33 830 |
| 19 | Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | VAT loan - Tryton, Gdańsk | HSBC BANK PLC | n/a | n/a | 0% | - | 10 394 |
| 20 | Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa[1] | Investment loan - Symetris I, Łódź | BGŻ BNP Paribas SA | n/a | n/a | 0% | - | 14 280 |
| 21 | Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa | VAT loan - Symetris I, Łódź | BGŻ BNP Paribas SA | n/a | n/a | 0% | - | 4 671 |
| | **Total** | | | | | | **698 757** | **104 554** |

[1] On 10 January 2017 Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa concluded an IRS agreement fixing the interest rate at 0.055% till 20 December 2021.

As at 31 December 2016 all bank loan covenants have been met.

## NOTE 13. TAX PAYABLES

| | **31 December 2016** |
|---|---|
| | *EUR'000* |
| Corporate income tax | 172 |
| Other | 3 |
| **Total** | **175** |

## NOTE 14. TRADE PAYABLES AND OTHER LIABILITIES

| | **31 December 2016** |
|---|---|
| | *EUR'000* |
| **Current** | |
| Trade payables | 8 260 |
| Wages and salaries payables | 8 |
| Deferred income | 863 |
| Accruals | 2 008 |
| Deposits received | 1 147 |
| Prepayments received | 908 |
| Value added tax | 616 |
| Other | 9 |
| **Total current** | 13 819 |
| | |
| **Non-current** | |
| Deposits received from tenants | 5 960 |
| Advances received | 1 657 |
| Rent paid in advance | 4 264 |
| **Total non-current** | 11 881 |

Trade payables are non-interest bearing and are normally settled within the period varying from 14 to 30 days.

For explanations on the Group's liquidity risk management processes, refer to NOTE 28.

## NOTE 15. REVENUE

| | Period from 4 January 2016 till 31 December 2016 |
|---|---|
| | *EUR'000* |
| Rental income (excluding straight-lining of lease incentives) | 66 458 |
| Service charge and recoveries income | 25 239 |
| Turnover rent | 771 |
| Parking income | 1 167 |
| Advertising | 186 |
| Guarantees | 286 |
| Fit-outs | 158 |
| Other | 1 013 |
| **Total revenues** | 95 278 |

## NOTE 16. ADMINISTRATIVE EXPENSES

| | Period from 4 January 2016 till 31 December 2016 |
|---|---|
| | *EUR'000* |
| Depreciation of fixed assets | (40) |
| Taxes and fees | (3 236) |
| Wages and salaries | (954) |
| External services | (7 910) |
| Energy | (42) |
| Other administrative expenses | (349) |
| **Total administrative expenses** | **(12 532)** |

The audit fees comprised in the external services line amount to EUR 324 000. The audit fees incurred in relation to the listing amounted to EUR 432 000 and were recognised against share premium.

## NOTE 17. OTHER OPERATING INCOME AND EXPENSES

| | Period from 4 January 2016 till 31 December 2016 |
|---|---|
| Gains on disposal of tangible assets | 10 |
| Bad debt recovered | 1 375 |
| Gains on contract penalties | 39 |
| Income from property management services | 522 |
| Other miscellaneous operating income | 163 |
| Total other operating income | 2 109 |
| Value of disposed tangible assets | (36) |
| Bad debt | (1 494) |
| Subsidies | (6) |
| Consolidation adjustment on acquisition | (494) |
| Value of sold trade receivables | (458) |
| Other miscellaneous operating expenses | (122) |
| **Total other operating expenses** | **(2 610)** |

## NOTE 18. FINANCE INCOME

| | Period from 4 January 2016 till 31 December 2016 |
|---|---|
| | *EUR'000* |
| Interest on ROFO loans | 5 255 |
| Profit on IRS realisation | 213 |
| Gain on loans measurement using amortised cost method | 1 501 |
| Other interest | 361 |
| Other | 9 |
| **Total finance income** | **7 339** |

## NOTE 19. FINANCE COST

| | Period from 4 January 2016 till 31 December 2016 |
|---|---|
| | *EUR'000* |
| Interest on bank loans | (15 761) |
| Other interest expense (including not eliminated interest expense from related party) | (1 891) |
| Cost of bank debt refinancing | (5 881) |
| Other financial costs | (931) |
| **Total finance cost** | **(24 464)** |

Cost of bank debt refinancing comprises debt prepayment fees and IRS break cost associated with bank loans reorganisation in 2016.

## NOTE 20. SEGMENT INFORMATION

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management. The information provided is net of rentals (including gross rent and property expenses), valuations gains/losses, profit/loss on disposal of investment property and share of profit from the joint ventures. The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property and the occupier market it serves. Management considers that this is best achieved by aggregating into retail and office segments.

Consequently, the Group is considered to have two reportable segments, as follows:

- Retail — acquires, develops and leases shopping malls,
- Office — acquires, develops and leases offices.

The Group's administrative costs, finance revenue, finance costs and income taxes are not reported to the members of the executive management team on a segment basis. The operations between segments are eliminated for consolidation purposes.

Segment assets represent investment property and the investment in the joint ventures.

Segment liabilities represent loans and borrowing, as these are the only liabilities reported to the Board on a segmental basis.

| Period ended 31 December 2016 | Retail | Office | Total |
|---|---|---|---|
| ***EUR'000*** | | | |
| **Segment profit** | | | |
| Rent and recoveries income | 71 638 | 23 640 | 95 278 |
| Straight line rental income | 196 | 1 037 | 1 233 |
| Property operating expenses | (22 643) | (6 566) | (29 209) |

| Year ended 31 December 2016 | Retail | Office | Total |
|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* |
| **Segment assets** | | | |
| Investment in joint ventures | 54 285 | | 54 285 |
| Investment property | 972 392 | 387 040 | 1 359 432 |
| **Total segment assets** | **1 026 677** | **387 040** | **1 413 717** |
| Bank borrowings | 564 241 | 230 380 | 794 621 |
| **Total segment liabilities** | **564 241** | **230 380** | **794 621** |

All revenues were generated from external customers based in Poland.
All investment properties are located in Poland.

## NOTE 21. INCOME TAX

The major components of income tax expense for the year ended 31 December 2016 are:

| | **Total** |
|---|---:|
| | *EUR'000* |
| **Statement of profit or loss** | |
| ***Current income tax:*** | |
| Current income tax charge | 878 |
| ***Deferred income tax:*** | |
| Relating to origination and reversal of temporary differences | 18 546 |
| **Income tax expense reported in the statement od profit or loss** | **19 424** |

Reconciliation of tax expense and the accounting profit multiplied by Poland's corporate tax rate for 2016:

| | **Total** |
|---|---:|
| | *EUR'000* |
| **Accounting profit before tax** | **96 188** |
| At Poland's statutory tax rate of 19% | 18 275 |
| Permanent differences | 717 |
| Tax losses due to which no deferred income tax was recognised | 450 |
| Income tax expense reported in the statement of profit or loss | 19 424 |

| | Statement of financial position |
|---|---|
| | *EUR'000* |
| **Deferred income tax liability** | |
| Revaluation of investment property to fair value | 66 532 |
| Measurement of financial instruments | 1 497 |
| Loans and borrowings (measurement, foreign exchange differences etc.) | 55 |
| Other | 216 |
| | **68 300** |
| **Deferred income tax assets** | |
| Losses available for offsetting against future taxable income | 3 653 |
| Liabilities due to loans and borrowings (measurement, FX differences, etc.) | 4 212 |
| Financial instruments measurement | 24 |
| Other | 1 495 |
| | **9 384** |
| | |
| **Reflected in the statement of financial position as follows:** | |
| Deferred tax assets | (9 384) |
| Deferred tax liabilities | 68 300 |
| **Deferred tax liabilities/(assets) net** | **58 916** |

The deferred tax liability of EUR 58 916 000 has been recognised on the difference between the fair and historical value related to the portfolio of Investment Property owned by the Group. The recognition has been triggered by an application of mandatory assumption under IFRS that a sale transaction realising the fair value of such Investment Property will be performed in a tax regime currently in place and ignoring all restructuring steps undertaken and planned by the Group.

In addition, the IFRS also requires to assume, that such envisaged transaction will be performed as a disposal of all asset subject to fair valuation. Any other possible transactions such as disposal of shares in entity owning the assets, which would result in different taxation regime are being ignored from perspective of IFRS.

## NOTE 22. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The following table reflects the income and share data used in the basic and diluted EPS computations:

| | Period from 4 January 2016 till 31 December 2016 |
|---|---|
| | *EUR'000* |
| Profit for the period attributable to EPP shareholders | 76 764 |
| Change in fair value of investment properties | (44 719) |
| **Headline and diluted earnings attributable to EPP shareholders** | **32 045** |
| | |
| Amortised cost valuation of long term financial liabilities | (1 502) |
| Straight-line rental income accrual (net of taxation) | (1 233) |
| Prepaid rental income | (251) |
| Deferred tax charge | 18 546 |
| Accelerated amortisation of debt fee | 5 881 |
| Foreign exchange gains | (2 192) |
| Consolidation adjustment on acquisition | 494 |
| Participation of profits in joint ventures | (12 526) |
| Capital gains | (5 255) |
| **Distributable income** | **34 007** |
| | |
| Actual number of shares in issue | 586 051 293 |
| Weighted number of shares in issue | 366 544 911 |
| Basic and diluted earnings per share (EUR cents)* | 20.9 |
| Headline earnings and diluted headline earnings per share (EUR cents)** | 8.7 |
| Distributable income per share (EUR cents) | 5.8 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## NOTE 23. NET ASSET VALUE PER SHARE (NAV)

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

The following reflects the net asset and share data used in the basic and diluted NAV per share computations:

| | 31 December 2016 |
|---|---|
| | *EUR'000* |
| NAV attributable to ordinary equity holders of the parent (excluding deferred tax) | 682 709 |
| Net tangible asset value per share (excluding deferred tax) | 682 709 |
| | |
| Number of ordinary shares at the reporting date (thousands) | 586 051 |
| **NAV per share (excluding deferred tax) (EUR cents)** | 1.16 |
| **Net tangible asset value per share (EUR cents)** | 1.16 |

## NOTE 24. SHARE-BASED PAYMENTS

**Senior Executive Plan**

EPP Group committed to introduce a long-term incentive program for the first five consecutive years of Hadley Dean's appointment, under which he will be allocated EPP share options or similar instruments. Mr Dean will be allocated such number of options such that if EPP achieves the targets specified in an agreed business plan, the profit on the options will be at least EUR 3 500 000. If Mr Dean terminates the CEO management contract within the first three years, his options will be forfeited. If he terminates the CEO management contract in the fourth year or fifth year, he will be entitled to receive 60% or 80% of the shares resulting from the options, respectively. The detailed parameters of the long term incentive scheme will be agreed in good faith between the parties in due course. As part of the long term incentive scheme, Mr Dean has been entitled to co-invest up to EUR 500 000 in EPP on the same terms at which Redefine had acquired its ordinary shares in EPP pursuant to the Redefine transaction. This investment was effected on 12 August 2016.

EPP has granted a suretyship up to an amount of EUR 3 500 000 in order to secure EPP Group's obligation to introduce a long-term incentive scheme in terms of the CEO management contract. As of the date of these financial statements the scheme has not yet been introduced.

## NOTE 25. RECONCILIATION OF PROFIT BEFORE TAX TO OPERATING CASH FLOW

| | Period from 4 January 2016 till 31 December 2016 |
|---|---:|
| | *EUR'000* |
| **Profit before tax** | **96 188** |
| | |
| ***Adjustments:*** | |
| Valuation gain on investment property | (44 719) |
| Share of profit in joint ventures | (12 676) |
| Finance income | (7 339) |
| Finance expense | 24 464 |
| | |
| ***Working capital adjustments:*** | |
| Increase in rent and other receivables | (31 970) |
| Increase in prepayments and accrued income | (1 372) |
| Increase in inventory and other assets | (83) |
| Increase of restricted cash | (21 845) |
| Increase in trade, other payables and accruals | 18 856 |
| Movements in tenants' deposits | 6 859 |
| | |
| **Cashflows from operating activities** | **26 363** |

## NOTE 26. RELATED PARTY DISCLOSURES

### Information about subsidiaries

The consolidated financial statements of the Group include the financial statements of the Company and the subsidiaries listed in the following table:

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **1** | Echo Polska Properties N.V. | Netherlands | Parent | | |
| **2** | Forum XXIX Fundusz Inwestycyjny Zamknięty | Poland | Holding company | 17 February 2016 | 100% |
| **3** | Forum XXXIV Fundusz Inwestycyjny Zamknięty | Poland | Holding company | 17 February 2016 | 100% |
| **4** | GP Office S.à r.l. | Luxemburg | Holding company | 22 February 2016 | 100% |
| **5** | GP Retail S.à r.l. | Luxemburg | Holding company | 22 February 2016 | 100% |
| **6** | SPV Retail – 1 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **7** | SPV Retail – 2 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **8** | SPV Retail – 3 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **9** | SPV Retail – 4 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **10** | SPV Retail – 5 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **11** | SPV Office – 1 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **12** | SPV Office – 2 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **13** | SPV Office – 3 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **14** | SPV Office – 4 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **15** | SPV Office – 5 SCSp | Luxemburg | Holding company | 17 February 2016 | 100% |
| **16** | Verinaco Holding Limited | Cyprus | Holding company | 14 December 2016 | 100% |
| **17** | Echo Polska Properties (Cyprus) PLC | Cyprus | Holding company | 14 December 2016 | 100% |
| **18** | Projekt Echo - 118 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **19** | Echo - Galeria Amber Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **20** | Projekt Echo - 43 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **21** | Magellan West Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **22** | Projekt Echo - 106 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **23** | Vousoka Polska Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **24** | Projekt Echo - 97 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **25** | Projekt Echo - 126 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **26** | Projekt Echo - 98 Sp. z o.o. | Poland | Holding company | 30 May 2016 | 100% |
| **27** | Projekt Echo - 109 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **28** | Echo Polska Properties Sp. z o.o. (previously: Camas Investments Sp. z o.o.) | Poland | Holding company | 10 May 2016 | 100% |
| **29** | Minster Investments Sp. z o.o. | Poland | Holding company | 12 May 2016 | 100% |
| **30** | Projekt Echo - 124 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **31** | Echo - Park Rozwoju Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **32** | Echo - West Gate Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **33** | Iris Capital Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **34** | Projekt Echo - 125 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **35** | Projekt Echo - 69 Sp. z o.o. | Poland | Holding company | 23 May 2016 | 100% |
| **36** | Ventry Investments Sp. z o.o. | Poland | Holding company | 1 July 2016 | 100% |
| **37** | Emfold Investments Sp. z o.o. | Poland | Holding company | 1 July 2016 | 100% |
| **38** | Flaxton Investments Sp. z o.o. | Poland | Holding company | 1 July 2016 | 100% |
| **39** | Verwood Investments Sp. z o.o. | Poland | Holding company | 21 October 2016 | 100% |
| **40** | EPP Facility Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property Management | 1 July 2016 | 100% |
| **41** | EPP Property Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property Management | 1 July 2016 | 100% |
| **42** | Echo Polska Properties Spółka z ograniczoną odpowiedzialnością S.K. (previously: Camas Investments Spółka z ograniczoną odpowiedzialnością S.K.) | Poland | Holding company | 10 May 2016 | 100% |
| **43** | Minster Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Holding company | 12 May 2016 | 100% |
| **44** | Centrum Przemyśl - Projekt Echo - 118 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **45** | Echo - Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **46** | Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **47** | Echo Pasaż Grunwaldzki Magellan West Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **48** | Galaxy - Projekt Echo - 106 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **49** | Vousoka Polska Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **50** | Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **51** | Outlet Park - Projekt Echo - 126 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **52** | Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **53** | Galeria Kielce - Projekt Echo - 109 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **54** | Farrina Investments - Projekt Echo - 124 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **55** | Echo - Park Rozwoju Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **56** | Echo - West Gate Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **57** | A4 Business Park - Iris Capital Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **58** | Oxygen - Projekt Echo - 125 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **59** | Astra Park - Projekt Echo - 69 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 17 February 2016 | 100% |
| **60** | Ventry Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 1 July 2016 | 100% |
| **61** | Emfold Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 1 July 2016 | 100% |
| **62** | Flaxton Investments Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 1 July 2016 | 100% |
| **63** | Orkney Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **64** | Ormonde Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **65** | Otway Holdings Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **66** | Oughton Trading Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **67** | Oxland Trading Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **68** | Wagstaff Investments Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **69** | Wetherall Investments Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **70** | Wylde Holdings Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **71** | Sackville Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |

| | Name | Country of incorporation | Principal activities | Date of control | share |
|---|---|---|---|---|---|
| **72** | Macintyre Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **73** | Mackinnon Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **74** | Ravenshaw Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **75** | Rundle Holdings Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **76** | Dorsetshire Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **77** | Friedland Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **78** | Epiphet Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **79** | Dauphine Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **80** | Allwell Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **81** | Leuthen Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **82** | Trappaud Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **83** | Pebworth Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **84** | Wisbech Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **85** | Norcross Sp. z o.o. | Poland | Holding company | 25 November 2016 | 100% |
| **86** | Projekt Echo 138 Sp. z o.o. | Poland | Holding company | 22 December 2016 | 70% |
| **87** | Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. | Poland | Property investment | 22 December 2016 | 53.74% |

As part of creating the EPP Group the entities 1- 59 (excluding 16 and 17) listed above have been acquired as business combination under common control as described in NOTE 10 and therefore no goodwill arose on those transactions.

Assets acquired and liabilities assumed during common controls business combinations of the abovementioned entities during the year are presented below (amounts in thousands EUR):

| | 17 February 2016 |
|---|---|
| Investment properties | 1 186 188 |
| Other net assets | 48 398 |
| **Total assets** | **1 234 586** |
| | |
| Deferred tax liabilities | 40 352 |
| Debt | 982 264 |
| **Total liabilities** | **1 022 616** |
| | |
| **Net asset value** | **211 970** |

During 2016 the Group has acquired entities 16, 17 and 63-87 listed above – holding companies.

As a part of ROFO transactions, the Company has acquired entities 36-38 and 60-62 listed below. The transaction has been accounted for as an asset deal, due to the nature of the transaction and all transaction costs increased the value of acquired assets and therefore no goodwill has been recognised.

Based on the Shareholders Agreement dated on 22 December 2016 the Company and Echo Investment S.A. agreed to have joint control over Projekt Echo 138 Sp. z o.o. and Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. therefore equity consolidation method is applied.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

| | Sales to related parties | Purchases from related parties | Amounts due to related parties*) | Amounts due from related parties*) |
|---|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* |
| **Echo Investment Group** | - | | 2 723 | 2 232 |
| **Griffin RE Group** | - | 150 | 185 | - |

*) The amounts are classified as trade receivables and trade payables, respectively (see NOTE 14)

| | Interest | Amounts due from related parties | Amounts due to related parties |
|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* |
| **Loans from related parties** | | | |
| **Echo Investment Group** | (57) | 13 167 | (6 106) |
| | | | |

Loans to related parties are described in the NOTE 7.

Loans from related parties are denominated in PLN and EUR. For loans denominated in PLN there are two types of interest rates used – fixed 2% and WIBOR 3M plus 1.9% margin. For loans denominated in EUR the interest rate is EURIBOR 3M plus 2.7% margin.

The loans are granted for 1 or 5 years depending on purpose of the loan.

Set out below are the direct and indirect beneficial interests of the Company's Directors and their associates in EPP ordinary shares, as at 31 December 2016:

| Beneficially held | | | | |
|---|---|---|---|---|
| Director | Directly | Indirectly | Total | Percentage |
| Hadley Dean | 500 000 | - | 500 000 | 0.1% |
| Marc Wainer | 10 290 584 | 25 726 456* | 36 017 040 | 6.14% |
| Andrew Konig | 4 888 027 | 25 726 456* | 30 614 483 | 5.22% |
| **Total** | **15 678 611** | **51 704 176** | **67 131 523** | **11.45%** |

* *Marc Wainer and Andrew Konig hold 40% and 15% of the Equity in The Big Five International Limited, which holds 25 726 456 EPP shares.*

Subsequent to 31 December 2016, on 6 January 2017, Ellwain Investments Proprietary Limited acquired 251 264 EPP shares at R19.52 per share for an aggregate consideration of R4 904 673.28 by way of an off-market acquisition of shares pursuant to a scheme of arrangement entered into between the Pivotal Fund Limited ("Pivotal") and Pivotal shareholders. Pivotal shareholders, inter alia, acquired 0.09382 EPP shares for every Pivotal share held. Marc Wainer has a 50% interest in Ellwain Investments Proprietary Limited.

**Directors' interests in transactions**

Set out below are details of the directors (including directors who resigned during the last 18 months) who have or had a material beneficial interest, direct or indirect, in transactions effected by the Company since incorporation:

| Name of director | Particulars of contract | Nature/Extent of interest |
|---|---|---|
| Hadley Dean | Suretyship | EPP has granted a suretyship up to an amount of EUR3 500 000 in order to secure EPP Group's obligation to introduce a long-term incentive scheme in Hadley Dean's favour. |
| Maciej Dyjas | Griffin advisory agreement | Maciej Dyjas is an indirect beneficial shareholder of Griffin. |
| Nebil Senman | Griffin advisory agreement | Nebil Senman is an indirect beneficial shareholder of Griffin. |
| Maciej Dyjas | ROFO project acquisition agreements | Maciej Dyjas is an indirect beneficial shareholder of Echo (vendor). |
| Nebil Senman | ROFO project acquisition agreements | Nebil Senman is an indirect beneficial shareholder of Echo (vendor). |
| Maciej Dyjas | Warsaw retail development site acquisition agreement | Maciej Dyjas is an indirect beneficial shareholder of Griffin. |
| Nebil Senman | Warsaw retail development site acquisition agreement | Nebil Senman is an indirect beneficial shareholder of Griffin. |

**Directors' remuneration**

The details of the Directors' emoluments accrued or paid for the period to 31 December 2016 are set out in the table below:

| | Basic salaries* | Directors' fees** | Bonuses and other performance payments** | Total |
|---|---|---|---|---|
| | | | | *EUR'000* |
| **Executive Directors** | | | | |
| Hadley Dean | 161 | - | 275 | 436 |
| Maciej Drozd | 87 | - | 50 | 137 |
| **Total** | **248** | **-** | **325** | **573** |
| **Non -Executive Directors** | | | | |
| Robert Weisz | - | 45 | - | 45 |
| Marc Wainer | - | 25 | - | 25 |
| Marek Belka | - | 31 | - | 31 |
| Andrew Konig | - | 25 | - | 25 |
| Maciej Dyjas | - | 25 | - | 25 |
| Nebil Senman | - | 25 | - | 25 |
| Dionne Ellerine | - | 30 | - | 30 |
| Andrea Steer | - | 40 | - | 40 |
| Peter Driessen | - | 37 | - | 37 |
| **Total** | **-** | **283** | **-** | **283** |

** paid out in 2016 by Echo Polska Properties Sp. z o.o.*

*** The fees comprise the annual bonuses and a sign -up bonus with regards to Hadley Dean consulting agreement. The respective fees have been accrued as of 31 December 2016 at Echo Polska Properties N.V. level*

The table above provides an indication of the total cost to the Group in relation to Directors' remuneration. Total cash payments and other fees accrued reflect the cost that has been expensed by the Group in the consolidated statement of profit or loss in the relevant period. There have been no costs accrued in relation to long-term incentive awards or scheme in the reporting period.

## NOTE 27. FUTURE OPERATING LEASE REVENUE

The future minimum lease revenue receivable under non-cancellable operating leases is as follows:

| | | | 2016 |
|---|---|---|---|
| | | | *EUR'000* |
| | **Retail** | **Office** | **TOTAL** |
| Within one year | 74 293 | 29 880 | 104 173 |
| Between two and five years | 237 652 | 82 268 | 319 920 |
| Beyond five years | 260 881 | 32 235 | 293 117 |
| **Total** | **572 826** | **144 383** | **717 209** |

## NOTE 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's property portfolio. The Group has rent and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk (including interest rate risk, foreign exchange rate risk and real estate risk), credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by an audit and risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The audit and risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group's policies and risk objectives.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk the entity is exposed to is interest rate risk.

### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016, after taking into account the effect of interest rate swaps, 90% of the Group's borrowings are economically hedged with the remaining portion to be fully hedged by 31 March 2017.

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to floating interest rates of the debt and derivatives are all constant:

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on finance income less finance expense for one year, based on the floating rate financial liabilities held at the reporting date, including the effect of the interest rate swaps.

| | Increase/(decrease) in basic points | Effect on equity | Effect on profit before tax |
|---|---|---|---|
| **2016** | | *EUR'000* | *EUR'000* |
| EURIBOR | 1% | (2) | (2) |
| EURIBOR | (1%) | 2 | 2 |
| WIBOR | 1% | (4) | (4) |
| WIBOR | (1%) | 4 | 4 |

### Foreign exchange rate risk

Foreign exchange rate risk is the risk of the Group's net asset value changing due to a movement in foreign exchange rates.

The Group is exposed to foreign currency risk on receivables and payables denominated in a currency other than EUR being functional and presentation currency.

For the purpose of IFRS 7 "Financial Instruments: Disclosures", foreign exchange risk arises when financial instruments are denominated in Polish Zloty (PLN) which is not the functional currency of the Group.

The below table shows the Group's sensitivity to foreign exchange rates on its Polish Zloty item in statement of financial position listed below:

- Cash and cash equivalent
- Trade receivables
- Trade payables

| Consolidated Statement of Comprehensive income | |
|---|---|
| | 31 December 2016 |
| | *EUR'000* |
| Polish Zloty strengthens by 10% | 1 000 |
| Polish Zloty weakens by 10% | (818) |

## Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives.

### Tenant receivables

Tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on an annual basis, and may be updated throughout the year, subject to approval of the Group's Management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2016 is the carrying amounts of each class of financial instruments.

## Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

| Year ended 31 December 2016 | up to 1 year | 1-3 years | 3 to 5 years | >5 years | Total |
|---|---|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* |
| Bank borrowings | 52 845 | 15 924 | 311 316 | 423 226 | 803 311 |
| Related party financial liabilities | 221 | - | 3 742 | 2 143 | 6 106 |
| Deposits from tenants | 1 428 | 742 | 4 168 | 770 | 7 108 |
| Trade and other payables | 13 203 | - | - | - | 13 203 |

The disclosed amounts for financial derivatives in the above table are the undiscounted cash flows.

## Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

| | Carrying value | Fair value |
|---|---|---|
| | 31 December 2016 | 31 December 2016 |
| | *EUR'000* | *EUR'000* |
| **Financial assets** | | |
| Rent and other receivables | 3 843 | 3 843 |
| Cash and short-term deposits | 21 921 | 21 921 |
| Financial assets | 19 089 | 19 089 |
| **Financial liabilities** | | |
| Interest-bearing loans and borrowings | 803 311 | 803 311 |
| Deposits from tenants | 7 107 | 7 107 |
| Trade and other payables | 13 203 | 13 203 |

## Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 31 December 2016:

| 31 December 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Interest-bearing loans and borrowings | - | 803 311 | - | - |
| Investment property | - | - | 1 359 432 | - |
| Deposits from tenants | - | 7 107 | - | - |
| Trade and other payables | - | 13 203 | - | - |

Management has assessed that the fair values of cash and short-term deposits, rent and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of obligations under finance leases and deposits from tenants is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques which employ the use of market observable inputs are mainly interest rate swaps.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 31 December 2016.

### Capital management

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating.

The Group monitors capital primarily using a loan-to-value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio.

Banking covenants vary according to each loan agreement, but typically require that the loan-to-value ratio does not exceed 55% to 70%.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

During the current period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

| | **31 December 2016** |
|---|---:|
| Nominal value of interest-bearing loans (excluding VAT loan) | 777 328 |
| | |
| Investment property | 1 359 432 |
| Investment in joint venture | 54 285 |
| Other financial assets | 5 247 |
| **Total investment assets** | **1 418 964** |
| | |
| **Loan to value ratio** | **54.8%** |

## NOTE 29. EMPLOYEES

The average number of employees, expressed in full-time equivalents, in 2016 was 88 and can be detailed as follows:

| Department | **Number of employees** |
|---|---:|
| Retail | 47 |
| Office | 9 |
| Other | 32 |
| **Total** | **88** |

## NOTE 30. COMMITMENTS AND CONTINGENCIES

The list of guarantees and securities granted within the Group is outlined in the table below:

| Bank | Amount | Maturity | Description |
|---|---|---|---|
| | *'000 EUR* | | |
| **PKO BP SA** | 278 | 27.12.2017 | Collateral for default of payment in case of breach of the settlement of 26 November 2012 with Szczecin municipality |
| **BGŻ BNP Paribas S.A.** | 200 | 30.09.2019 | Collateral for default of payment of real estate tax to Katowice municipality by the company A4 Business Park - "Iris Capital" Spółka z ograniczoną odpowiedzialnością - S.K., according to the decision of 12 May 2015 |
| **BGŻ BNP Paribas S.A.** | 476 | 31.08.2020 | Collateral for default of payment of real estate tax to Katowice municipality by the company A4 Business Park - "Iris Capital" Spółka z ograniczoną odpowiedzialnością - S.K., according to the decision of 24 August 2015 |
| **Echo Polska Properties N.V.** | 96 500 | 30.12.2019 | Guarantee to HSBC Bank PLC as collateral for default of payment by Galeria Kielce - Projekt Echo - 109 spółka z ograniczoną odpowiedzialnością - spółka komandytowa resulting from bank loan agreement dated 16 December 2016 (see NOTE 12) |
| **Echo Polska Properties N.V.** | 42 000 | 23.05.2029 | Suretyship granted to for the payment of the purchase price resulting from Towarowa acquisition agreement as described in NOTE 3 upon occurrence of the prerequisites envisaged in the agreement. |

## NOTE 31. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2017 EPP has concluded a preliminary acquisition agreement (the "preliminary acquisition agreement") with Buffalo Poland Holdco S.a r.l, Buffalo Poland Holdco II S.a r.l and Factory Poland Holdco S.a.r.l, (the "sellers"), real estate funds managed by Blackstone, to acquire, as a composite transaction, 4 retail properties (the "properties") for an aggregate consideration of EUR 166.57 million ("the transaction" or "the acquisition/s"). To this end, EPP will acquire:

- 100% of the equity in Klodzko Retail LLC ("Klodzko Retail"), which holds the legal title (in the form of ownership rights) to the Galeria Twierdza Shopping Centre situated in Klodzko, Poland ("Twierdza Klodzko") for an aggregate purchase consideration of EUR40.67 million. Prior to the closing of the transaction Klodzko Retail will also acquire the perpetual usufruct right to the plot adjacent to Twierdza Klodzko on which a Broaster Chicken Drive restaurant is located;

- 100% of the equity in Zamosc Retail LLC which holds the legal title (partly in the form of ownership rights and partly as the holder of perpetual usufruct rights) to the Galeria Twierdza Shopping Centre situated in Zamosc, Poland for an aggregate purchase consideration of EUR53.51 million;
- 100% of the equity in Kalisz Retail LLC which holds the legal title (in the form of a co-ownership right) to the Galeria Tecza Shopping Centre situated in Kalisz, Poland for an aggregate purchase consideration of EUR23.21 million. The remaining co-owner is Spolem Supermarket that owns the premises from which it operates within the Galeria Tecza Shopping Centre; and
- 100% of the equity in Wloclawek Retail LLC ("Wzorcownia Retail") which holds legal title to the Wzorcownia Shopping Centre situated in Wloclawek, Poland ("Wzorcownia") for an aggregate purchase consideration of EUR 49.17 million. Wzorcownia is spread across 16 different plots, with different forms of ownership rights. Wzorcownia Retail has ownership rights in respect of 2 plots and perpetual usufruct rights in respect of 1 plot, comprising the majority of Wzorcownia. Wzorcownia Retail owns 11 separate premises with a 25.27% share in the co-ownership right of the plots and 2 separate premises with a 60.19% share in the co-ownership right of the plots. The remaining co-ownership rights are held by individuals and Budizol Sp. z o. o. Property S.K.A. respectively.

The transaction is in line with EPP's stated strategy of acquiring quality retail assets in strategic locations. The properties comprise recently developed modern retail centers that are regionally dominant, each with a balanced tenant mix of predominately institutional quality tenants (including those representing leading international brands). Twierdza Klodzko and Wzorcownia are the only large modern retail properties in their respective cities. All four properties have easy access by road and public transport (with three of them located in the city centre) and are located in cities which are commercial, tourist or industrial hubs. The purchase consideration of EUR166.57 million represents an acquisition yield of approximately 7.5%.

The transaction is expected to close no earlier than 1 May 2017 and no later than 30 September 2017. The purchase consideration for the transaction will be paid in cash on the closing date of the transaction. The acquisitions will be funded through a combination of debt, potential proceeds from the recycling of assets and the issuance of new shares. The transaction remains conditional upon:

- EPP obtaining competition clearance from the President of the Polish Office of Competition and Consumer Protection;
- the issuance of an insurance policy in favour of EPP to cover any liability of the sellers under the sellers' warranties and representations furnished in terms of the transaction agreements;
- the issuance of an insurance policy in favour of EPP to cover any liability of the sellers in respect of the sellers' title to the equity in Klodzo Retail, Zamosc Retaill LLC, Kalisz Retail LLC and Wloclawek Retail LLC ("the companies") and the companies' title to the properties;
- the completion of certain internal corporate restructuring of the companies to ensure a positive net asset position and a reduction of the companies' liabilities under intra-group loans, to meet certain contractual criteria;
- EPP obtaining debt finance in respect of circa 55% of the total purchase consideration payable for the acquisitions.

Signatures of Members of Board of Directors:

Hadley Dean
Chief executive officer

Maciej Drozd
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marek Marian Belka
Independent non-executive director

Peter Driessen
Independent non-executive director

Maciej Dyjas
Non-executive director

Dionne Hirschowitz
Independent non-executive director

Andrew König
Non-executive director

Nebil Senman
Non-executive director

Andrea Philippa Steer
Independent non-executive director

Marc Wainer
Non-executive director

Amsterdam, 8 March 2017

## STANDALONE FINANCIAL STATEMENTS OF ECHO POLSKA PROPETIES N.V.

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2016

*(Before profit appropriation)*

| | | 31 December 2016 |
|---|---|---|
| | | *EUR'000* |
| ***ASSETS*** | | |
| **Financial Fixed assets** | NOTE 3 | **478 534** |
| Investments in subsidiaries | | 296 739 |
| Investments in joint ventures | | 54 285 |
| Loans due from subsidiaries | | 127 510 |
| **Current assets** | NOTE 4 | **150 742** |
| Receivable from subsidiaries | | 143 399 |
| Prepayments | | 5 396 |
| Tax receivable | | 168 |
| Cash and cash equivalents | | 1 779 |
| **Total assets** | | **629 276** |
| ***EQUITY AND LIABILITIES*** | | |
| **Equity** | NOTE 5 | **627 516** |
| Share capital | | 474 702 |
| Share premium | | 95 095 |
| Legal Reserves | | 43 499 |
| Retained earnings / (Accumulated deficit) | | (66 087) |
| Unappropriated result | | 80 307 |
| **Current liabilities** | NOTE 6 | **1 760** |
| Accounts payable and accrued expenses | | 1 760 |
| | | |
| **Total equity and liabilities** | | **629 276** |

## COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

| | | **Period from 4 January 2016 till 31 December 2016** |
|---|---|---|
| | | *EUR'000* |
| Share in results from participating interests, after taxation | NOTE 7 | 82,639 |
| Other result after taxation | NOTE 8 | (2,332) |
| **Net property income** | | **80,307** |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### NOTE 1. GENERAL

The company financial statements are part of the 2016 financial statements of Echo Polska Properties N.V. (the 'Company ').

In accordance with article 402 of Book 2 of the Dutch Civil Code, the result from subsidiaries that is included in the consolidated financial statement, is only included as a separate item net of taxes in the company's profit and loss account.

If there is no further explanation provided to the items in the company balance sheet and the company statement of income, please refer to the notes in the consolidated statement of financial position and statement of income.

Related party transactions between subsidiaries, equity accounted investees, investments, and with members of the Board of Directors and the ultimate parent company Echo Polska Properties N.V. are conducted on an at arm's length basis with terms comparable to transactions with third parties.

### NOTE 2. PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Please be referred to note 2 of the consolidated financial statements for a description of these principles.

**Participating interests in group companies**

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the Consolidated Financial Statements.

Investments with a negative net value asset are valued at nil. A provision is made if the company warrants all or part of the liabilities of the associated company concerned, primarily at the expense of the claims against this associated company and, for the rest, under the provisions for the amount of the share in the losses of the associated company, or for the expected payments to be made by the company for these associated companies.

**Share premium reserve**

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income). Costs, which are directly related to capital raised, are charged to share premium reserve.

**Revaluation reserve**

The revaluation reserve has been formed as a result of value adjustments of the assets.

Revaluation takes into account the impact of taxes on equity and results by forming a provision for deferred taxation charged to the revaluation reserve.

Pursuant to article 105 of Book 2 of the Dutch Civil Code, the Company is not allowed to distribute amounts from its legal reserves to its equity holders. Since the revaluation reserve is considered a legal reserve, it is non-distributable and therefore negatively affects the Company's distributable equity.

**Result of participating interests**

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

## NOTE 3. FINANCIAL FIXED ASSES

| | 31 December 2016 |
|---|---:|
| | *EUR'000* |
| Investments in subsidiaries | 296 739 |
| Investments in joint ventures | 54 285 |
| Loans due from subsidiaries | 127 510 |
| | |
| **Balance as at December 31, 2016** | **478 534** |

| | Investments in subsidiaries | Investments in joint ventures | Loans due from subsidiaries | Total |
|---|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* |
| **Balance as at 4 January 2016** | - | - | - | - |
| Cost of acquisition | 226 881 | 41 759 | - | 268 640 |
| Exchange differences | (255) | | (278) | (533) |
| Loans provided | - | - | 127 788 | 127 788 |
| Share in result of participating interests excluding fair value adjustments | 26 359 | - | - | 26 359 |
| Participation in profits of joint ventures | - | 12 526 | - | 12 526 |
| Fair value adjustments | 43 754 | - | - | 43 754 |
| | | | | |
| **Balance as at 31 December 2016** | **296 739** | **54 285** | **127 510** | **478 534** |

Further details about the investments in subsidiaries and joint ventures can be found in note 3 of the consolidated financial statements.

**Investments in direct subsidiaries**

As at 31 December 2016 the Company holds interests in the following direct subsidiaries:

| Name | Place of Business | Share percentage |
|---|---|---|
| | | |
| Allwell Sp. z o.o. | Warszawa, Poland | 100% |
| Dauphine Sp. z o.o. | Warszawa, Poland | 100% |
| Dorsetshire Sp. z o.o. | Warszawa, Poland | 100% |
| Echo - Galeria Amber Sp. z o.o. | Kielce, Poland | 100% |
| Echo - Park Rozwoju Sp. z o.o. | Kielce, Poland | 100% |
| Echo - West Gate Sp. z o.o. | Kielce, Poland | 100% |
| Echo Polska Properties Sp. z o.o. | Warszawa, Poland | 100% |
| Echo Polska Properties (Cyprus) PLC | Nicosia, Cyprus | 99,99% |
| Emfold Investments Sp. z o.o. | Warszawa, Poland | 100% |
| Epiphet Sp. z o.o. | Warszawa, Poland | 100% |
| Flaxton Investments Sp. z o.o. | Warszawa, Poland | 100% |
| FORUM XXIX F.i.z. | Warszawa, Poland | 100% |
| FORUM XXXIV F.i.z. | Kraków, Poland | 100% |
| Friedland Sp. z o.o. | Warszawa, Poland | 100% |
| GP Office S.a.r.l. | Luxembourg, Luxembourg | 100% |
| GP Retail S.a.r.l. | Luxembourg, Luxembourg | 100% |
| Iris Capital Sp. z o.o. | Kielce, Poland | 100% |
| Leuthen Sp. z o.o. | Warszawa, Poland | 100% |
| Macintyre Sp. z o.o. | Warszawa, Poland | 100% |
| Mackinnon Sp. z o.o. | Warszawa, Poland | 100% |
| Magellan West Sp. z o.o. | Kielce, Poland | 100% |
| Minster Investment Sp. z o.o. | Warszawa, Poland | 100% |
| Norcross Sp. z o.o. | Warszawa, Poland | 100% |
| Orkney Sp. z o.o. | Warszawa, Poland | 100% |
| Ormonde Sp. z o.o. | Warszawa, Poland | 100% |

| Name | Place of Business | Share percentage |
|---|---|---|
| Otway Holdings Sp. z o.o. | Warszawa, Poland | 100% |
| Oughton Trading Sp. z o.o. | Warszawa, Poland | 100% |
| Oxland Trading Sp. z o.o. | Warszawa, Poland | 100% |
| Pebworth Sp. z o.o. | Warszawa, Poland | 100% |
| Projekt Echo - 106 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 109 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 118 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 124 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 125 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 126 Sp. z o.o. | Warszawa, Poland | 100% |
| Projekt Echo - 43 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 69 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 97 Sp. z o.o. | Kielce, Poland | 100% |
| Projekt Echo - 98 Sp. z o.o. | Kielce, Poland | 100% |
| Ravenshaw Sp. z.o.o. | Warszawa, Poland | 100% |
| Rundle Holdings Sp. z o.o. | Warszawa, Poland | 100% |
| Sackville Sp. z o.o. | Warszawa, Poland | 100% |
| SPV Retail – 1 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Retail – 2 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Retail – 3 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Retail – 4 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Retail – 5 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Office – 1 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Office – 2 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Office – 3 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Office – 4 SCSp | Luxembourg, Luxembourg | 100% |
| SPV Office – 5 SCSp | Luxembourg, Luxembourg | 100% |
| Trappaud Sp. z o.o. | Warszawa, Poland | 100% |
| Ventry Investments Sp. z o.o. | Warszawa, Poland | 100% |
| Verwood Investments SP. z o.o. | Nicosia, Cyprus | 100% |
| Vousoka Polska Sp. z o.o. | Kielce, Poland | 100% |
| Wagstaff Investments Sp. z o.o. | Warszawa, Poland | 100% |
| Wetherall Investments Sp. z o.o. | Warszawa, Poland | 100% |
| Wisbech Sp. z o.o. | Warszawa, Poland | 100% |
| Wylde Holdings Sp. z o.o. | Warszawa, Poland | 100% |

### Investments in indirect subsidiaries

As at 31 December 2016 the Company holds interests in the following indirect subsidiaries:

| Name | Place of Business | Share percentage |
|---|---|---|
| A4 Business Park - Iris Capital Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Astra Park - Projekt Echo - 69 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Centrum Przemyśl - Projekt Echo - 118 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Echo - Galeria Amber Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Echo - Park Rozwoju Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Echo Pasaż Grunwaldzki Magellan West Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Echo - West Gate Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Echo Polska Properties Sp.z o.o. SK (previously: Camas Investments Sp. z o.o. S.K.) | Warszawa, Poland | 100% |
| Emfold Investments Sp. z o.o. S.K. | Warszawa, Poland | 100% |
| EPP Facility Management Minster Investments Sp. z o.o. S.K. | Kielce, Poland | 100% |
| EPP Property Management Minster Investments Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Farrina Investments - Projekt Echo - 124 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Flaxton Investments Sp. z o.o. S.K. | Warszawa, Poland | 100% |
| Galaxy - Projekt Echo - 106 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Galeria Kielce - Projekt Echo - 109 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Galeria Olimpia - Projekt Echo - 98 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Minster Investments Sp. z o.o. S.K. | Warszawa, Poland | 100% |
| Outlet Park - Projekt Echo - 126 Sp. z o.o. S.K. | Warszawa, Poland | 100% |
| Oxygen - Projekt Echo - 125 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Veneda - Projekt Echo - 97 Sp. z o.o. S.K. | Kielce, Poland | 100% |
| Verinaco Holding Limited | Nicosia, Greece | 100% |
| Ventry Investments Sp. z o.o. S.K. | Warszawa, Poland | 100% |
| Vousoka Polska Sp. z o.o. S.K. | Kielce, Poland | 100% |

### (In-) Direct investments in joint ventures

As at 31 December 2016 the Company holds interests in the following joint ventures:

| Name | Place of Business | Share percentage |
|---|---|---|
| Projekt Echo - 138 Sp. z o.o. | Warszawa, Poland | 70% |
| Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. | Warszawa, Poland | 53.74% |

## Loans receivable from subsidiaries

The long term loans receivable from subsidiaries can be detailed as follows:

| Group company | Issued Principal PLN Amount | Issued Principal EUR Amount | Maturity | Loan Terms |
|---|---|---|---|---|
| Emfold Investments Sp. z o.o. | N/A | 18 700 000.00 | December 31, 2021 | EURIBOR 3M+ 2,7% |
| Flaxton Investments | N/A | 9 000 000.00 | December 31, 2021 | EURIBOR 3M+ 2,7% |
| Pebworth Sp. z o.o | N/A | I) 22 000 000.00 | December 31, 2021 | I) EURIBOR 3M+ 2,7% |
| Ventry Investments | N/A | 20 010 000.00 | December 31, 2021 | EURIBOR 3M+ 2,7% |
| Iris Capital | I) 79 538 469.87<br>II) 903 119.68 | I) 17 978 858.47<br>II) 204 140.98 | September 30, 2021<br>September 30, 2021 | I) WIBOR 3m + 1,9%<br>II) WIBOR 3m + 1,9% |
| Projekt Echo – 124 Sp. z o.o. | I) 123 619 224.11<br>II) 279 756.86 | I) 27 942 862.59<br>II) 63 236.18 | September 30, 2021 | I) WIBOR 3m + 2%<br>II) WIBOR 3m + 2% |
| Echo Park Rozwoju Sp. z o.o | 23 000 000.00 | 5 198 915.01 | September 30, 2021 | WIBOR 3m + 1,9% |
| Echo West Gate Sp. z o.o | 13 921 817.96 | 3 146 884.71 | September 30, 2021 | WIBOR 3m + 1,9% |
| Projekt Echo 126 Sp. z o.o | 6 273 128.91 | 1 417 976.70 | June 30, 2024 | WIBOR 3m+1,9% |
| Echo - Galeria Amber Sp. z o.o | 4 827 972.77 | 1 091 313.92 | June 30, 2023 | WIBOR 3m+1,9% |
| Projekt Echo - 97 sp. z o.o. | 3 343 507.13 | 755 765.63 | June 30, 2024 | WIBOR 3m+1,9% |

## NOTE 4. CURRENT ASSETS

### Receivable from subsidiaries

### Loans receivable from subsidiaries

The short term receivable from subsidiaries can be detailed as follows:

| Group company | Issued Principal PLN Amount | Issued Principal EUR Amount | Maturity | Loan Terms |
|---|---|---|---|---|
| Projekt Echo – 125 Sp. z o.o. | I) 90 950 423.41<br>II) 1 936 545.63 | I) 20 558 413.98<br>II) 437 736.35 | December 31, 2017<br>December 31, 2017 | I) WIBOR 3m + 1,9%<br>II) WIBOR 3m + 1,9% |
| Wetherall Sp. z o.o | 5 000.00 | 1 130.20 | December 31, 2017 | WIBOR 3m+1,9% |
| Wisbech Holdings Sp. z o.o | 10 000.00 | 2 260.40 | December 31, 2017 | WIBOR 3m+1,9% |
| Wylde Holdings Sp. z o.o | 5 000.00 | 1 130.20 | December 31, 2017 | WIBOR 3m+1,9% |
| Narcross Sp. z o.o | 10 000.00 | 2 260.40 | December 31, 2017 | WIBOR 3m+1,9% |
| Oughton Trading Sp. z o.o | 5 000.00 | 1 130.20 | December 31, 2017 | WIBOR 3m+1,9% |
| Oxland Trading Sp. z o.o | 650 000.00 | 146,925.86 | December 31, 2017 | WIBOR 3m+1,9% |
| Sackville Invetments Sp. z o.o | 1 300 000.00 | 293 851.72 | December 31, 2017 | WIBOR 3m+1,9% |
| Trauppaud Invetments Sp. z o.o | 50 000.00 | 11 301.99 | December 31, 2017 | WIBOR 3m+1,9% |
| Wagstaff Invetments Sp. z o.o | 650 000.00 | 146 925.86 | December 31, 2017 | WIBOR 3m+1,9% |
| PROJEKT ECHO-106 Sp. z o.o | I) 121 210,106.89<br>II) 46 000 000.00 | I) 27 398 306.26<br>II) 10 397 830.02 | December 31, 2017<br>December 31, 2017 | I) WIBOR 3m +1,9%<br>II) WIBOR 3m +1,9% |
| PROJEKT ECHO - 109 Sp. z o.o | I) 136 618 961.26<br>II) 8 600 000.00 | I) 30 881 320.36<br>II) 1 943 942.13 | December 31, 2017<br>December 31, 2017 | I) WIBOR 3m+2%<br>II) WIBOR 3m+2% |
| MAGELLAN WEST. Sp. z o.o | 175 405 921.44 | 39 648 716.42 | December 31, 2017 | WIBOR 3m +1,9% |
| Macintyre Sp. z o.o | 200 000.00 | 45 207.96 | December 31, 2017 | WIBOR 3m +1,9% |
| Leuthen Sp. z o.o | 1 850 000.00 | 418 173.60 | December 31, 2017 | WIBOR 3m +1,9% |
| Friedland Sp. z o.o | 50 000.00 | 11 301.99 | December 31, 2017 | WIBOR 3m +1,9% |
| Rundle Holdings Sp. z o.o | 1 650 000.00 | 372 965.64 | December 31, 2017 | WIBOR 3m +1,9% |

| | | | | |
|---|---|---|---|---|
| Ravenshaw Sp. z o.o | 1 300 000.00 | 293 851.72 | December 31, 2017 | WIBOR 3m +1,9% |
| Allwell Sp. z o.o | 800 000.00 | 180 831.83 | December 31, 2017 | WIBOR 3m +1,9% |
| Dorsetshire Sp. z o.o | 1 860 000.00 | 420 434.00 | December 31, 2017 | WIBOR 3m +1,9% |
| Dauphine Sp. z o.o | 1 270 000.00 | 287 070.52 | December 31, 2017 | WIBOR 3m +1,9% |
| Mackinnon Sp. z o.o | 500 000.00 | 113 019.89 | December 31, 2017 | WIBOR 3m +1,9% |
| Epiphet Sp. z o.o | 560 000.00 | 126 582.28 | December 31, 2017 | WIBOR 3m +1,9% |
| Pebworth Sp. z o.o | II) 3 600 000.00<br>III) 1 900 000.00<br>IV) 900 000.00 | II) 813 743.22<br>III) 429 475.59<br>IV) 203 435.80 | December 31, 2017 | II) WIBOR 3m +1,9%<br>III) WIBOR 3m +1,9%<br>IV) WIBOR 3m +1,9% |

**Prepayments**

| | |
|---|---|
| | *EUR'000* |
| EPISO 3 Zakopianka sp. z o.o., | 5 000 |
| Prepayments | 396 |
| | |
| **Balance as at 31 December 2016** | **5 396** |

The Company has entered into a preliminary share purchase agreement (the "PSPA") with EPISO 3 Netherlands Holdings B.V. (the "Seller"), which owns 100% of the share capital of EPISO 3 Zakopianka sp. z o.o., Warszawa, Poland (the "Target"). In accordance with the PSPA, on December 13, 2016, the Company made an advance payment for the amount of EUR 5,000,000 to the Seller. As per the date of these financial statements, the Company is not in control of the Target and therefore the Target has been recognized as a prepayment on the Company's balance sheet.

**Tax receivable**

| | |
|---|---|
| | *EUR'000* |
| VAT Receivable | 168 |
| | |
| **Balance as at 31 December 2016** | **168** |

Further details about the information to be included on receivables can be found in note 5 and 6 of the consolidated financial statements.

**Cash and cash equivalents**

| | |
|---|---|
| | *EUR'000* |
| Current account Rabobank (EUR) | 1 585 |
| Current account Rabobank (PLN) | - |
| Current account Rabobank (ZAR) | - |
| Current account Investec Bank (ZAR) | 194 |
| | |
| **Balance as at 31 December 2016** | **1 779** |

The total amount of the cash and cash equivalents is freely available to the Company.

## NOTE 5. SHAREHOLDERS' EQUITY

The authorized share capital amounts to EUR 2,083,842,984.60 divided into 2,572,645,659 authorised shares and 1 preference share. All shares have a par value of EUR 0.81. As per December 31, 2016, 586,051,293 shares have been placed and fully paid up. For fiscal purposes, the share capital is considered fully paid-up.

**Reconciliation of movement in capital and reserves**

| | Issued share capital | Share premium | Retained earnings / (Accumulated deficit) | Foreign currency translation reserve | Revaluation reserve | Unappropriated result | Total Equity 2016 attributable to the owners of the company |
|---|---|---|---|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* | *EUR'000* |
| **Balance as at 4 January 2016** | **20** | **-** | **-** | **-** | **-** | **-** | **20** |
| Retained profit | **-** | **-** | **-** | **-** | **-** | **80 307** | **80 307** |
| Issue of ordinary shares | **474 682** | **110 157** | **-** | **-** | **-** | | **584 839** |
| Acquisition of subsidiary and transaction costs | **-** | **(15 062)** | **-** | **-** | **-** | **-** | **(15 062)** |
| Revaluations | **-** | **-** | **(43 754)** | **(255)** | **43 754** | **-** | **(255)** |
| Dividend to equity holders | **-** | | **(22 333)** | **-** | **-** | **-** | **(22 333)** |
| **Balance as at 31 December 2016** | **474 702** | **95 095** | **(66 087)** | **(255)** | **43 754** | **80 307** | **627 516** |

For a further breakdown of equity attributable to equity holders, reference is made to the Consolidated Statement of Changes in Group Equity and the Notes thereto. Further details regarding the issue of ordinary shares can be found in note 10 of the consolidated financial statements. Further details about the acquisition of subsidiary and transaction costs can be found in notes 3 and 4 of the consolidated financial statements.

**Share Premium**

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income). Costs, which are directly related to capital raised, have been charged to the share premium reserve. For fiscal purposes, the share premium is considered fully paid-up.

**Legal reserves**

The legal reserves (net of tax) for the Company solely pertain to the foreign currency translation reserve and the revaluation reserve, which are not eligible for distribution.

*Foreign currency translation reserve*

The legal foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

*Revaluation reserve*

The revaluation reserve relates to the revaluation of tangible fixed assets prior to its reclassification as investment property.

The legal reserves can be set out as follows:

| | Revaluation reserve | Foreign currency translation reserve | Total |
|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* |
| **Balance as at 4 January 2016** | - | | |
| Exchange rate differences | - | (255) | (255) |
| Addition/(release) retained earnings | 43 754 | - | 43 754 |
| **Balance as at 31 December 2016** | **43 754** | **(255)** | **43 499** |

Pursuant to Dutch law, limitations exist relating to the distribution of equity attributable to equity holders. Such limitations relate to the subscribed capital stock of EUR 474,701,547.33 as well as to legal reserves required by Dutch law as presented above. The total distributable reserves at December 31, 2016 amount to EUR 109,315,000. Dutch law also requires that in determining the amount of distribution, the Company's ability to continue to pay its debt must be taken into account.

**Retained earnings / (Accumulated deficit)**

Movements in retained earnings were as follows:

| | 2016 |
|---|---:|
| | *EUR'000* |
| **Balance as at 4 January 2016** | - |
| Dividend paid to ordinary shares holders | (22 333) |
| Dividend paid to non-redeemable preference shareholder | - |
| Release/(addition) legal reserves | (43 754) |
| Other | - |
| **Balance as at 31 December 2016** | (66 087) |

*Proposal for profit appropriation.*

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2016 profit after tax: an amount of EUR 61,951 thousand to be added to the other reserves and the remaining amount of EUR 18,356 thousand to be paid out as dividend.

**Reconciliation retained earnings and equity with consolidated financial statements**

Retained earnings can be reconciled with the Consolidated Statement of Financial Position as follows:

| | |
|---|---:|
| | *EUR'000* |
| Profit for the period as per Consolidated Statement of profit or loss | **76 764** |
| Adjustment results subsidiaries with a negative equity | **3 543** |
| **Net property income as per Corporate income statement** | **80 307** |

The equity can be reconciled with the Consolidated Statement of Financial Position as follows:

| | December 31, 2016 |
|---|---:|
| | *EUR'000* |
| Equity as per Consolidated Statement of Financial Position | **623 794** |
| Difference results subsidiaries with a negative net asset value | **3 543** |
| Foreign currency exchange result difference | **179** |
| **Equity as per Corporate Statement of Financial Position** | **627 516** |

The differences for results of subsidiaries with negative net asset values relates to the results of subsidiaries with negative net asset values. The foreign currency exchange result difference relates to the foreign currency translation reserve of subsidiaries of the Company with negative net asset values that are therefore not revaluated in the standalone figures.

## NOTE 6. CURRENT LIABILITIES

**Accounts payable and accrued expenses**

| | |
|---|---|
| | *EUR'000* |
| Accounts payable to group companies | 4 |
| Accrued expenses | 1 756 |
| **Balance as at 31 December 2016** | **1 760** |

## NOTE 7. AUDIT FEES

The audit fees can be detailed as follows:

| | **Ernst & Young Accountants LLP** | **Associated Ernst & Young Companies** | **Total 2016** |
|---|---|---|---|
| | *EUR'000* | *EUR'000* | *EUR'000* |
| Audit fees Annual Report | 96 | 168 | 264 |
| Audit fees in relation to the initial public offering | 15 | 417 | 432 |
| Other audit fees | - | 35 | 35 |
| Services related to taxes and advisory | - | 165 | 165 |
| Other services rendered | - | 219 | 219 |
| **Total** | 111 | 1 004 | 1 115 |

The audit fees include the costs for the legal audit of the annual report by Ernst & Young Accountants LLP, being the ultimate external auditor (EY Netherlands), Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (EY Poland) and Ernst & Young Inc. (EY South Africa) (together the "Auditors") in the total amount of EUR 264,000. Furthermore, the Auditors rendered other audit services in the total amount of EUR 467,000. Lastly the Auditors rendered tax-, advisory- and other services in the total amount EUR 384,000.

No other services were provided by the Auditors or associated companies.

## NOTE 8. EMPLOYEES

The average number of employees on the Company's payroll, expressed in full-time equivalents, in 2016 was nil.

## NOTE 9. COMMITMENTS AND CONTINGENCIES

As per December 1, 2016, the Company has entered into a lease agreement with Pinnacle Offices B.V. for the lease of office space in Amsterdam, The Netherlands. The lease in entered into for the period of one year, commencing on December 1, 2016 and ending on November 30, 2017 (the "lease period"). Upon expiry of the lease period, the lease will contiguously be extended for the periods of one year. The annual lease amounts to EUR 16,500 exclusive 21% value added tax.

## NOTE 10. BOARD OF MANAGEMENT

As per August 12, 2016, the Company is led by a one-tier board, existing of the following (non-) executive directors.

**Executive directors**

Hadley James Tyzack Dean
Maciej Adam Drozd

**Non-executive directors**

Marc Wainer
Andrew Joseph König
Maciej Wojciech Dyjas
Nebil Senman
Andrea Philippa Steer
Peter Joost Rudolf Driessen
Robert Michael Weisz
Marek Marian Belka
Dionne Traci Hirschowitz

**Renumeration of (Non-) Executive directors**

The details of the Directors' emoluments accrued or paid for the period to 31 December 2016 are set out in the table below:

| | Basic salaries* | Directors' fees** | Bonuses and other performance payments** | Total |
|---|---|---|---|---|
| | | | | *EUR'000* |
| **Executive Directors** | | | | |
| Hadley Dean | 161 | - | 275 | 436 |
| Maciej Drozd | 87 | - | 50 | 137 |
| **Total** | **248** | **-** | **325** | **573** |
| **Non -Executive Directors** | | | | |
| Robert Weisz | - | 45 | - | 45 |
| Marc Wainer | - | 25 | - | 25 |
| Marek Belka | - | 31 | - | 31 |
| Andrew Konig | - | 25 | - | 25 |
| Maciej Dyjas | - | 25 | - | 25 |
| Nebil Senman | - | 25 | - | 25 |
| Dionne Ellerine | - | 30 | - | 30 |
| Andrea Steer | - | 40 | - | 40 |
| Peter Driessen | - | 37 | - | 37 |
| **Total** | **-** | **283** | **-** | **283** |

**paid out in 2016 by Echo Polska Properties Sp. z o.o., a direct subsidiary of the Company*

***the respective bonuses and fees have been accrued as of 31 December 2016 by the Company*

The basic salaries and director's fees, as outlined in the previous table reflect periodical payments to the (non-) executive directors. The bonuses and other performance payments relate to a one-off signing bonus for Hadley Dean and annual bonuses for both executive directors of the Company. No costs have been accrued in relation to pension charges and long-term incentive awards or schemes in the reporting period. No loans, deposits or guarantees have been provided to the (non-)executive directors by the Company and its (in) direct subsidiaries in the reporting period

Reference is also made to note 26 of the consolidated financial statements.

## NOTE 11. RELATED PARTIES

**Parent and ultimate controlling party**

During the year 2016, the largest share in the Company was acquired from Echo Investment S.A. (the "Initial Shareholder") by Redefine Properties Limited, a South African corporation, listed on the Johannesburg Stock Exchange.

**Management of the Company**

The Company is managed by the (Non-) Executive Directors. They are compensated for their management activities by the Company and Echo Polska Properties Sp. z o.o. as further outlined in to note 26 of the consolidated financial statements.

**Transactions with key management personnel**

*Key management personnel and director transactions*

A number of key management personnel, or their related parties, also hold positions in various subsidiaries of the Company, that result in them having control or significant influence over the financial or operating policies of these corporate entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Set out below are the direct and indirect beneficial interests of directors and their associates (including directors who have resigned in the last 18 months) in EPP ordinary shares, as at the date of this Second Supplementary Prospectus:

| Beneficially held | | | | |
|---|---|---|---|---|
| Director | Directly | Indirectly | Total | Percentage |
| Hadley Dean | 500 000 | - | 500 000 | 0.1% |
| Marc Wainer | 10 290 584 | 25 726 456* | 36 017 040 | 6.14% |
| Andrew Konig | 4 888 027 | 25 726 456* | 30 614 483 | 5.22% |
| **Total** | **15 678 611** | **51 704 176** | **67 131 523** | **11.45%** |

** Marc Wainer and Andrew Konig hold 40% and 15% of the Equity in The Big Five International Limited, which holds 25 726 456 EPP shares.*

## NOTE 12. SUBSEQUENT EVENTS

On 31 January 2017 EPP has concluded a preliminary acquisition agreement (the "preliminary acquisition agreement") with Buffalo Poland Holdco S.a r.l, Buffalo Poland Holdco II S.a r.l and Factory Poland Holdco S.a.r.l, (the "sellers"), real estate funds managed by Blackstone, to acquire, as a composite transaction, 4 retail properties (the "properties") for an aggregate consideration of EUR 166.57 million ("the transaction" or "the acquisition/s"). To this end, EPP will acquire:

- 100% of the equity in Klodzko Retail LLC ("Klodzko Retail"), which holds the legal title (in the form of ownership rights) to the Galeria Twierdza Shopping Centre situated in Klodzko, Poland ("Twierdza Klodzko") for an aggregate purchase consideration of EUR40.67 million. Prior to the closing of the transaction Klodzko Retail will also acquire the perpetual ususfruct right to the plot adjacent to Twierdza Klodzko on which a Broaster Chicken Drive restaurant is located;

- 100% of the equity in Zamosc Retail LLC which holds the legal title (partly in the form of ownership rights and partly as the holder of perpetual usufruct rights) to the Galeria Twierdza Shopping Centre situated in Zamosc, Poland for an aggregate purchase consideration of EUR53.51 million;

- 100% of the equity in Kalisz Retail LLC which holds the legal title (in the form of a co-ownership right) to the Galeria Tecza Shopping Centre situated in Kalisz, Poland for an aggregate purchase consideration of EUR23.21 million. The remaining co-owner is Spolem Supermarket that owns the premises from which it operates within the Galeria Tecza Shopping Centre; and

- 100% of the equity in Wloclawek Retail LLC ("Wzorcownia Retail") which holds legal title to the Wzorcownia Shopping Centre situated in Wloclawek, Poland ("Wzorcownia") for an aggregate purchase consideration of EUR 49.17 million. Wzorcownia is spread across 16 different plots, with different forms of ownership rights. Wzorcownia Retail has ownership rights in respect of 2 plots and perpetual usufruct rights in respect of 1 plot, comprising the majority of Wzorcownia. Wzorcownia Retail owns 11 separate premises with a 25.27% share in the co-ownership right of the plots and 2 separate premises with a 60.19% share in the co-ownership right of the plots. The remaining co-ownership rights are held by individuals and Budizol Sp. z o. o. Property S.K.A. respectively.

The transaction is in line with EPP's stated strategy of acquiring quality retail assets in strategic locations. The properties comprise recently developed modern retail centers that are regionally dominant, each with a balanced tenant mix of predominately institutional quality tenants (including those representing leading international brands). Twierdza Klodzko and Wzorcownia are the only large modern retail properties in their respective cities. All four properties have easy access by road and public transport (with three of them located in the city centre) and are located in cities which are commercial, tourist or industrial hubs. The purchase consideration of EUR166.57 million represents an acquisition yield of approximately 7.5%.

The transaction is expected to close no earlier than 1 May 2017 and no later than 30 September 2017. The purchase consideration for the transaction will be paid in cash on the closing date of the transaction. The acquisitions will be funded through a combination of debt, potential proceeds from the recycling of assets and the issuance of new shares. The transaction remains conditional upon:

- EPP obtaining competition clearance from the President of the Polish Office of Competition and Consumer Protection;

- the issuance of an insurance policy in favour of EPP to cover any liability of the sellers under the sellers' warranties and representations furnished in terms of the transaction agreements;

- the issuance of an insurance policy in favour of EPP to cover any liability of the sellers in respect of the sellers' title to the equity in Klodzo Retail, Zamosc Retaill LLC, Kalisz Retail LLC and Wloclawek Retail LLC ("the companies") and the companies' title to the properties;

- the completion of certain internal corporate restructuring of the companies to ensure a positive net asset position and a reduction of the companies' liabilities under intra-group loans, to meet certain contractual criteria;

- EPP obtaining debt finance in respect of circa 55% of the total purchase consideration payable for the acquisitions.

Signatures of Members of Board of Directors:

Hadley Dean
Chief executive officer

Maciej Drozd
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marek Marian Belka
Independent non-executive director

Marc Wainer
Non-executive director

Andrew König
Non-executive director

Maciej Dyjas
Non-executive director

Nebil Senman
Non-executive director

Dionne Hirschowitz
Independent non-executive director

Andrea Philippa Steer
Independent non-executive director

Peter Driessen
Independent non-executive director

Amsterdam, 8 March 2017

## OTHER INFORMATION

### Provisions in the Articles of Association governing the appropriation of profit

Under article 29 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

### Profit-sharing certificates and similar rights

The Company has issued 1 preference share, which give priority over part of the distributable profit.

### Auditor's report

The auditor's report with respect to the company financial statements is set out on the next pages.

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# Independent auditor's report

To: the shareholders and board of directors of Echo Polska Properties N.V.

## Report on the audit of the financial statements 2016 included in the annual report

### Our opinion

We have audited the financial statements 2016 of Echo Polska Properties N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Echo Polska Properties N.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Echo Polska Properties N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2016
- The following statements for 2016: the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2016
- The company income statement for 2016
- The notes comprising a summary of the accounting policies and other explanatory information

### 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 "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Echo Polska Properties N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

| | |
|---|---|
| Materiality | €6,200,000 |
| Benchmark applied | 1% of Equity |
| Explanation | We considered the equity measurement base to be the most appropriate benchmark for materiality. Equity of an investment entity is viewed as a measure of importance to the primary users as equity reflects the investor's interest in the investment entity the best. |

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €310,000, being 5% of the materiality, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Echo Polska Properties N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Echo Polska Properties N.V.

Our group audit mainly focused on significant group entities. We considered entities to be significant based on size or the existence of significant risks. We have used the work of other EY firms regarding the audit of the consolidated financial statements of Echo Polska Properties N.V. for foreign group entities. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The total audit procedures represent 100% of the group's total assets, 100% of revenues and 100% of gross margin, which consist of full scope and review scope audit procedures.

By performing the procedures, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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 discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our audit approach |
|---|---|
| Fair value of investment property (note 4) | |
| The investment properties of Echo Polska Properties N.V. comprise of income generating assets in Poland. As noted in note 4 to the consolidated financial statements, the total investment property as of 31 December 2016 amounts to €1.4 billion representing 90% of total assets. The portfolio consist of both retail properties (72% out of the Portfolio) and office properties (28% out of the Portfolio).<br><br>We considered the valuation of the investment properties to be significant to the audit because the determination of fair value involves significant judgement by the directors and the use of external valuation experts.<br><br>Fair value is determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the properties and estimates of the suitable discount rate for these cash flows.<br>Valuation techniques for investment properties are subjective in nature and involve various key assumptions regarding pricing factors. These key assumptions include net initial yield, discount rate, exit cap rate, vacancy rates and Weighted Average Unexpired Lease Term (years). The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. | Our audit procedures included, among others, the following:<br>▸ We involved EY valuation specialists to assist with the audit of the valuation of the investment properties based on their specific experience and knowledge in the local markets.<br>▸ We evaluated the external valuators expertise, independency and methodology used for the valuation. We assessed the key assumptions included in the valuation (such as net initial yield, discount rate, exit cap rate, vacancy rates and Weighted Average Unexpired Lease Term (years)).<br>▸ We verified if the significant data applied for the valuation to supporting documentation; and<br>▸ We also focused on the adequacy of disclosures about key assumptions.<br>The disclosures on the fair value of the investment properties are included in note 4 to the consolidated financial statements. |

| Risk | Our audit approach |
|---|---|
| When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties. | |
| Transactions with related parties (note 26) | |
| Echo Polska Property N.V. (EPP):<br>▸ Acquired the investment certificates in subsidiaries from Echo Investment S.A. (Echo) a related party of EPP<br>▸ Acquired a 70% interest in a special purpose vehicle (a retail development) from Griffen Real Estate, a related party of Echo and EPP; and<br>▸ Made a cash contribution (accounted for as a prepayment) through its subsidiaries to each ROFO entity in connection with the ROFO projects as noted in note 10, 2 and 7 to the consolidated financial statements respectively<br><br>We considered the related party transactions to be significant to the audit as the risk is that if these transactions are not conducted at arm's length, and/or the accounting treatment of the rights and obligations of these transactions is not correct, it could influence the results of the group.<br><br>Furthermore, for financial reporting purposes, IAS 24 related party disclosure, requires complete and appropriate disclosure of transactions with related parties. | Our audit procedures included, among others, the following:<br>▸ We obtained an understanding of the process for identifying related party transactions, performed a walkthrough and evaluated the design of controls related to the fraud risk identified.<br>▸ We verified that the transactions are approved in accordance with internal procedures including involvement of key personnel at the appropriate level.<br>▸ We audited the acquisitions with supporting documents including external valuations around the acquisition date to evaluate the directors' assertions that the transactions were at arm's length.<br>▸ We evaluated the business rationale of the transactions.<br>▸ We evaluated the rights and obligations per the terms and conditions of the agreements and assessed whether the transactions were recorded appropriately; and<br>▸ We determined whether the directors have disclosed relationships and transactions in accordance with IAS 24 (refer to disclosure note 26). |

## Report on 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:

- The directors report
- Corporate governance report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as 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 through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard on Auditing 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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

## Report on other legal and regulatory requirements

### Engagement

We were engaged by the board of directors as auditor of Echo Polska Properties N.V. on 31 October 2016 as of the audit for the year 2016 and have operated as statutory auditor since that date.

## Description of responsibilities for the financial statements

### Responsibilities of board of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as the 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 directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the directors should prepare the financial statements using the going concern basis of accounting unless the directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The 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.

The non-executive directors are responsible for overseeing the company's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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 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 directors
- Concluding on the appropriateness of the directors use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 findings in internal control that we identify during our audit.

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.

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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.

Zwolle, 8 March 2017

Ernst & Young Accountants LLP

signed by M. Rooks