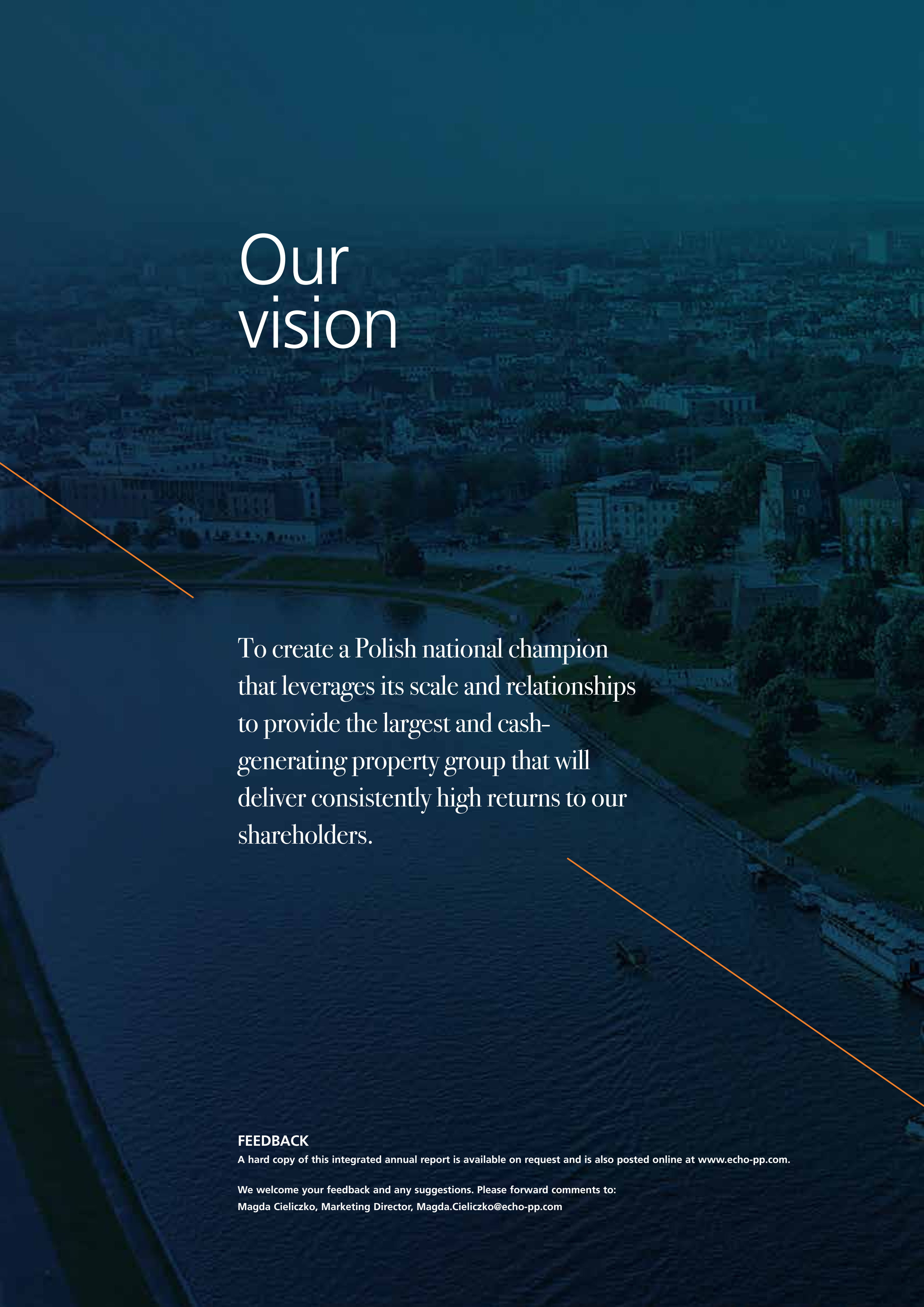
ECHO POLSKA PROPERTIES

2016 INTEGRATED REPORT

LEADERS IN POLISH PROPERTY


ZARA
H&M
C&A
RESERVED

CONTENTS



Our vision

To create a Polish national champion that leverages its scale and relationships to provide the largest and cash-generating property group that will deliver consistently high returns to our shareholders.

FEEDBACK

A hard copy of this integrated annual report is available on request and is also posted online at www.echo-pp.com.

We welcome your feedback and any suggestions. Please forward comments to:
Magda Cieliczko, Marketing Director, Magda.Cieliczko@echo-pp.com

Investment case

Four Ps
Pure Polish
Property Play

€1.6 billion*
quality portfolio
of modern buildings
throughout Poland

Retail bias
complemented
by offices

Targeting strong
compounded growth
in NAV and DPS

High growth, stable
Polish economy,
strong credit metrics

Attractive and
secure yields

Strategic partners
(Echo Investment,
Griffin Real Estate,
Redefine)

Strong
proprietary
pipeline

Experienced
management team

* At 9 March 2017.

About this report

EPP is a dual-listed real estate investment company that follows the REIT formula regarding investment strategy and dividend policy, investing in commercial, retail, office and industrial properties throughout Poland. The current portfolio includes 15 retail projects, nine office assets and two retail development sites in Warsaw. The buildings are located in 17 cities across Poland, characterised by their strong economy and purchasing power and ability to attract international investment (see pages 82 to 87 for further detail). It is dual-listed on both the Luxembourg Stock Exchange and the Main Board of the JSE (Real Estate and Development Sector).

This is EPP's first integrated annual report following the listing on the JSE in September 2016 and presents the financial results and the ESG performance of the group for the period 4 January to 31 December 2016. Content encompasses all divisions and subsidiaries of the company across all regions of operation in Poland.

EPP was registered and incorporated in the Netherlands as a private limited liability company under Dutch law *(besloten vennootschap met beperkte aansprakelijkheid)* on 4 January 2016 and converted to a public company under Dutch law *(naamloze vennootschap)* on 12 August 2016.

The official seat *(statutaire zetel)* of the company is Amsterdam, the Netherlands, and the registered office address and postal address of the company are set out on the inside back cover. All operations and owned assets are located in Poland.

REPORTING APPROACH

The report is targeted primarily at current stakeholders and potential investors in the group. In compiling the report we were guided by international and South African reporting guidelines and best practices, and South African legislation including the Companies Act, JSE Listings Requirements, IFRS, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, King III and the International Integrated Reporting Framework issued in December 2013 as well as the Rules and Regulations of the Luxembourg Stock Exchange, the relevant regulations and directives in force under the laws of the European Union and applicable to companies listed on the Euro MTV market (including but not limited to Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse and Directive 2014/57/EU on criminal sanctions for market abuse), the Dutch Civil Code and the Dutch Corporate Governance Code. The sustainability information has been compiled with cognisance to the GRI G4 guidelines.

The financial statements are presented in euro, which is considered the functional currency. (For more information see the annual financial statements on pages 90 to 176.)

The report discloses the group's approach to sustainability and identifies and explains the material ESG and environmental issues facing the group and their impact. The board has considered matters viewed as material to the business of EPP and its stakeholders. These are determined through board discussion, market research, engagement with our stakeholders, continuous risk assessments and review of prevailing trends in our industry and the global economy. The issues we have identified as material in terms of the impact on EPP's long-term sustainability include:

- Distributions growth
- Availability of high quality acquisition assets
- People skills
- Access to capital
- Lease expiry profile

These material issues are addressed throughout this integrated report. Sustainability issues that are not considered material to our business are not discussed in this report. This should enable stakeholders to accurately evaluate EPP's ability to create and sustain value over the short, medium and long term.

ASSURANCE

The company's external auditor, Ernst & Young Inc., has independently audited the annual financial statements for the period 4 January to 31 December 2016. Their unqualified audit report is set out on page 90. The scope of their audit is limited to the information set out in the annual financial statements on pages 122 to 176.

Forward-looking statements

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 December 2016. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation. The group's external auditors and/or assurance providers have not assured these statements.

CORPORATE INFORMATION

Contact details for EPP are set out on the inside back cover.

RESPONSIBILITY STATEMENT AND REVIEW

The audit and risk committee and the board acknowledge their responsibility to ensure the integrity of this report. It has been reviewed by the audit and risk committee, the board, company secretary, sponsor and investor relations consultants. The financial statements included in this integrated report have been audited by the external auditors.

Hadley Dean
Chief executive officer

Maciej Drozd
Outgoing chief financial officer

Peter Driessen
Chairman audit and risk committee

Chairman's letter to shareholders

It has been an exciting year for EPP and we are pleased to present our maiden integrated report following our listings on the Luxembourg and Johannesburg stock exchanges in August and September 2016, respectively.

Our story began at the start of 2016 and we have developed considerably in the run-up to the listings as well as subsequently. The fledgling group was conceptualised by our majority shareholder, Redefine, that was instrumental in developing an investment vehicle to provide access to the Polish property market through building a large property portfolio in major cities there. This has enabled South African institutional and other investors to participate in one of the fastest growing regions in Europe. The positive fundamentals of this market were one of the driving forces behind creating the unique investment vehicle that has become EPP, with both established properties and development projects.

The Polish real estate market is booming, fuelled by a stable, growing economy with a young, highly educated population of nearly 40 million. Poland has over 20 larger cities boasting infrastructure, which in the past 10 years, has reached Western European levels. This, coupled with low interest rates and solid GDP growth, makes Poland the ideal region in which to create an enticing business model which offers investors a less expensive investment option than Western Europe. We believe our business model provides investors, particularly South African institutional investors, with an attractive, unique opportunity to invest in this growing market.

THE EPP STORY

We started the EPP story with the acquisition of an established property portfolio from our affiliate Echo Investment, which comprised 10 retail and six office properties located across Poland. At the same time we purchased a tremendous pipeline of new projects from Griffin Real Estate and Echo Investment. Subsequent to the listings some of these have finalised, boosting the portfolio to its current 10 retail, nine office and two development properties.

This includes our current flagship development the Towarowa Street retail development site in Warsaw which was concluded in December 2016. We are aiming here to create the largest, most creative and sustainable mixed-use project in Poland and central Europe. We are seeking to develop a 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.

OUR PEOPLE

Critical to building this business going forward is having a strong and experienced management team on board. Therefore a key focus has been on appointing seasoned executives. We again worked closely with Redefine and Echo Investment to establish a solid management team. Many of our skills transferred from Echo Investment, which ensured that we retained the intellectual capital and knowledge continuation of the properties in the portfolio. We have since also added expertise externally. Getting the right skills on board is critical and we are seeking to build a first class management team with expertise not only in asset management but also in property development, with a particular emphasis on the Polish real estate market and expertise in large retail developments. This remains a material focus area for us going forward.

CORPORATE CITIZEN

We are committed to being a good corporate citizen and as mentioned above, are focused on ensuring sustainable, highly energy efficient buildings. We are also committed to good corporate governance and with five independent directors on the board, three of whom are based in Holland, we are able to objectively assess all investment proposals. In applying our corporate governance we adhere to all applicable governance codes including King III (see page 184 for further detail).

OUTLOOK

The challenge ahead will be growing our portfolio and making a success of the pipeline, with particular focus on the major Towarowa retail development. We will continue with our strategy of acquiring new properties by either assuming complete portfolios or standalone properties and doing new developments, primarily in retail. We will prioritise distinct major projects similar to the Towarowa development.

The Polish real estate market is booming, fuelled by a stable, growing economy with a young, highly educated population of nearly 40 million. Poland has over 20 larger cities boasting infrastructure, which in the past 10 years, has reached Western European levels.

I wish to thank our management team for their dedication and hard work in building up and expanding an exciting portfolio in the short time since inception. I thank my fellow board members for their guidance and counsel and in particular our strategic shareholder, Redefine, for their efforts in initiating the growing company we see today, as well as our partners at Echo Investment and Griffin Real Estate.

We are excited about the EPP story and we are looking forward to building and growing an innovative, sustainable and exciting property portfolio in a dynamic market environment.

Robert Weisz
Chairman

13 April 2017

01

EPP at a glance

RETAIL UNITS
185

GLA
48 408 m²

CATCHMENT
728 000

2016 highlights

FINANCIAL HIGHLIGHTS

Distributable earnings **€34 million**	Dividend per share of **3.14 euro cents** being 2.2% ahead of forecast
NAV **€1.16** per share	Successfully executed or announced acquisitions of **€418 million**
GLA increased to **498 575 m^2** as of 2016 year-end	Portfolio value **€1.4 billion** as of 2016 year-end – up 17% since listing
Portfolio increased from **16** to **19 properties**	Market cap **€797 million**

OPERATIONAL HIGHLIGHTS

Listed on LuxSE and JSE

Portfolio occupancy at 97.4%
(at 31 December 2016)

€447 million
invested in projects

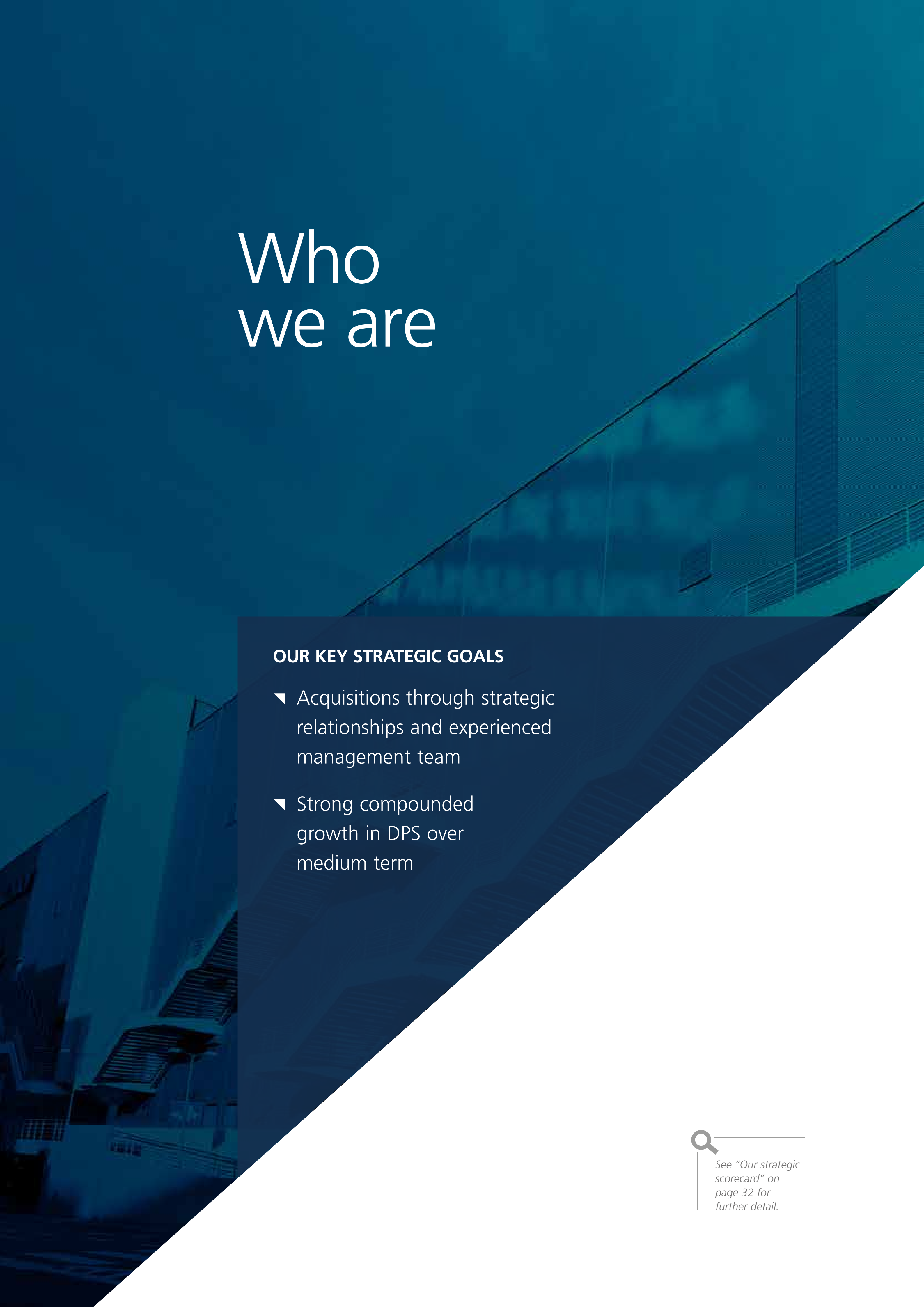
Commenced extensions to Galaxy and Outlet Park Szczecin in Szczecin

Acquired 70% stake in Towarowa 22 in Warsaw – largest and last available retail development site in city centre

Acquired €264 million office ROFO projects including O3 Business Campus, A4 Business Park, Tryton Business House and Symetris Business Park

Concluded €54 million acquisition of majority stake in Zakopianka Retail Park in Kraków

Post year-end acquired 70% interest in 81 800 m^2 retail asset Galeria Młociny in Warsaw



Who we are

OUR KEY STRATEGIC GOALS

- Acquisitions through strategic relationships and experienced management team
- Strong compounded growth in DPS over medium term

See "Our strategic scorecard" on page 32 for further detail.

EPP IN A NUTSHELL*

- Dual listed Luxembourg and Johannesburg
- €0.8 billion market cap
- €1.6 billion portfolio
- 626 783 m² GLA
- 15 retail and 9 office assets
- c. 160 office tenant
- Average annualised portfolio yield of 7.5%
- Over 100 employees

** Figures at 9 March 2017.*

PORTFOLIO STRUCTURE*

BY REVENUE

33.2% Office

66.8% Retail

BY GLA (m²)

36.7% Office

63.3% Retail

** Figures at 31 December 2016.*

Who we are *(continued)*

GEOGRAPHICAL PROFILE

Retail

GEOGRAPHIC PROFILE RETAIL

BY GLA (m^2)

- Wrocław 15.81%
- Szczecin 21.61%
- Kielce 23.52%
- Kalisz 11.06%
- Łomża 4.29%
- Jelenia Góra 10.28%
- Bełchatów 10.76%
- Przemyśl 1.90%

GEOGRAPHIC PROFILE RETAIL

by REVENUE (€ m)

- Wrocław 21.99%
- Szczecin 30.14%
- Kielce 20.92%
- Kalisz 8.98%
- Łomża 4.21%
- Jelenia Góra 6.78%
- Bełchatów 6.24%
- Przemyśl 0.74%

Office

GEOGRAPHIC PROFILE OFFICE

BY GLA (m^2)

- Poznań 16.07%
- Warsaw 18.83%
- Katowice 10.26%
- Wrocław 9.40%
- Kielce 8.11%
- Szczecin 7.90%
- Gdańsk 13.28%
- Łódź 5.49%
- Kraków 10.67%

GEOGRAPHIC PROFILE OFFICE

by REVENUE (€ m)

- Poznań 17.98%
- Warsaw 14.09%
- Katowice 10.36%
- Wrocław 9.98%
- Kielce 9.12%
- Szczecin 8.25%
- Gdańsk 13.07%
- Łódź 5.92%
- Kraków 11.24%

Who we are *(continued)*

WHY POLAND?

8th largest

European economy by GDP

- Between 2007 and 2015 Poland experienced 45% growth in GDP based on purchasing-power-parity ("PPP") per capita
- Poland is expected to be the fastest growing large economy in the EU by 2050
- Labour productivity in the ICT sector rose by 116% between 1996 and 2015
- Unemployment rate in Poland stood at 6.3% on average in 2016
- Over 1.4 million students across the country
- EY's European Attractiveness Survey 2016 ranks Poland as the most attractive FDI destination in CEE (5th most attractive in Europe)
- Total FDI inflow in 2015 reached €12 138 million (13% higher than in 2014)

See "Our market in context" on page 34 for further detail.

GEOGRAPHICAL MAP

39%

Office properties

214 459

Total office m^2

61%

Retail properties

322 633*

Total retail m^2

Split by GLA m^2
Figures at 31 December 2016
*** Including extensions**

Our top properties

TOP FIVE RETAIL

Pasaż Grunwaldzki

Wrocław	
GLA (m²)	48 271 (retail) 50 994 (total)
Fair value (€ million)	241.8
Revenue annualised (€ million)	13.1
Rents (retail leased) €/m²/month	22.5
WAULT	5.1 years
RSR/OCR	10.4%/12.4%
Footfall year-on-year trend	(0.1%)[1]; +3.95% LFL from October 2016

Galaxy

Szczecin	
GLA (m²)	41 081 (retail) 42 282 (total) 15 060 (extension)
Fair value (€ million)	224.3 including extension
Revenue annualised (€ million)	12.1 (existing) 16.7 (including extension)
Rents (retail leased) €/m²/month	24.4
WAULT	8.4 years
RSR/OCR	11.4%/14.1%
Footfall year-on-year trend	+1.7%

1. *Mainly due to food court and car parking refurbishment.*

Galeria Echo

Kielce	
GLA (m^2)	71 457
Fair value (€ million)	211.3
Revenue annualised (€ million)	12.0
Rents (retail leased) €/m^2/month	14.4[2]
WAULT	5.1 years
RSR/OCR	9.7%/13%
Footfall year-on-year trend	+1.6%

Galeria Amber

Kalisz	
GLA (m^2)	33 599
Fair value (€ million)	78.5
Revenue annualised (€ million)	5.2
Rents (retail leased) €/m^2/month	13.2
WAULT	5.8 years
RSR/OCR	9.3%/11.9%
Footfall year-on-year trend	+9.1%

Galeria Sudecka

Jelenia Góra	
GLA (m^2)	31 243
Fair value (€ million)	52.8
Revenue annualised (€ million)	3.9
Rents (retail leased) €/m^2/month	9.8
WAULT	5.64 years
RSR/OCR	10.4%/15.5%
Footfall year-on-year trend	+5.9% (like for like)

2. Hypermarket paid in advance its entire rent until expiry (2032). Respective average rent excluding hypermarket equals €17.9/m^2/month.

Our top properties *(continued)*

TOP THREE OFFICE

Warsaw	
GLA (m2)	33 126
Fair value (€ million)	72.1
Revenue annualised (€ million)	4.0
Office rent (leased)/ m^2/month	13.4
WAULT	3.9 years

Wrocław	
GLA (m2)	16 532
Fair value (€ million)	39.4
Revenue annualised (€ million)	2.8
Office rent (leased)/ m^2/month	13.2
WAULT	4.3 years

Szczecin	
GLA (m2)	13 900
Fair value (€ million)	28.5
Revenue annualised (€ million)	2.4
Office rent (leased)/ m^2/month	13 8
WAULT	2.9 years

EXECUTIVE DIRECTORS

1

2

3

Directorate

1. HADLEY JAMES TYZACK DEAN (46) BRITISH

Chief executive officer *BSc (University of Newcastle-upon-Tyne), Property Valuation and Management (Sheffield Hallam University)*

Hadley has over 20 years of real estate experience, most recently as CEO, EMEA for Compass Offices. Prior to this he was the EMEA Management Board Member at Colliers International while running Eastern Europe as Managing Partner, where he was responsible for 12 countries, 16 offices and 750 employees. Hadley has extensive experience in Poland, having spent nine years in leading global real estate services company, Colliers' Poland office.

2. MACIEJ ADAM DROZD (55) POLISH

Outgoing chief financial officer *Master's degree in Philosophy and Management (University of Warsaw), MBA (University of Illinois)*

Maciej started his professional career in 1995 at Eastbridge Group, a Luxembourg private investment fund managing over €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 in 2009. Maciej has been deputy CEO of Echo Investment, one of the largest investment and development companies in Poland listed on the Warsaw Stock Exchange, in charge of the company's finance. He will be succeeded by Jacek Bagiński (see below).

3. JACEK BAGIŃSKI (47) POLISH

Incoming chief financial officer *Corporate Financial Management (Warsaw School of Economics), Masters University of North Texas, International Oil and Gas Accounting and Financial Management School*

Jacek has over 20 years' senior financial executive experience in diverse businesses operating across Poland and CEE countries. Recently, he was a member of the management board and CFO of Empik Media & Fashion S.A., one of the largest holding companies controlling a group of retail, e-commerce and service operations. Prior to this he has been a member of a number of management boards and CFO of companies listed on the Warsaw Stock Exchange, and also served in senior executive positions in multinational corporations including PepsiCo and BP/Amoco. Jacek was responsible for business development including M&As, financing and taxation as well as financial planning and controlling. He formally joins as chief financial officer effective once his appointment is approved by shareholders at the annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

1

2

3

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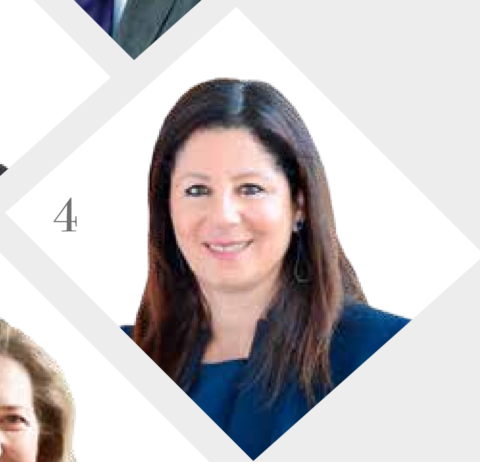

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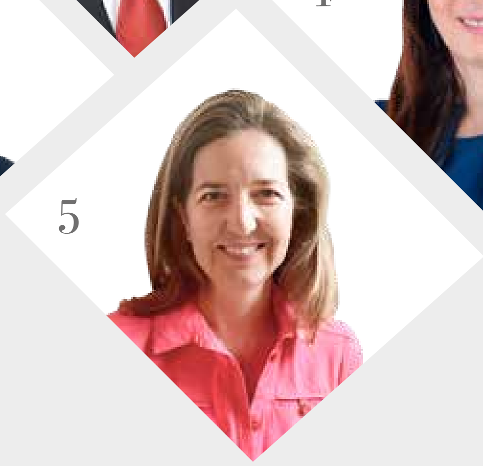


Directorate *(continued)*

1. ROBERT WEISZ (67) DUTCH

Chairman *MBA, CA, Fellow of the RICS (Royal Institute of Chartered Surveyors)*

Robert serves as Partner and Managing Director of Timevest, a European commercial property investment company with a portfolio of high street shopping and commercial retail in Germany, the Czech Republic and the Netherlands. Previously, he was Partner and Managing Director of DBN Group, a commercial property company operating in the Netherlands and the US. Robert has been Visiting Professor at the Technical University of Eindhoven's Urban Planning Design Group since 2004 and was guest lecturer in property finance and valuation at the Amsterdam School of Real Estate and University of Groningen. He is the co-author of three textbooks on property investment.

2. MAREK MARIAN BELKA (65) POLISH

PhD (Economics); MA, Habilitacja, Professor (scientific title conferred by the President of the Republic of Poland)

Marek 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 and has held various political positions since 1996, including Advisor to the President of Poland, Minister of Finance and Deputy Prime Minister. Marek has also held positions in international organisations, 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). He was a board member of two commercial banks in Poland at different times and served as Chairman of LOT Polish Airlines (2002 – 2003).

3. PETER JOOST RUDOLF DRIESSEN (70) DUTCH

MSc (Law)

Until 1 July 2016, Peter served as European Director: Capital Markets with CB Richard Ellis in Amsterdam, where he was 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.

4. DIONNE TRACI HIRSCHOWITZ (49) SOUTH AFRICAN

BCom, LLB

Dionne is an admitted 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 a director of Ellerine Bros. Proprietary Limited, which is involved in equities and property investments.

5. ANDREA PHILIPPA STEER (46) SOUTH AFRICAN/IRISH

BCom, LLB

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. She has previously held roles as legal consultant at the SBS Broadcasting Group (Amsterdam) and as an associate at Clifford Chance LLP (Amsterdam). Andrea was admitted as an Attorney of the High Court of South Africa, is registered as a Solicitor of England and Wales, and is registered with the Dutch Law Society (Nederlandse Orde van Advocaten) as a foreign lawyer practicing within the EU.

NON-EXECUTIVE DIRECTORS

Directorate *(continued)*

1. MACIEJ DYJAS (53) GERMAN

MA (Philosophy, Management), MBA

Maciej is a Co-Managing Partner and Co-CEO of Griffin Real Estate, a leading and dynamically growing investment group operating in the commercial real estate market in CEE. He also holds a position of Managing Partner of Cornerstone Partners – a private equity investment firm, active in the CEE region, with an impressive track record of transactions. Before joining Griffin Real Estate and Cornerstone, he was a Managing Partner and CEO of Eastbridge Group a Luxembourg private investment fund managing over €2.5 billion in assets related to retail, consumer goods and real estate.

2. ANDREW JOSEPH KÖNIG (49) SOUTH AFRICAN

BCom, BAcc, CA(SA)

A qualified Chartered Accountant with 22 years of commercial and financial experience, Andrew was previously Group Financial Director of Independent News and Media. He is the chief executive officer of Redefine Properties Limited responsible for the management of Redefine Properties Limited and for ensuring the board's strategy is implemented, as well as all aspects of regulatory compliance, corporate activity and communications.

3. NEBIL SENMAN (45) GERMAN/TURKISH

BEng (Civil), MBA (TU Berlin), Paris (ESCP-EAP), (LSE), Post-graduate Diploma in Real Estate Management (EBS), Member of the Royal Institution of Chartered Surveyors, MRICS

Nebil is Co-Managing Partner of Griffin Real Estate, a leading and dynamically growing investment group operating in the commercial real estate market in CEE. Prior to this he held the position of Senior Vice President and Supervisory Board Member for Oaktree's real estate funds for nine years. Before joining Oaktree he spent eight years within the real estate advisory and corporate finance division at Ernst & Young Real Estate (previously Arthur Andersen), holding different managerial positions.

4. MARC WAINER (68) SOUTH AFRICAN

Until August 2014, Marc was CEO of Redefine Properties Limited, thereafter taking on the role of Executive Chairman of Redefine Properties Limited. 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 the ongoing conceptual development at Redefine.

02

Talking strategy

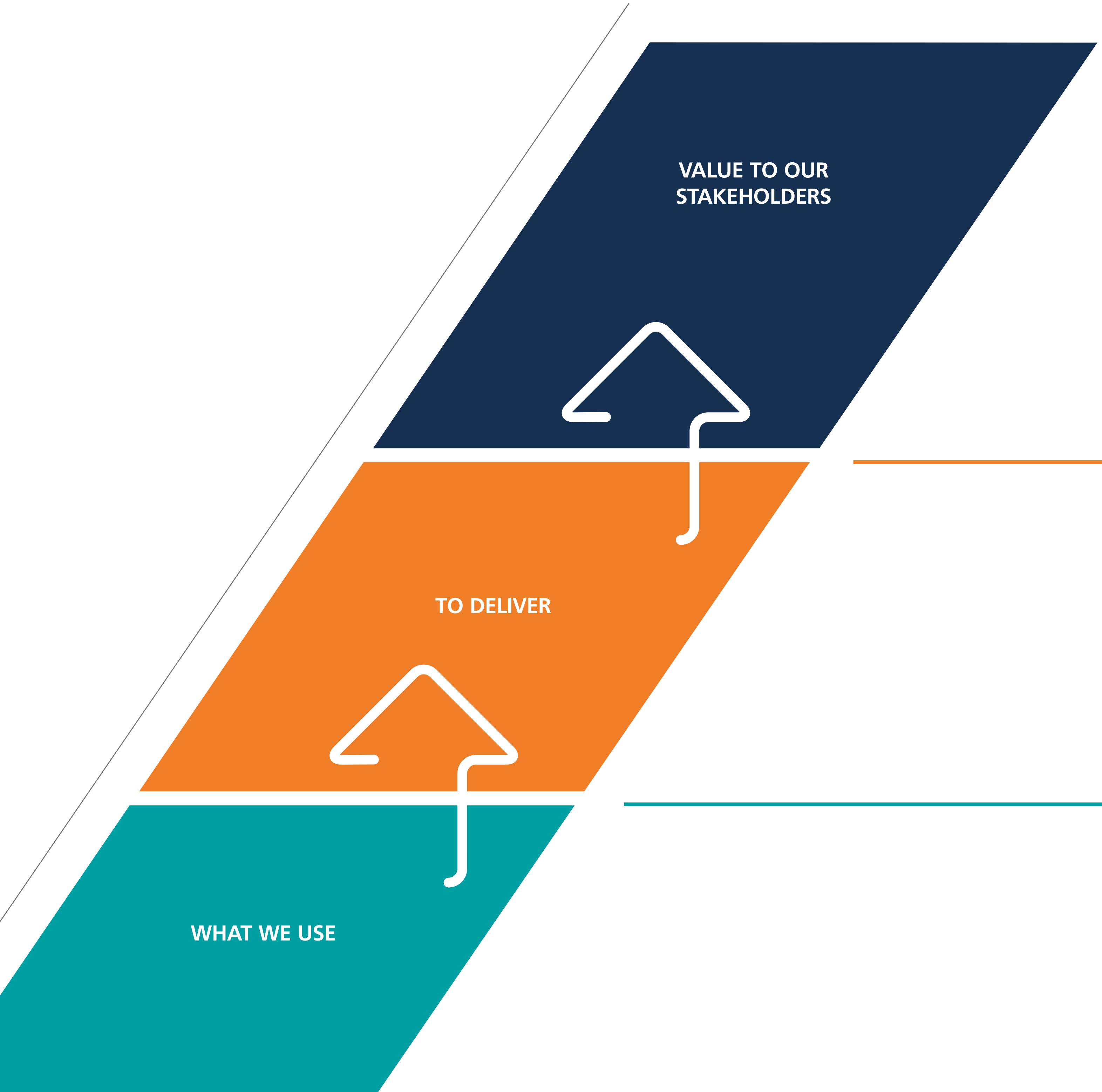
Galaxy Szczecin

RETAIL UNITS
132

GLA
41 083 m²

CATCHMENT
470 000

Our business model



Value to our stakeholders

- 12% increase in NAV per share post IPO
- 3.3% increase in portfolio value from June to December 2016
- 3.4% increase in footfall to our shopping centres from June to December 2016
- 160 office tenants accommodated
- 100 motivated employees
- 5% year-on-year reduction in energy consumption

To deliver

- Capital and income growth
- Target of sustainable annual growth in distributions
- Well-managed and maintained assets
- High occupancy levels
- Energy efficient buildings
- Strategic extensions and refurbishments
- Effective, diverse tenant mix of premium blue-chip and international brands
- Increased property values
- Empowered and incentivised staff
- Increased economic growth for tenants
- Access to retail for developed and developing communities

What we use

- Debt and equity capital
- High-quality, modern and location-dominant assets in strategic locations
- Skilled executive and asset management team
- Strategic developments
- Yield-enhancing acquisitions
- Strategic partnerships
- Energy efficiency programmes

Our strategic scorecard

Creating a Polish national champion that leverages its scale and relationships to provide the largest cash-generating property group that will deliver consistently high returns to our shareholders.

WHAT WE AIM TO DO

HOW WE ARE ACHIEVING THIS

Organic growth

- Leverage experienced specialist internal asset management to achieve organic growth targets
- Fill vacancies in new developments
- Undertake strategic extension and refurbishments to realise uplift value in existing assets
- Pursue strategic development opportunities leveraging our strategic partnerships and in-house skills for pipeline opportunities
- Actively trade assets to maintain WAULT > 4 years
- Capitalise on compression in Polish property yields to increase EPP value

Asset management

- Increase in occupancy from 96.2% to 97.4%
- 3.3% increase in portfolio value

Development and extensions

- 22 000 m² retail extensions under way in existing shopping centres for completion 2017/18

Acquisitions

- €418 million in acquisitions at 31 December 2016

Acquisitive growth

- Become the "national champion" landlord – presence in every major Polish city
- Focus on retail acquisitions to maintain retail bias > 70%
- Leverage strategic partnerships and in-house skills for pipeline opportunities
- Monitor specifically logistics and fulfilment sectors for opportunities
- Growth in underlying net asset value in underlying asset value of EPP

- Strong enduring strategic relationship with leading property developers and property investors Echo Investment and Griffin Real Estate
- 70% share in 110 000 m² Towarowa development, Warsaw
  – last premium retail available space in city centre
- 25% development proceeds and first right of offer to acquire ROFO assets
- Four of 10 ROFO assets acquired effective April 2017
  – O3 in Kraków 57 284 m²
  – Tryton in Gdańsk 23 364 m²
  – Symetris in Łódź 9 652 m²
  – A4 Business Park 18 059 m²
- Post-year-end acquisition of retail assets
  – Galeria Twierdza in Klodzko 23 039 m²
  – Galeria Twierdza in Zamość 23 785 m²
  – Galeria Tęcza in Kalisz 16 003 m²
  – Wzorcownia in Wloclawek 25 629 m²
  – Zakopianka Retail Park in Kraków 27 463 m²
  – Galeria Młociny retail development in Warsaw 81 900 m²

STRATEGY

Retail acquisitions

- Strategic locations – leveraging our scale and relationships with retail tenants
- Major Polish cities
- High density catchment area – 142 000 – 730 000 people within 30 minute drive
- Dominant retail asset in location
- Modern, high-quality property
- Diverse tenant mix (c. 60% international brands)

Offices acquisitions

- Modern, high-quality property
- Well located in major Polish cities
- Strong international and domestic tenants with scope for value uplift (blue-chip)
- Recycle and trade (hold for one leasing cycle) balanced and competitive portfolio

Our market in context

The EPP asset base is situated in Poland and our geographic focus area for acquisitions remains Poland. We believe the region offers promising growth prospects as well as higher property yields and returns for investors than Western Europe.

In recent years Poland has gained traction as an investment destination of choice with thriving manufacturing, services (in particular BPO) and agricultural sectors. It is the largest country in CEE, accounting for 44% of the region's nominal GDP, and the sixth largest in the EU with free trade across the region as well as easy access to other Eastern European markets. EY's European Attractiveness Survey 2016 voted Poland the first most attractive FDI destination in CEE and the fifth in Europe. The country boasts a growing young population of nearly 40 million, which is highly skilled and well educated.

In the last 25 years the Polish economy has more than doubled as measured by real GDP. This impressive growth, alongside a healthy and well-capitalised banking sector, has positioned the country to become a growth engine in Europe.

2.8%

GDP growth*

(0.6%)

Inflation*

6.3%

Unemployment rate*

6.4%

Retail sales growth

3.5%

Consumer spending growth

* December 2016.

Our market in context *(continued)*

THE PROPERTY MARKET IN POLAND

Retail

The Polish retail market is marked by strong consumer sentiment which is expected to drive the retail turnovers and is further supported by the government's + 500 programme, which provides families with a monthly child benefit. Poland is in the top 10 countries adding most new retail space relative to existing space at 1.3% of which approximately 46% relates to extensions of existing projects.

The Traditional Shopping Centre ("TSC") prime headline in-line rents show healthy dynamics with Warsaw showing two-year growth of 23%. Poland retail sales continue to show strong growth with 6.4% growth in December 2016.

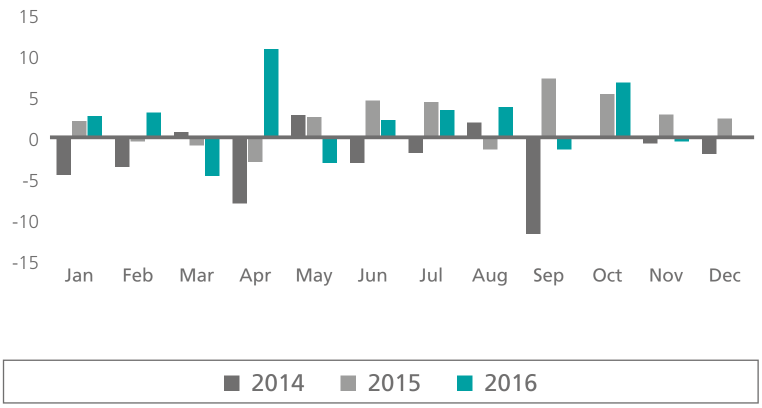
Fifteen new retailers such as U.S. Polo Assn., Forever 21 and Steve Madden entered the Polish market during 2016.

FAST FACTS

Stock **11 078 million m^2**	Under construction **596 600 m^2**
New supply **433 800 m^2**	Vacancy rate **3.2%**

Sources: *The Polish Information and Foreign Investment Agency (PAIiIZ); Colliers International; Savills*

TURNOVER INDEX (YEAR-ON-YEAR CHANGE)



NEW RETAIL SUPPLY 2014 – Q3 2016

Our market in context *(continued)*

THE PROPERTY MARKET IN POLAND *(continued)*

Office

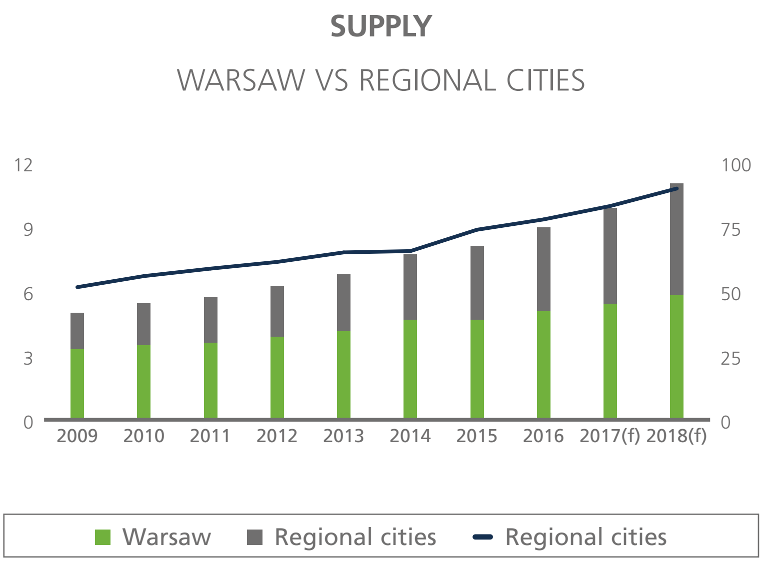
Warsaw and other office destinations continue to enjoy strong growth potential with an influx of shared services companies, which are likely to become the market's key growth driver. In 2016 significant office projects completed included Q22 (Echo Investment) and Warsaw Spire. Warsaw is the largest office market in Poland with 46% of 2016 new supply. However the regional cities are catching up both in terms of supply and demand for office space. Regional business centres outside of Warsaw are expanding rapidly with vacancies showing stability or even some signs of decrease. During 2016, developers completed over 893 600 m² of office space.

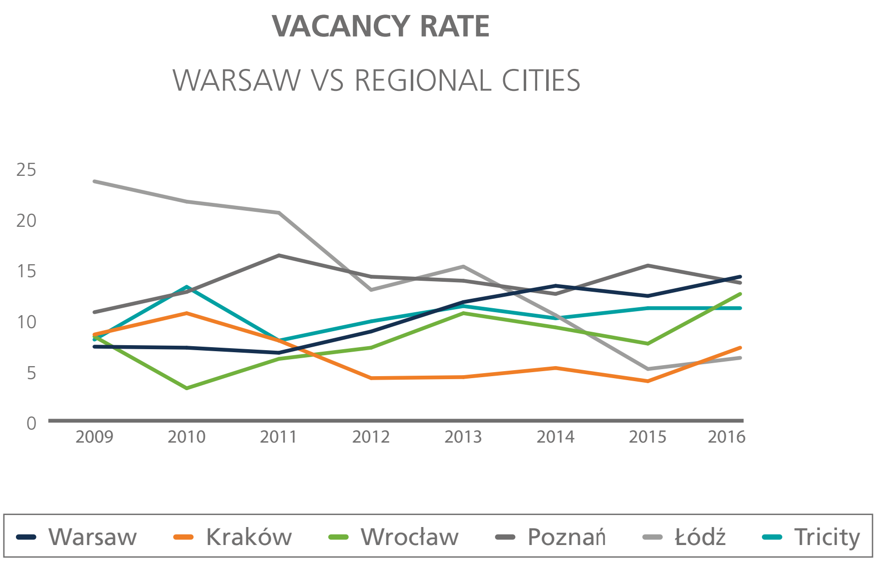
MAJOR LETTINGS

WARSAW		REGIONAL CITIES	
BNP Paribas	22 000 m²	Credit Suisse	10 800 m²
Publicis Groupe	13 800 m²	Intel	10 800 m²
Google	8 300 m²	Aon Hewitt	10 700 m²
Allegro	7 600 m²	BNY Mellon	10 500 m²
		Euroclear Bank	10 000 m²

	WARSAW	REGIONAL CITIES
Stock (million m²)	5 045	3 925
New supply (m²)	407 100	486 600
Vacancy rate (%)	14.2	10.8
Under construction (m²)	732 300	729 600
Gross take-up (m²)	754 100	585 700
Net take-up excluding renewals (m²)	534 700	367 000
Net absorption rate (m²)	259 800	491 000

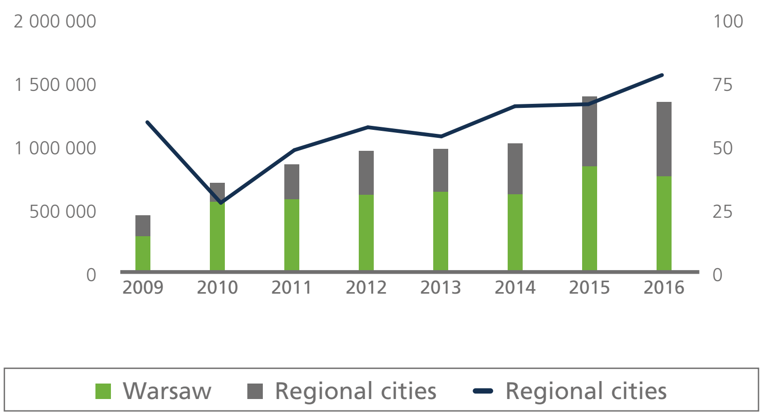
Our market in context *(continued)*

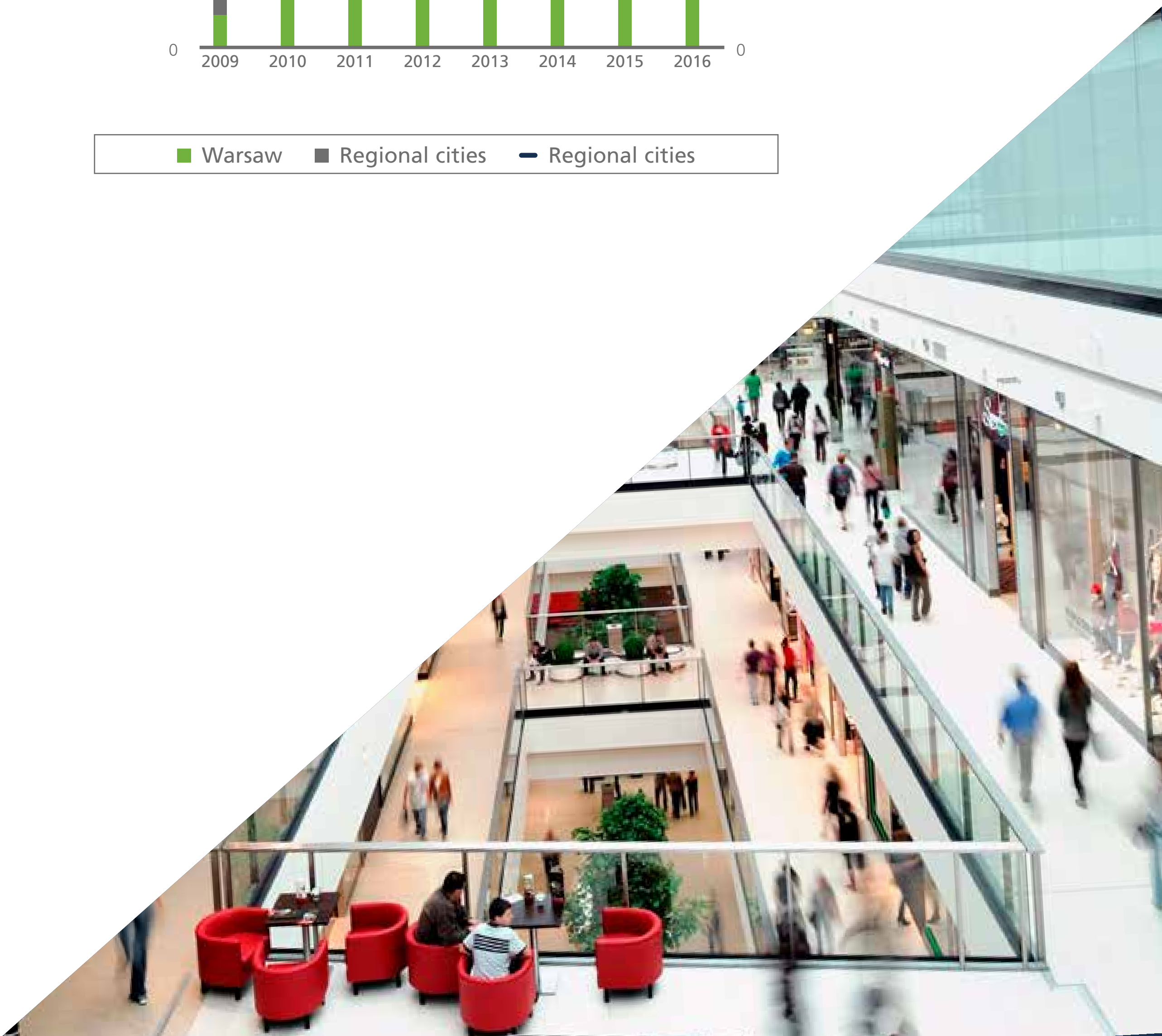




TAKE-UP

WARSAW VS REGIONAL CITIES





03

How we performed

Galeria Echo

RETAIL UNITS
229

GLA
71 457 m²

CATCHMENT
366 000

Chief executive officer's report and operational review

I am delighted to be presenting our first set of results as EPP. Since our successful debut in late 2016 on the LuxSE and JSE, we have grown our portfolio from 16 to 19 properties, with five further acquisitions under PSPA and three ROFO projects scheduled for purchase in 2017, and progressed well in our strategic objectives (see our strategy scorecard on page 32).

HADLEY DEAN
Chief executive officer

During the period to 31 December 2016 we managed to generate €34.0 million of distributable earnings which is in line with the PLS forecast. Furthermore, we have decreased the cost of debt to 1.85% and our NAV per share has grown from 1.04 in July 2016 to 1.16, which represents a growth rate of 12%.

OUR STRATEGY

We are aiming to build a national champion, which benefits from both its scale and influence, with a weighted focus towards dominant retail properties in key locations, balanced and supported by strategic office sites. As a result, our acquisition pipeline is comprised primarily of retail assets. We are focused on city-dominant retail schemes such as our Warsaw development (Towarowa) and the recent opportunistic acquisition of the retail centre Zakopianka in Kraków. We intend to pursue both acquisitions and new developments, as appropriate, while focusing organically on extracting maximum value from our existing retail assets through refurbishments and expansion. Currently, the extensions of Galaxy and Outlet Park in Szczecin are well under way with already more than 75% let. Both developments will be completed in Q4 2017 and are set to enhance the portfolio with a yield of 8.5%.

We are already one of the largest retail landlords in Poland and therefore a major player in the largest consumer market in CEE. Our objective is to capture a presence in every major city in the region going forward, which will make us the preferred landlord partner for retailers.

While we have identified key major cities such as Warsaw and Kraków as our primary targets, other smaller regional cities also present attractive opportunities where the retail asset in question is the only major retail scheme within a catchment. Retailers report an average of 60% increase in turnover in smaller regional cities (i.e. with less than 150 000 inhabitants), which is driven by a disproportionate increase in disposable income. The key factors contributing to this increase are:

- Recently introduced state sponsored child allowance programme called Family 500+ (PLN 500 per month per every second and next child in a family), which is having a disproportionately higher impact on disposable income growth in suburban communities.
- Higher absorption of EU funds by regions than by big cities.
- General growth of disposable income due to healthy economy (stable GDP growth, low unemployment rate, general increase in wages), with increased consumer spending more evident in suburban communities than wealthier urban communities.

Assets in smaller regional cities strategically complement our existing retail portfolio and this investment thesis, once more broadly recognised, is anticipated to result in yield compression. As yet, the only major Polish cities in which we do not have a presence are Gdańsk, Łódź and Poznań, and we will continue to identify opportunities that fit our investment criteria.

Our office pipeline is structured differently. For the foreseeable future, we will focus on office acquisitions in the ROFO portfolio and we will only consider additional office sites if they are strongly complementary to existing assets in terms of location, lease profile and tenancy.

Our aim is to hold office assets for at least one lease cycle and dispose of these thereafter when favourable. We actively manage these assets during their tenure in our portfolio and in line with strategy, we are currently reviewing our relevant above-one-year office assets for optimal disposal.

Chief executive officer's report and operational review *(continued)*

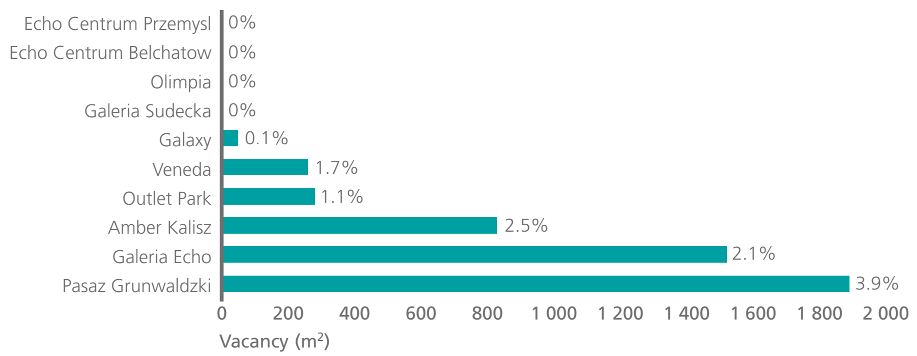
THE YEAR

We are pleased to report that our recent valuations reflect a portfolio NAV increase of 3.3%. This significant growth reflects the quality of our property portfolio and was driven by our effective and active asset management and yield compression. Occupancy increased from 96.2% to 97.4% overall. Office occupancy increased from 92.2% to 95.7% while retail occupancy remained stable at a high level of 98.3%.

For further detail see our chief financial officer's report on page 54 and our annual financial statements on pages 90 to 176.

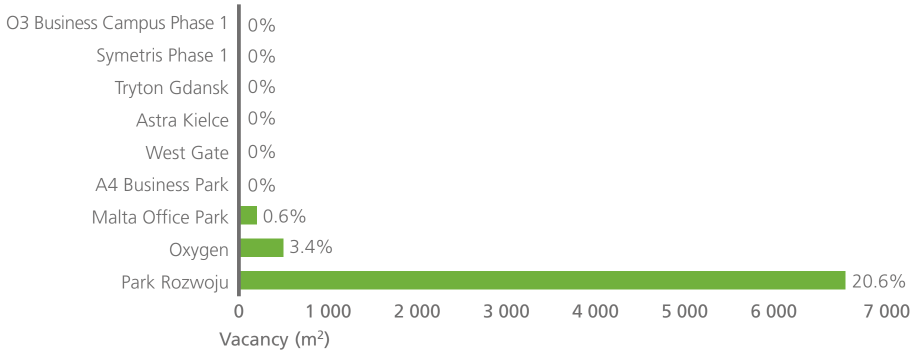
VACANCY PROFILE

RETAIL



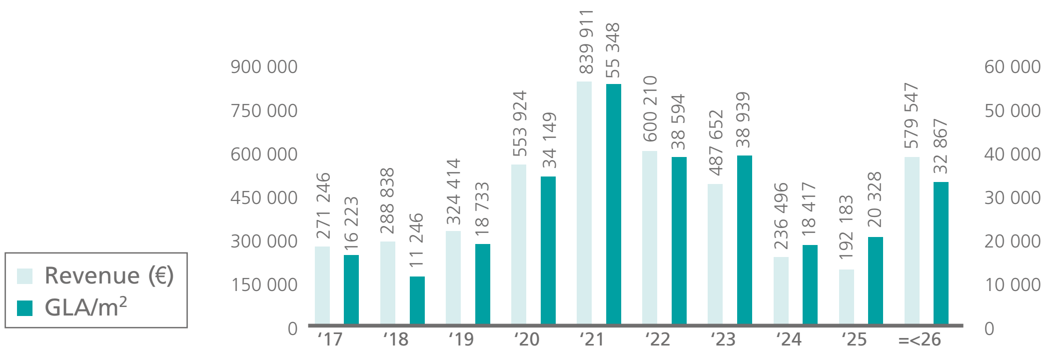
VACANCY PROFILE

OFFICE



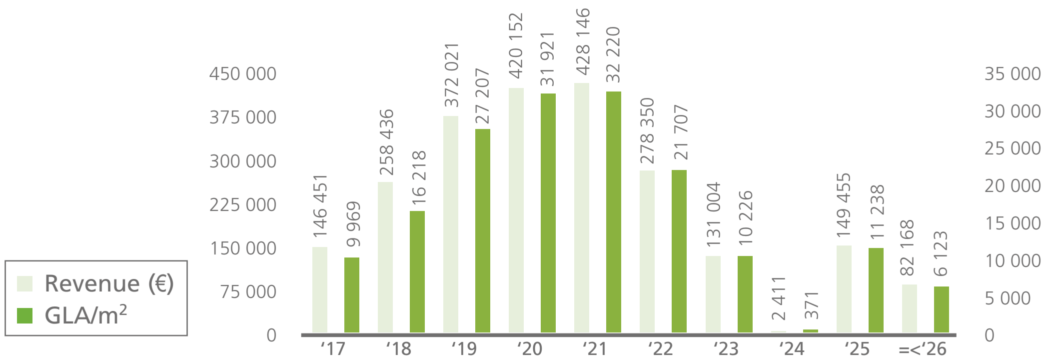
LEASE EXPIRY PROFILE

RETAIL



LEASE EXPIRY PROFILE

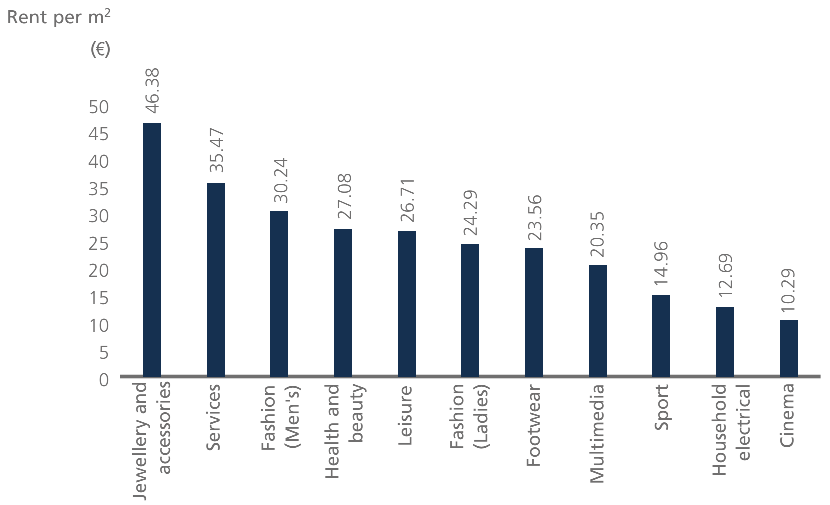
OFFICE



Chief executive officer's report and operational review *(continued)*

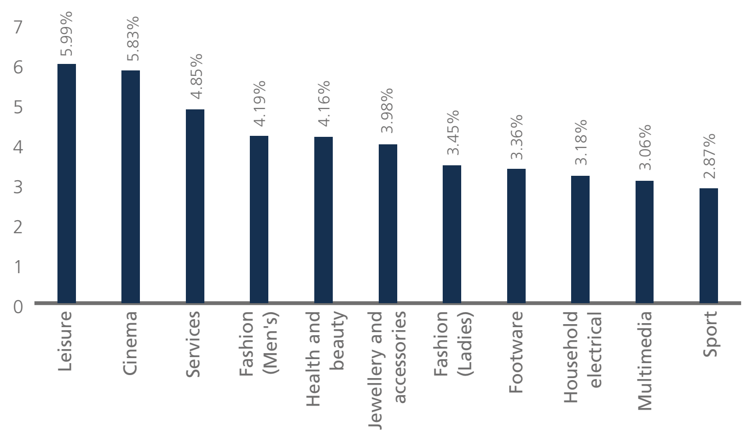
WEIGHTED AVERAGE RENTAL PER M²

BY RENTABLE AREA PER RETAIL SECTOR



WEIGHTED AVERAGE RENTAL ESCALATION PROFILE

BY RETAIL SECTOR



Sources: *The Polish Information and Foreign Investment Agency (PAIiIZ); Colliers International; SAvills*

WEIGHTED AVERAGE RENTAL ESCALATION BY AREA

2.41%

Office

3.82%

Retail

WEIGHTED AVERAGE RENTAL PER €/M²

13.57

Office

15.35

Retail

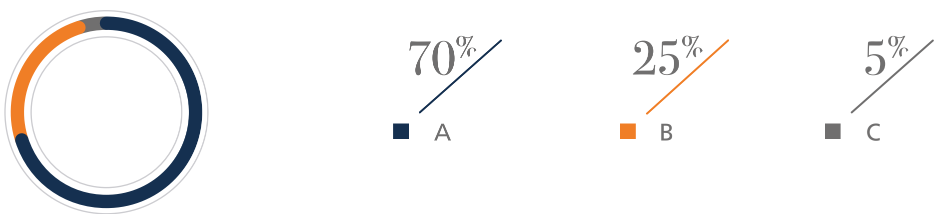
Chief executive officer's report and operational review *(continued)*

TENANT PROFILE

We seek to be the landlord of choice for all tenants both existing and, importantly, new entrants. In retail we are focused on providing a balanced and attractive tenant mix including well-known and aspirant international brands, while we aim for office tenants which are blue chip local and international companies. All occupiers are generally growth oriented and our national footprint allows us to work collaboratively with our occupier partners.

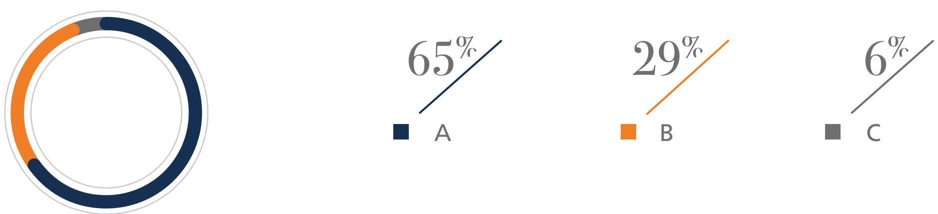
RETAIL TENANT GRADE

BY GLA



RETAIL TENANT GRADE

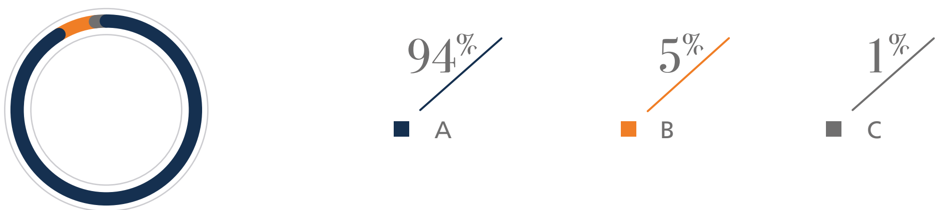
BY RENTAL INCOME



- **A** Large international and national tenants, large listed tenants and government or smaller tenants in respect of which rental guarantees are issued.
- **B** Smaller international and national tenants, smaller listed tenants, major franchisees and medium to large professional firms.
- **C** Smaller national tenants (Retail: 145 Office: 4).

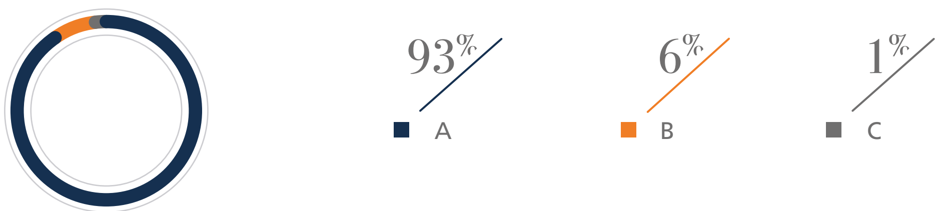
OFFICE TENANT GRADE

BY GLA



OFFICE TENANT GRADE

BY RENTAL INCOME



Chief executive officer's report and operational review *(continued)*

TOP 10 RETAIL TENANTS IN TERMS OF RENTAL INCOME

No	Tenant name	% share in total rental income
1.	Auchan	**8.0**
2.	Reserved	**5.9**
3.	Zara	**2.8**
4.	Multikino	**2.6**
5.	H&M	**2.3**
6.	Helios	**2.3**
7.	CCC	**2.3**
8.	Tesco	**1.9**
9.	RTV Euro AGD	**1.9**
10.	SMYK	**1.6**
	Total	**31.1**

TOP 10 OFFICE TENANTS IN TERMS OF RENTAL INCOME

No	Tenant name	% share in total rental income
1.	Nokia	**10.01**
2.	PKP Cargo	**6.43**
3.	IBM	**6.07**
4.	Rockwell Automation	**5.41**
5.	McKinsey & Company	**3.90**
6.	Cersanit	**3.35**
7.	Schneider Electric	**3.01**
8.	Nordea	**2.77**
9.	Mostostal	**2.72**
10.	Ikea	**2.60**
	Total	**46.24**

OUR STAKEHOLDERS

We established EPP with a commitment to open and frequent communication with all of our stakeholders. Internally, using our corporate intranet as an open communication forum, we have gathered over 350 new and innovative ideas, allowing a regular transfer of best practices between our asset managers. We have also committed to regular news flow through newsletters and direct communications with subscribing stakeholders. Looking specifically to investors, our transparency extends to inviting and encouraging prospective and existing shareholders to visit our sites in Poland on organised and informal site visits. We are also highly cognisant of educating our South African investor base about the compelling economic fundamentals of Poland and why we have chosen to invest here.

OUR TEAM

I believe we are building a superior asset and property management team in the Polish/CEE marketplace. Strong skills and relevant experience are critical. At present we are looking to add new Portfolio Heads for both retail and office segments to our team.

Subsequent to year-end we welcome Jacek Bagiński on board as chief financial officer, as planned, and are pleased at the smooth handover and transition.

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 BPO services market. We also expect the recently introduced state sponsored child allowance programme called Family 500+ (PLN 500 per month per every second and next child in a family), which has a disproportionately higher impact on disposable income growth in regional cities, to continue to benefit our retail portfolio.

With a broader brush, Europe as a whole is currently navigating a period of uncertainty. However, this has a positive impact on Poland at it highlights the country's attractiveness as an investment and business destination. Particularly outsourcing will benefit, with the effects already being seen in the BPO sector. 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 – a "win-win" for EPP.

APPRECIATION

I wish to thank our board for their strategic guidance since listing. My thanks also extend to my committed and highly skilled executives and our entire team for their meaningful contribution in making this a successful first set of results. I look forward to working together and to leading EPP over the coming years.

Hadley Dean
Chief executive officer

13 April 2017

Chief financial officer's report

Distribution per share for the period to 31 August was 0.5% ahead of forecast at 2.44 euro cents per share (the clean-out dividend referred to in the PLS), and the dividend for the four months to 31 December 2016 of 3.14 euro cents per share was 2.2% ahead of the forecast.

"

JACEK BAGIŃSKI
Incoming chief financial officer

OVERVIEW

EPP has declared a maiden dividend of 3.14 euro cents per share for the four months to 31 December 2016, beating the pre-listing forecast by 2.2%. EPP's current €1.4 billion property portfolio has grown 17% in value in the short six months since listing.

DISTRIBUTABLE EARNINGS

Although distributable earnings for the period 4 January to 31 December 2016 of €34.0 million were marginally below the forecast €34.3 million in the PLS, distribution per share for the period to 31 August was 0.5% ahead of forecast at 2.44 euro cents per share (the clean-out dividend referred to in the PLS), and the dividend for the four months to 31 December 2016 of 3.14 euro cents per share was 2.2% ahead of the forecast of 3.07 euro cents per share forecast in the PLS.

The positive performance since listing has been mainly driven by:

- our active asset management resulting in an increase in occupancy, from 96.2% to 97.4% overall, with office occupancy increasing from 92.2% to 95.7% and retail occupancy at a high 98.3%; and
- effective debt management and hedging our interest exposure at low market levels, which resulted in a decrease in cost of debt from 1.91% to 1.85%.

EPP's dividend policy states that the company intends to declare 100% of its distributable earnings to shareholders. The company intends declaring half-yearly dividends, which are expected to be declared for the periods ended 30 June and 31 December of the relevant year.

Due to the nature of EPP's business, EPP has adopted distribution per share as a key performance measure.

Revenue and distributable earnings € million	**Actual for the year**	**PLS for the year**	**Variance to PLS**
Rental income and recoveries	95.3	94.0	1.3
Property operating expenses	(29.2)	(29.9)	0.7
Net property income	66.1	64.1	2.0
Other income and expenses	(0.4)	(0.2)	(0.2)
Administrative expenses	(12.5)	(9.6)	(2.9)
Profit from operations	53.1	54.2	(1.1)
Finance income and expenses	(18.0)	(19.1)	1.1
Current income tax	(0.9)	(0.8)	(0.1)
Prepaid rental income	(0.3)	(0.2)	(0.1)
Distributable earnings	34.0	34.3	(0.3)
Distributable earnings for the period 1 September to 31 December 2016	18.4	18.0	2.2%
Dividend per share for the period 4 January to 31 August 2016 (cents)	2.44	2.43	0.5%
Dividend per share for the period 1 September to 31 December 2016 (cents)	3.14	3.07	2.2%

Chief financial officer's report *(continued)*

REGULATORY TAX

On 1 January 2017, amendments to Polish corporate income tax were introduced which changed the tax regime for broad categories of investment entities. As a consequence, the group's subsidiaries have lost their tax-exempt status, and are now subject to a 19% tax rate on income from rental and disposal of real estate.

New legislation is, however, progressing through the Ministry of Finance which is expected to effectively reintroduce the tax exemption for entities investing in real estate that meet the requirements of a Real Estate Investment Trust under proposed REIT regulations. The group was already being restructured to meet the requirements of the anticipated REIT regulations, hence EPP was able to quickly react to changes in the regulatory environment. However, pending the formal adoption of REIT legislation, the additional tax cost has had an impact on the 2016 financial results.

The internal group restructuring, together with various asset management initiatives and the recently announced acquisitions (concluded post the September 2016 listing), should have the result that EPP will achieve its forecast distributable earnings and distribution per share for the financial period ending 31 December 2017 (as published in the PLS).

PROPERTY PORTFOLIO

At 31 December 2016, EPP owned a €1.4 billion diversified portfolio of nine office, 10 retail projects and one retail development site in the centre of Warsaw, totalling 498 575 m². The segmental breakdown of the EPP portfolio at 31 December 2016 is set out below:

	As of 31 December 2016		
Property valuations	**Office**	**Retail**	**Total**
Number of projects	**9**	**10**	**19**
Number of buildings	**17**	**10**	**27**
Value (€)	**387 million**	**977 million**	**1 364 million**
Vacancy (%)	**4.3**	**1.7**	
Value split (%)	**28%**	**72%**	
GLA (m^2)	**175 941**	**322 633**	**498 575**
WAULT (rent)	**3.7 years**	**5.9 years**	

Post-listing EPP acquired a 70% stake in Towarowa 22 in Warsaw, the largest and last available retail development site in the city centre for €78 million (price of 100% of the site), for a planned 110 000 m² mixed-use scheme which is set for completion in 2020/2021.

In December 2016, it acquired €113 million of office buildings – O3 Business Campus in Kraków, Tryton Business House in Gdańsk and Symetris in Łódź. It further signed an agreement to acquire a holding in the 27 463 m² Zakopianka retail park in Kraków for €54 million.

BORROWINGS

At 31 December 2016, the loan to value ratio (net of cash) was 52.7% and the group is targeting 50% in the medium term. The aggregate length of borrowings is 5.1 years at an average cost of debt of 1.85%, with 90% of debt fixed with the remaining portion to be fully hedged by Q2 2017.

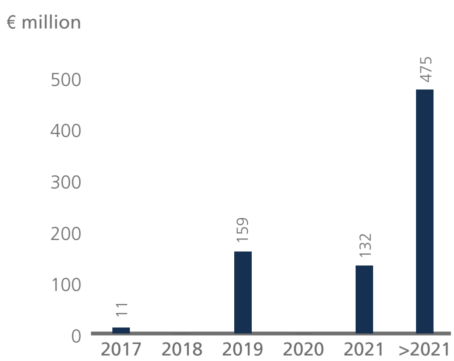
NET ASSET VALUE

The net asset value per share increased by 12%, from 1.04 in July 2016 to 1.16 at the year-end, primarily due to an increase in the independent valuation of the investment property portfolio. At 31 December 2016, the closing share price of €1.35 represented a premium of 16% to the NAV per share.

Jacek Bagiński
Incoming chief financial officer

13 April 2017

DEBT MATURITY PROFILE



04

From a people perspective

Amber Kalisz

RETAIL UNITS
117

GLA
33 599 m²

CATCHMENT
295 000

Stakeholder engagement

We view communication with our stakeholders as integral to our sustainability and a critical part of business strategy. Our stakeholder engagement informs our key strategic discussions and is critical in identifying our material issues and the steps needed to address these.

We therefore promote and engage in open and timeous communication at all times. As a newly listed company we are particularly focused on our investor relations activities to build our relationships with the South African investor community including the media.

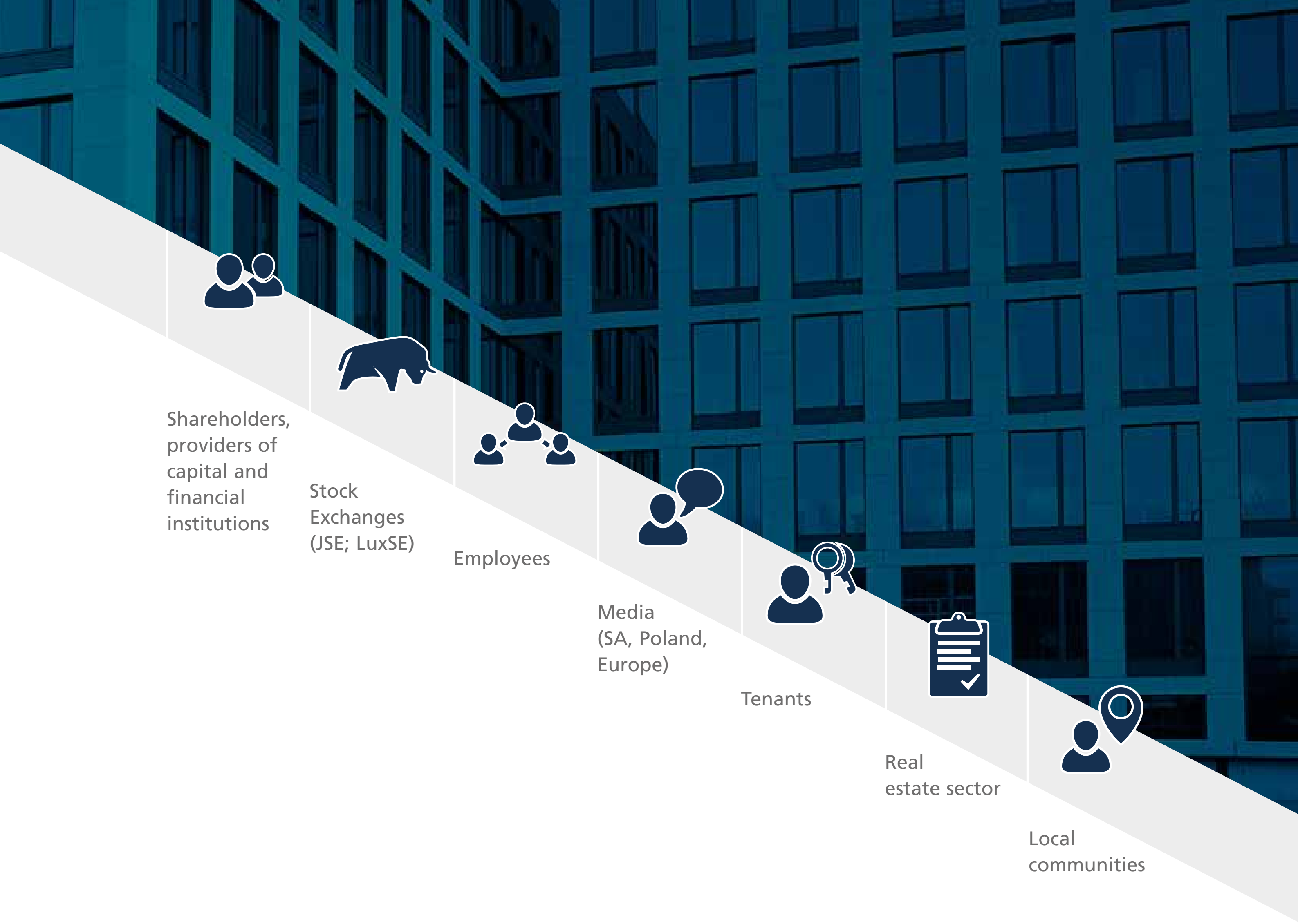
We communicate with stakeholders through our website, regular newsletters, presentations, site visits, interaction with the media, one-on-one meetings and ongoing informal and formal discussions.

Given our fledgling stage we have not yet engaged in formal investor, tenant or other stakeholder surveys. We intend doing so in the current financial year and at regular intervals going forward to better inform our business strategy.

We have identified our stakeholders in terms of our business model, as set out overleaf.

They include our strategic partners, which relationships offer the benefit of additional in-depth real estate experience and proven track records. Specifically, Redefine is a leading listed South African REIT and Echo Investment is a recognised market leader in the Polish commercial and residential property space with an award-winning development and asset management team. Echo Investment is backed by highly reputable international investors such as Oaktree with a decade-long investment track record in Poland, PIMCO and Griffin Real Estate, a leading investor in the CEE commercial real estate with over €650 million equity invested from 2010 to date and c. €4 billion assets under management.

Our stakeholder engagement is further enhanced through our membership of industry associations such as the Polish Council of Shopping Centres, International Council of Shopping Centres and Polish-Dutch Chamber of Commerce.



A detailed outline of how we engage with specific stakeholders is set out below:

Stakeholder	What matters to them	How we engage
Shareholders, providers of capital and financial institutions	Accessibility to key strategic focus and management including succession planning; strategic execution and performance; portfolio growth funding and interest rates; capital appreciation; timely servicing of debt; credit rating; governance and sustainability	Investor relations and engagement plan; one-on-one discussions; website; bi-annual results presentations; SENS and media releases; investor site visits to Poland; regular availability of management in South Africa
Stock Exchanges (JSE; LuxSE)	Compliance; sustainability; credibility; shareholder returns	Supervised compliance (Java Capital); transparent and timely communication
Employees	Career development; communication	Internal communication tool EMPLO
Media (SA, Poland, Europe)	Timely, relevant and open communication	Media engagement as per established channels and regional programmes
Tenants	Tenant mix; redevelopments and enhancements; cleanliness, security and maintenance; communication	Transparent and timely communication; sector-related B2B events
Real estate sector	New legislation; global and local industry trends; sector-specific issues	One-on-one meetings; sector events (awards, panel, conferences, fairs); media
Local communities	Environmental impact; responsible corporate citizenship	Events at shopping centres; CSR events

Human capital

As a recently established business, we are still in the process of building our teams. We place great emphasis on building teams with the right skills and since listing we have made good strides in this regard and believe we now have in place one of the best asset and property management teams in the region.

We are building the team at both a group and a property management level and have added 10 new employees since October 2016.

We constantly work on developing and entrenching the EPP culture and introduce our values and evolving business drivers to the team on an ongoing basis. We believe in open communication and honest feedback and actively encourage employees to make suggestions on how to improve our business. The internal EMPLO portal facilitates easy communication across the group.

We are currently sourcing a full-time HR specialist who will be tasked with establishing a formal training and development programme and developing and ensuring adherence to policies. Even though no formal training and development plan is in place at present, during the year employees were nonetheless provided with training on legal changes in the property management industry, technical procedures and policies for property managers and software.

While the workforce in Poland is largely homogenous we do not tolerate any discrimination on any basis and any reported instances are dealt with swiftly and appropriately. There were no reported incidents of discrimination during the year.

We provide employees with additional benefits such as extended maternity and paternity leave (in excess of labour law requirements).

EMPLOYEES BY GENDER

40% Male

60% Female

Talking sustainability

HEALTH AND SAFETY

A formal health and safety policy is in place and communicated to all employees via the internal EMPLO portal. The head of facility management, Konrad Biskupski, supported by the technical department, is responsible for health and safety and overseeing the technical infrastructure across the group.

The technical team conducts annual internal audits for each property which cover the following:

- Adherence to environmental requirements in accordance with ISO 14001;
- Use of technical infrastructure of buildings according to their own procedures as modelled on the quality management standard ISO 9001;
- Reviewing work conducted by third parties (security, technical service, cleaning, etc); and
- Scope of contracts.

THE ENVIRONMENT

Green building is a core value of EPP. An environmental management system compliant with ISO 14001 is in place and is annually certified by TUV Rheiland. We are certified in terms of sustainable property management and certain properties are certified with globally recognised LEED (Leadership in Energy and Environmental Design), BREEAM certificates and EU Greenbuilding. A formal environmental policy is in place at group level which is communicated to employees via internal meetings, internal audits and the intranet.

ISO 140001 is applied in the continuous monitoring of contractors and subcontractors regarding the methods and chemicals used.

At EPP-managed buildings we strive to minimise costs and consumption through:

- optimal management of Building Management System;
- ensuring appropriate work schedules for installations and equipment are in place;
- introduction of LED technology;
- managing consumption and selecting the best energy and water supplier;
- consciously apply energy savings for employees and customers – cooperation with an external company and participation in a study on the optimisation of energy consumption in commercial buildings; and
- assessed choice of power and the amount of energy necessary to meet real estate needs.

During the year the company received no fines or penalties for non-compliance with environmental regulations.

CSR

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.

The following organisations benefited from EPP's CSR programme during the year:

- Foundation "Sunny Future" – campaign "I love and I test myself".
- Great Orchestra of Christmas Charity – concerts and fund raising for children and elderly hospital patients across Poland.
- Synapsis Foundation – caring for people with autism. Selected properties are lit up in blue in support and to raise awareness of autism and promote social adaptation for autistic people.
- Bread of Life Foundation – campaign "Christmas Eve in Kalisz" supporting the poor.
- Aid for Children – charity concert in support of disabled children.
- Easter egg painting to raise money for Kolo (association for people with mental illness) and Miśka Zdziśka Foundation.
- Sponsorship of Kielecki Athletic Club.
- Sponsorship of OFF Fashion – International Fashion Design Contest.
- Charity fund raiser "let go of eyelash to Stas" in ECHO Gallery.
- Sponsorship of youth handball team.
- December bauble painting fund raiser supporting Kolo and Association for Help for Children with Disabilities.
- Action Angels in support of Kolo and local schools.

05

Accountability

Outlet Park Szczecin

RETAIL UNITS
93

GLA
24 571 m²

CATCHMENT
470 000

Ethical leadership

We are committed to being a good corporate citizen and acting with the highest standards of ethical behaviour at all times. We see sound corporate governance as a critical driver of sustainable growth. The board is ultimately responsible for the ethical behaviour of the business and endorses the principles of fairness, responsibility, transparency and accountability as advocated by King III. The directors ensure effective ethical leadership through leadership by example, balancing the business' sustainability with the best interests of stakeholders. They also regularly review the company's governance structures.

A Code of Ethics is in place at EPP, which is reviewed regularly, and all employees are required to comply. Adherence to the code is reinforced daily and in regular management meetings and its tenets are espoused in the company values. The chief operating officer, Rafal Kwiatkowski, serves as compliance officer in this regard and monitors adherence. EPP has no formal whistleblowing function at present and any reported contraventions are dealt with at a managerial level. There were no reported contraventions during the year.

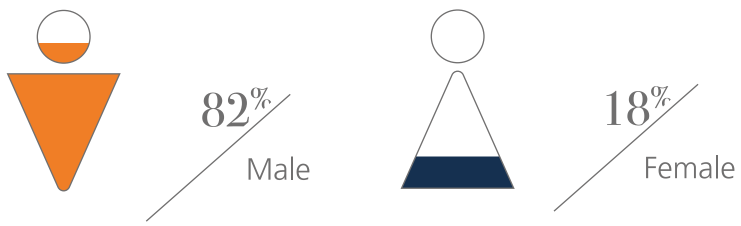
Our application of King III is set out in full on the company's website (www.echo-pp.com) with Chapter 2 set out on page 184 of this report. The King IV Report, published on 1 November 2016, will replace King III in its entirety for the financial years commencing on or after 1 April 2017. EPP will perform a gap analysis and begin implementing King IV recommendations going forward, to the extent possible.

There were no ethics-related penalties or fines or reported incidents of corruption during the year.


Multikino

Corporate governance

BOARD COMPOSITION BY GENDER



BOARD INDEPENDENCE

- 46% Independent non-executive
- 36% Non-executive
- 18% Executive

GOVERNANCE STRUCTURE *(at 31 December 2016)*

BOARD

Members

Hadley Dean (CEO)	Peter Driessen[2]	Nebil Senman[3]
Maciej Drozd (CFO)[1]	Maciej Dyjas[3]	Andrea Steer[2]
Robert Weisz[2] (chairman)	Dionne Hirschowitz[2]	Marc Wainer[3]
Marek Belka[2]	Andrew König[3]	

Role

- Set strategic objectives
- Determine investment and performance criteria
- Review corporate governance structures
- Responsible for sustainability, proper management and control

See page 115 for full audit and risk committee report

See page 76 for full nomination and remuneration committee report

1. *Post-year-end, effective from 19 May 2017, Maciej Drozd stepped down as chief financial officer. Jacek Bagiński was appointed as chief financial officer in his stead.*
2. *Independent non-executive.*
3. *Non-executive.*

	Audit and risk committee	Nomination and remuneration committee	Investment committee
Members	Peter Driessen (chairperson) Andrea Steer Robert Weisz	Marek Belka (chairperson) Dionne Hirschowitz Andrea Steer	Marc Wainer (chairperson) Hadley Dean Peter Driessen Maciej Dyjas Andrew König Nebil Senman
Role	Provides assurance on efficacy and reliability of financial information Monitors financial and operating controls Ensures identification of risks and management Initiates internal audits	Assesses, nominates, recruits and approves new directors Monitors remuneration policy	Considers suitable acquisitions within the framework of business strategy Concludes final decisions on acquisitions and disposals
Independence	3/3	3/3	1/6

Corporate governance *(continued)*

THE BOARD

The board comprises 11 directors, two executives and nine non-executive directors, of whom five are independent. The chairman, Robert Weisz, is an independent non-executive director whose role is clearly separated from that of the chief executive officer.

The non-executive directors are individuals of calibre and credibility and have the necessary skills and experience to provide sound judgement that is independent of management on issues of: strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and performance. The current board's diversity in terms of professional expertise and demographics make it a highly effective governing body.

Through the nomination and remuneration committee, the board ensures that in nominating successive directors for appointment, the board as a whole will continue to reflect a diverse set of professional and personal backgrounds. All nominations are made in a formal and transparent manner. No one director has unfettered powers of decision making.

A formal orientation programme familiarises new directors with the company's operations, senior management and business environment as well as inducts them into their fiduciary duties and responsibilities. New directors with limited board experience receive additional development and training with regards to duties, responsibilities and potential liabilities.

The information needs of the board are reviewed annually and the company secretary, where necessary, arranges training and involves the group's sponsors, auditors or other organisations where necessary. The directors have unrestricted access to all company information, records and documents to enable them to conduct their responsibilities sufficiently.

Going forward, in terms of the articles of association, one-third of the non-executive directors must be re-elected annually. As a newly listed company, all directors will retire and being eligible, will stand for re-election at the upcoming annual general meeting.

The board appraises the chairman's performance annually, while the nomination and remuneration committee is responsible for appraising the performance of the chief executive officer and other senior executives annually.

Board and committee meeting attendance

	29 September 2016	7 December 2016
Audit and risk committee meeting attendance		
Committee members		
Peter Driessen	✓	✓
Andrea Steer	✓	✓
Robert Weisz	✓	✓
By invitation		
Barbara Bielska	✓	
Maciej Drozd	✓	
Andrew König	✓	
Matthijs Krul (Intertrust)	✓	✓
Jacek Bagiński		✓
R Bahoolal (EY South Africa)		✓
M Bieniek (EY Poland)		✓
GJ van Deventer (EY South Africa)		✓
P Orlonek (EY Poland)		✓
M Rooks (EY Netherlands)		✓
A Spoelstra (EY Netherlands)		✓

Due to the recent listing of the company no board, or other committee meetings have been held since listing to 31 December 2016 save for those disclosed above.

SUCCESSION PLANNING

The remuneration and nomination committee is responsible for ensuring adequate succession planning for directors and management, and that all committees are appropriately constituted and chaired. The board is satisfied that the depth of skills of current directors meets succession requirements.

GENDER DIVERSITY

EPP supports the principles and aims of gender diversity at board level. Due to its recent listing no gender diversity policy is currently in place, but this will be put in place going forward. The board currently comprises two female directors.

SHARE DEALINGS AND CONFLICTS OF INTEREST (SA)

All directors and senior executives with access to financial and any other price-sensitive information are prohibited from dealing in EPP shares during 'closed periods', as defined by the JSE, or while the company is trading under cautionary. An email is distributed informing the relevant individuals when the company is entering a closed period.

At all other times directors are required to disclose any share dealings in the company's securities to the chief financial officer and company secretary for approval. The chief financial officer and company secretary, together with the sponsor, ensure that share dealings are published on SENS.

Corporate governance *(continued)*

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.

The company secretary will be subjected to an annual evaluation by the board wherein the board will satisfy itself as to his competence, qualifications and experience. Given the recent listing and appointment of the company secretary, this assessment will take place in the course of the year ahead.

The company secretary is not a member of the board and has an arm's length relationship with the board. The board is satisfied that this is maintained through the provisions of the service agreement which limits the duties of the company secretary to only those of governance and the administration of company documentation. Although the company secretary is also the chief operating officer, the board believes this does not impact the arm's length relationship and that he is best placed to undertake the role of company secretary.

IT GOVERNANCE

As a recently established group, we do not yet have a dedicated chief information officer but will look to appoint one going forward. The IT function is currently outsourced to sister company Echo Investment, who is responsible for EPP's IT control framework and internal controls.

LEGAL COMPLIANCE

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.

No fines or non-monetary sanctions were imposed on the group for non-compliance with any laws or regulations during the year under review, nor has the group been party to any legal actions for anti-competitive behaviour or anti-trust.


GALERIA VENEDA

Remuneration report

The nomination and remuneration committee assists the board in ensuring remuneration policies are aligned with business strategy. In doing so it considers the mix of regular salary remuneration, annual bonuses and incentive elements to ensure that they meet the company's needs.

The committee is mandated by the board to authorise the remuneration and incentivisation of all employees, including executive directors. Remuneration of non-executive directors, who do not receive incentive awards, is reviewed and set by the committee for ultimate approval by shareholders. Where set, incentives are based on targets that are stretching, verifiable and relevant.

The committee is chaired by independent non-executive director Marek Belka and further comprises independent non-executive directors Dionne Hirschowitz and Andrea Steer. The chief executive officer and chief financial officer attend meetings by invitation. Due to the recent listing, no meetings were held since listing to 31 December 2016.

REMUNERATION POLICY

The company is in the process of finalising its remuneration policy which will be presented at the annual general meeting for shareholder approval. The policy is aimed at attracting, motivating and retaining highly qualified executives and rewarding board members with balanced and competitive remuneration, while aligning with the company's long-term strategy. The policy seeks to promote the achievement of strategic objectives as well as promote an ethical culture and responsible corporate citizenship.

The policy sets out the framework for remuneration of board directors which comprises the following:

- fixed annual base salary;
- short-term variable pay in cash;
- long-term variable pay in the form of shares;
- allowance for pension and fringe benefits;
- severance payments; and
- sign-on, retention and restraint payments.

Executive directors

Executive directors receive a base salary which is benchmarked against relevant comparable markets and companies. In addition, the policy provides for an annual variable remuneration or bonus. This is measured against predefined targets being met.

The board of directors will set performance conditions at the beginning of each financial year, which will include asset management performance and growth and business improvement as well as individual qualitative criteria.

The service agreements of the executive directors provide for non-compete obligations during their terms of service and for nine and 12 months respectively for Hadley Dean and Jacek Bagiński. The executive directors' service agreements do not contain provisions for sign-on, retention or restraint payments.

Non-executive directors

The fees for non-executive directors per annum for the 2017 financial year are set out below and are subject to approval by shareholders at the annual general meeting:

- Chairmanship of the board of directors: €70 000;
- Non-executive director: €50 000;
- Chairmanship of the audit and risk committee: €24 000;
- Membership of the audit and risk committee: €20 000;
- Chairmanship of the nomination and remuneration committee: €12 000; and
- Membership of the nomination and remuneration committee: €10 000.

Non-executive directors are not entitled to any variable remuneration.

Long-term incentive scheme

Going forward, the company intends introducing a long-term incentive scheme which will provide executive directors with an option to acquire shares. The scheme is intended to encourage the long-term commitment and retention of the executive directors and further aligns the interest of the executive directors and shareholders.

Once a long-term incentive scheme has been devised by the company it will be put forward for shareholder approval.

Adjustments to variable remuneration

In terms of Dutch law the variable remuneration may be reduced or board members may be required to repay their remuneration if certain circumstances apply which include:

- test of remuneration in terms of reasonableness and fairness;
- a claw back in terms of remuneration awarded on the basis of incorrect financial data; and
- deduction of value increase of shares in the case of a share price increase due to a public offer.

DIRECTORS

The remuneration of executive directors is set out on page 108. The fees for non-executive directors are set out in this report.

Marek Belka
Chairman nomination and remuneration committee

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.

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 and the outcome of this assessment was discussed with the audit and risk committee.

KEY RISKS AND MITIGATIONS

Risk	Mitigation
Strategic and business risks	
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 impacts NAV.	Active asset management by: - Ensuring high occupancy levels - Proactive asset management - Contractual leases with financially sound tenants - Geographic diversity - Tenant mix - Staggering of major lease expiries
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.	- Partnership dialogue and cooperation with city authorities - Development project Echo Investment S.A. with long term experience in both construction and development of commercial projects across Poland - Cost assessments prepared and updated based on the current market conditions - Validation of retail with the leading retailers in Poland

Risk	Mitigation
Operational risks	
Increase in operational costs	- Strong and experienced asset management, financial management, property and facility management teams. - Internalised property and facility management function ensuring operational control of budget performance and structuring of the lease agreements with operational costs being recharged to tenants. - Green building certification and sustainability initiatives help maintain stable cost level.
Delayed maintenance Shopping centres need maintenance and need to be kept up to modern standards to remain attractive.	- Supervised technical teams ensure the long term maintenance plan is properly deployed.
Compliance risks	
Tax compliance The tax landscape is characterised by frequent changes and increased regulatory requirements.	- Strategy in place 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.
Legislation	- Discussion of new legislation that impacts the group at board level. - Monitoring of new legislation initiatives and other regulatory changes by respective team members supported by external advisors. - Consultation with industry.
Financial risks	
Liquidity risk	- Maintain balance between continuity of funding and flexibility through the use of bank deposits and loans. - Monitor cash position daily. - Continuing analysis of cash requirements.
Interest rate risk 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.	- Interest rate swap. - 90% of the group's borrowings are hedged (at 31 December 2016).
Credit risk Risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.	- Assess credit quality of tenants prior to entering into lease arrangements on a credit rating scorecard. - Requiring rental payment in advance and bank or parent entity guarantee or cash deposit. - Regularly monitoring outstanding tenants' receivables. - Perform impairment analysis at each reporting date on an individual basis for major tenants.

06

Property portfolio

KEY TENANTS
Ericsson
Intergraph
Schneider Electric
Mostostal
Audioteka pl
Pro Service

GLA
33 126 m²

PARKING SPACES
11 ground
724 underground

Property portfolio

Retail

Galeria Echo

Centrum Handlowe

Pasaż Grunwaldzki

Galeria Amber

Centrum Handlowe

Galaxy
(excluding extension)

Galeria Sudecka

Galeria Veneda

Outlet Park
(excluding extension)

Galeria Olimpia

Property and location	Completion/ latest refurbishment	GLA1 (m²)	Revenue (€ million)	Average rental (€/m²)	Occupancy by GLA (%)	Fair value (€ million)
Pasaż Grunwaldzki						
Wrocław	2007	48 408	12.6	22.49	96.1	241.8
Galaxy (excluding extension)						
Szczecin	2003/2013/2017[1]	41 083	12.7	24.39	99.9	224.3
Outlet Park (excluding extension)						
Szczecin	2012/2015/2017[2]	24 571	4.7	15.74	98.9	74.9
Galeria Echo						
Kielce	2002/2011	71 457	12.0	14.42	97.9	211.3
Galeria Amber						
Kalisz	2014	33 599	5.2	13.20	97.5	78.5
Galeria Sudecka						
Jelenia Góra	2015	31 243	3.9	9.83	100.0	52.8
Galeria Olimpia						
Bełchatów	2012	21 274	2.8	10.91	100.0	41.4
Centrum Handlowe						
Bełchatów	2000	11 426	0.8	5.77	100.0	10.2
Centrum Handlowe						
Przemyśl	2000/2012	5 759	0.4	6.52	100.0	4.7
Galeria Veneda						
Łomża	2013	15 026	2.4	13.56	98.3	37.1
Total		**307 487**	**57.5**	**15.35**	**98.3**	**977.0**

1. Refurbishment Galaxy in 2013; extension under development c. 15 150 m² GLA new opening planned November 2017.
2. First extension in 2015, extension under development c. 3 812 m² GLA new opening planned November 2017.

Property portfolio *(continued)*

Retail – post year-end acquisitions

Wzorcownia

Twierdza Kłodzko

Zakopianka Retail Park

Twierdza Zamość

Tęcza

Retail – Development projects

Towarowa 22/Jupiter

Galeria Młociny

Property and location	GLA (m^2)	Average monthly rental (€/m^2)	Occupancy %	Revenue (c. € million)	Market value (€ million)	Cash-on-cash yield %
Zakopianka Retail Park						
Zakopianka	27 463	16.68	100	5.66	54	10.6
Wzorcownia						
Włocławek	25 611	12.32	98	3.70	49	14.1*
Twierdza						
Zamość	23 799	12.77	>99	3.65	53.5	14.1
Twierdza						
Kłodzko	23 359	11.52	100	3.22	41	14.1*
Tęcza						
Kalisz	16 003	11.06	95	1.86	23.2	14.1

* *Blended portfolio figure.*

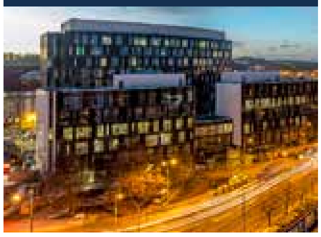
Property and location	Planned GLA (m^2)	Estimated cost at development (€ million; land acquisition included)	Estimated revenue on completion (€ million)	EPP capital uplift (€ million)
Towarowa 22/Jupiter				
Warsaw	110 000	420	33.8	c. 180
Galeria Młociny				
Warsaw	81 900	295	20.9	c. 65

Property portfolio *(continued)*

Office

West Gate

Tryton Business House



Park Rozwoju Stage I & II

Oxygen

Symetris

O3 Business Campus I,II, III

Astra Park

Malta Office Park

A4 Business Park

Property and location	Completion/latest refurbishment	GLA1 (m²)	Revenue (€ million)	Average rental (€/m²)	Occupancy by GLA (%)	Fair value (€ million)
Park Rozwoju Stage I & II						
Warsaw	2014/2015	33 126	4.0	13.40	79,4	72.1
O3 Business Campus I,II, III						
Kraków	2016/2018	57 284	4.2[1]	13.10	68,0[1]	45.4[1]
West Gate						
Wrocław	2015	16 532	2.8	13.20	100.0	39.4
Oxygen						
Szczecin	2010	13 902	2.3	13.80	96.6	28.5
Astra Park						
Kielce	2007	14 269	2.6	13.30	100.0	31.3
A4 Business Park I & II						
Katowice	2014	18 059	2.9	12.9	100.0[2]	37.9
Tryton Business House						
Gdańsk	2016	23 364	3.7	12.60	100.0[2]	48.7
Symetris I						
Łódź	2016	9 652	1.6	12.90	100.0[2]	20.4
Malta Office Park						
Poznań	2011	28 270	5.1	14.20	99.4	63.3
Total		**214 459**	**28.6**	**13.57**	**95.7**	**387.0**

1. *Only I & II Phase.*
2. *Three years fully let guarantee (Master Lease).*

Malta Office Park

07

Annual financial statements

KEY TENANTS
IKEA
Roche
McKinsey EMEA
GTF

GLA
28 270 m^2

PARKING SPACES
587

Independent auditor's report

TO THE SHAREHOLDERS OF ECHO POLSKA PROPERTIES N.V.

Report on the audit of the consolidated financial statements

OPINION

We have audited the consolidated financial statements of Echo Polska Properties N.V. and its subsidiaries ("the group") set out on pages 122 to 176, which comprise the consolidated statement of financial position as at 31 December 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 flows for the period 4 January 2016 to 31 December 2016, and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the period 4 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code"), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") and other independence requirements applicable to performing audits of Echo Polska Properties N.V.. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Echo Polska Properties N.V.. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in the audit
Fair value of investment property (note 4)	
The investment properties of Echo Polska Properties N.V. comprise 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 consists of both retail properties (72% out of the portfolio) and office properties (28% out of the portfolio). 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. 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. 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. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties.	Our audit procedures included, among others, the following: - 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; - 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); - We verified if the significant data applied for the valuation to supporting documentation; and - We also focused on the adequacy of disclosures about key assumptions. The disclosures on the fair value of the investment properties are included in note 4 to the consolidated financial statements.

Independent auditor's report *(continued)*

Key audit matter	How the matter was addressed in the audit
Transactions with related parties (note 26)	
Echo Polska Property N.V. ("EPP"): - Acquired the investment certificates in subsidiaries from Echo Investment S.A. ("Echo") a related party of EPP; - Acquired a 70% interest in a special purpose vehicle (a retail development) from Griffen Real Estate, a related party of Echo Polska and EPP; and - 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. 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 are not correct, it could influence the results of the group. 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: - 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; - We verified that the transactions are approved in accordance with internal procedures including involvement of key personnel at the appropriate level; - We audited the acquisitions to supporting documents including external valuations around the acquisition date to evaluate the directors' assertions that the transactions were at arm's length; - We evaluated the business rationale of the transactions; - We evaluated the rights and obligations per the terms and conditions of the agreements and assessed whether the transactions were recorded appropriately; and - We determined whether the directors have disclosed relationships and transactions in accordance with IAS 24 (refer to disclosure note 26).

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after the date of this report. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor’s report *(continued)*

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Echo Polska Properties N.V. for one year.

Ernst + Young Inc.

Ernst & Young Inc.
Director – Rohan Mahendra Adhar Baboolal
Registered Auditor
Chartered Accountant (SA)

8 March 2017

102 Rivonia Road
Sandton
Johannesburg
2146
South Africa

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 the company's shares being listed on the JSE Securities 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 €1.4 billion diversified portfolio of nine office and 10 retail projects located throughout 14 major cities in Poland and one retail development site in the centre of Warsaw, totalling 498 575 m^2, characterised 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 the 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 under way with Galaxy already 73% pre-let and Outlet Park fully let. Both developments will be completed in Q4 2017.

Directors' report *(continued)*

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%
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%

	Name	Country of incorporation	Principal activities	Date of control	Share
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%
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%

Directors' report *(continued)*

	Name	Country of incorporation	Principal activities	Date of control	Share
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%
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%

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 10 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 Real Estate and Echo Investment. Subsequent to the listings some of these have finalised, boosting the portfolio to its current 10 retail and nine 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 the 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 m^2 ("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 €166.57 million. To this end, EPP will acquire:

- Galeria Twierdza Shopping Centre situated in Klodzko, Poland;
- Galeria Twierdza Shopping Centre situated in Zamość, Poland;
- Galeria Tęcza 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 €683 million with equity per share at 1.16 euro cents per 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.

Directors' report *(continued)*

The net cash generated from operating activities amounted to €25 million with €363 million used in the reporting period in investment activities (business combinations, asset acquisitions and investment in joint ventures) and €360 million generated from financing activities (mainly from a successful IPO) resulting in a cash and cash equivalents balance of €22 million providing sufficient liquidity for the group to meet its current obligations. There are no financing needs for the 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 €78 million with distributable earnings amounting to €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 €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 (year-on-year) was 3.3% with a vacancy rate (based on GLA) of 1.7% in the retail sector and 4.4% in the office 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 €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 right of first offer ("ROFO") 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.

	Retail €'000	Office €'000	Total €'000
Period ended 31 December 2016			
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			
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 benefiting 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 note 7 to the consolidated financial statements) in Kracow 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.

Directors' report *(continued)*

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's 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 a conservative financial policy ensuring proper equity and debt management and maintenance of a 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 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 estimated rental value ("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.

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; and
- 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 dialogue 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 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 the 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 that the long-term maintenance plan is properly deployed and budgets prepared.

Directors' report *(continued)*

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 the impact of new regulations and deciding on actions to be taken. This could also be 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 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 a 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 the going concern basis in preparing the company's consolidated and standalone financial statements.

APPROVAL OF THE 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, 46, 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 12 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, 52, Polish)
Maciej has been deputy CEO at Echo Investment, 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 €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 the University of Warsaw with a master's degree in Philosophy and Management, and received his MBA from the University of Illinois.

Directors' report *(continued)*

Robert Weisz *(Independent non-executive chairman)*

(Male, 67, 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, 65, Polish)

Marek Belka is a former Prime Minister of Poland (2004 to 2005) and President of Narodowy Bank Polski (Polish Central Bank) (2010 to 2016). He qualified as an economist with an MA, PhD 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 organisations, serving as Executive Secretary of the Economic Commission for Europe (in the rank of Undersecretary General of the UN) and Director of European Department in the International Monetary Fund (2008 to 2010). Marek worked in Albania as advisor to three consecutive PMs of the country and in the Coalition Provisional Authority in Iraq (2003 to 2004). He was a member of the board of directors of two commercial banks in Poland (at different times) and served as Chairman of LOT Polish Airlines in 2002 to 2003.

Peter Driessen *(Independent non-executive director)*

(Male, 70, 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, 53, 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 and 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 Real Estate 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, 49, South African)

Dionne has a BCom 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, 49, 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 BAcc CA(SA).

Nebil Senman *(Non-executive director)*
(Male, 45, German/Turkish)
Nebil Senman is a Co-Managing Partner of Griffin Real Estate, a leading and dynamically growing investment group operating in Central and 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, 46, 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 was admitted as an Attorney of the High Court of South Africa, is registered as a Solicitor of England and Wales, and is registered with the Dutch Law Society (Nederlandse Orde van Advocaten) as a foreign lawyer practicing within the EU.

Marc Wainer *(Non-executive director)*
(Male, 68, 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 at 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 König	**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 König hold 40% and 15% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares.*

Directors' report *(continued)*

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* 2016 €'000	Directors' fees** 2016 €'000	Bonuses and other performance payments** 2016 €'000	Total 2016 €'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 König	–	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's 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 director 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 judgement 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.

Directors' report *(continued)*

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 ensures 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 non-executive 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 organisation. EPP is still in its start-up phase and is currently in the process of formulating its regulations and policies. 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 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 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 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.

Directors' report *(continued)*

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 the 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 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 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 four-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 on-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 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.

Directors' report *(continued)*

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 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 a member 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 to another non-executive director.

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 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 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 the 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.

Directors’ report *(continued)*

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 the 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 practicing 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 (eg 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 is not the appointed external auditor 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 practicing 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 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.

Directors' report *(continued)*

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 acquisition proposals and make final decisions 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 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 has 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 arm's length relationship exists between the board of directors and the company secretary.

The board is satisfied that an arm's 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, four retail properties ("the properties") for an aggregate consideration of €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 €40.67 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 Zamość 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 Zamość, Poland for an aggregate purchase consideration of €53.51 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 Tęcza Shopping Centre situated in Kalisz, Poland for an aggregate purchase consideration of €23.21 million. The remaining co-owner is Spolem Supermarket that owns the premises from which it operates within the Galeria Tęcza 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 €49.17 million. Wzorcownia is spread across 16 different plots, with different forms of ownership rights. Wzorcownia Retail has ownership rights in respect of two plots and perpetual usufruct rights in respect of one 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 two 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.

Directors' report *(continued)*

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 centres 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 €166.57 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, Zamość Retail 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 JSE Securities 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

for the period ended 31 December 2016

	Notes	Period from 4 January 2016 until 31 December 2016 €'000
Rental income and recoveries	15	**95 278**
Straight line rental income		**1 233**
Property operating expenses		**(29 209)**
Net property income		**67 302**
Other income	17	**2 109**
Other expenses	17	**(2 610)**
Administrative expenses	16	**(12 532)**
Net operating profit		**54 269**
Profit from investment properties	4	**44 325**
Profit from operations		**98 594**
Finance income	18	**7 339**
Finance costs	19	**(18 582)**
Cost of refinancing	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	21	**(878)**
Deferred tax	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 (€ cents)	22	**20.9**

The reconciliation between basic earnings, headline earnings and distributable earnings is disclosed on page 126.

Consolidated statement of other comprehensive income

for the period ended 31 December 2016

	Period from 4 January 2016 until 31 December 2016 €'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 changes in equity

for the period ended 31 December 2016

	Share capital €'000	Share premium/ capital reserves €'000	Accumulated profit/(loss) €'000	Foreign currency translation reserve €'000	Total equity €'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 financial position

for the period ended 31 December 2016

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

Consolidated statement of cash flow
for the period ended 31 December 2016

	Notes	Period from 4 January 2016 until 31 December 2016 €'000
Operating activities		
Cash generated from operations	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	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 the end of the period	9	**21 921**

Headline earnings and distributable income reconciliation

for the period ended 31 December 2016

	Period from 4 January 2016 until 31 December 2016 €'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 (€ cents)*	20.9
Headline earnings and diluted headline earnings per share (€ cents)**	8.7
Distributable income per share (€ 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
for the period ended 31 December 2016

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.

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.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 inter-company 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 a 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 cash flows 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. Inter-company transactions, balances and unrealised profits or losses between the group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

(ii) Investments in joint ventures

A 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 recognised 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 a 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 recognised 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 results 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.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the 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; and
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that is 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 recognised. 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 have 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 exclude restricted cash.

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

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 (ie 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*

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

Inventory

Inventory is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Current and deferred income tax *(continued)*

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.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(i) Rental income (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurements *(continued)*

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 reassessing 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).

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Judgements *(continued)*

(i) Business combinations (continued)

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 owns 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Estimates and assumptions *(continued)*

(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;

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Standards and interpretations applicable, not yet effective *(continued)*

- 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; and
- 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.

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 €120 million, €5 million of which was paid as security upon signature of the purchase agreement. €78 million (including €5 million already paid) was payable upon the completion of the purchase of the property, with payment of an additional amount of up to €42 million dependent on the timing of satisfaction of various conditions. EPP and Echo Investment 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 m^2 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 €'000
Summarised statement of financial position	
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

3. INVESTMENT IN JOINT VENTURES *(continued)*

	Period from 4 January 2016 until 31 December 2016 €'000
Extract from statements of comprehensive income	
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 €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 two instalments due after 31 December 2016 as follows:

- €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
- €21 000 000 on receipt of a positive decision on the Warsaw retail development site project's impact on the environment.

4. INVESTMENT PROPERTIES

Country	Poland		
Class	Retail €'000	Office €'000	Total €'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

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

	31 December 2016 €'000
4. INVESTMENT PROPERTIES *(continued)*	
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 nine 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 reletting, 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.

4. Investment properties *(continued)*

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* €'000	Level 2** €'000	Level 3*** €'000	Total fair value €'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 cash flow methods, in the process of leasing and for stabilised assets are as follows:

31 December 2016	Valuation €'000	Valuation technique	Net initial yield %	Discount rate %	Exit cap rate
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.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

	31 December 2016 €'000
5. TAX RECEIVABLES	
Corporate income tax	**9**
Total	**9**
6. TRADE AND OTHER RECEIVABLES	
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 a nominal value of €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:

	31 December 2016 €'000
Rent and service charge receivables	
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.

	31 December 2016 €'000
7. FINANCIAL ASSETS	
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 represents 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 share in the profit or loss of other realised profit on the sale of the 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 Investment 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 27 463 m^2. 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 approximately €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; and
- 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.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

	31 December 2016 €'000
8. RESTRICTED CASH	
Tenants' deposits	**14 227**
Debt service	**769**
Capital expenditures	**3 127**
Fit-out	**2 406**
Guarantee	**278**
Other	**1 038**
Total	**21 845**
9. CASH AND CASH EQUIVALENTS	
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.

	31 December 2016
10. SHARE CAPITAL	
Authorised shares (number)	
Ordinary share of €0.81 each	**2 572 645 659**
Preference share of €0.81 each	**1**

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

10. SHARE CAPITAL *(continued)*

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.

	Number of shares	% of issued capital
Shareholder type		
Non-public shareholders	**355 921 894**	**60.73**
Directors and associates (direct and indirect)	**30 857 220**	**5.27**
Redefine Properties Limited (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		
Public shareholders	**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 €'000
Share premium	
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 €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 €46 459 000; and
- 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 €165 511 000.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

10. SHARE CAPITAL *(continued)*

As a result of the investment certificates transfer agreements entered into between Echo Investment 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 €1 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:

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

On 1 June 2016, the company issued a preferred dividend distribution for the amount of €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 €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 €0.81 each acquired and paid up by Hadley James Tyzack Dean by means of a cash contribution for the amount of €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 €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 €0.81 each and one preference share of €0.81 and the issued share capital of the company comprised 514 529 131 ordinary shares of €0.81 each and one preference share of €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 €0.81 each and 1 preference share of €0.81 and the issued share capital of the company comprises 586 051 292 ordinary shares of €0.81 each (all of which are listed on the LuxSE and the JSE) and one preference share of €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 ended 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 €12 558 000 which was fully paid out to the qualifying shareholders.

11. DISTRIBUTIONS MADE AND PROPOSED

	31 December 2016 €'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 the 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 Investment 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 metre 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 €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.

Profit for the period from 4 January 2016 to 31 December 2016 of €76 764 000 differs from the forecast of €67 291 000 primarily due to an increase in valuation of EPP's portfolio from 30 June 2016 to 31 December 2016.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

12. BANK BORROWINGS

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

	Borrower	Type	Lender
1.	Echo Pasaż Grunwaldzki – Magellan West Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Pasaż Grunwaldzki, Wrocław	Bank Zachodni WBK SA/ Erste Group Bank AG
2.	Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galaxy, Szczecin	Bank Zachodni WBK SA/ Erste Group Bank AG
3.	Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Echo, Kielce	HSBC Bank PLC
4.	Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Amber, Kalisz	Landesbank Hessen-Thüringen Girozentrale
5.	Galeria Sudecka – "Projekt Echo – 43" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Sudecka, Jelenia Góra	Landesbank Hessen-Thüringen Girozentrale
6.	Galeria Olimpia – "Projekt Echo – 98" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Olimpia, Bełchatów	Landesbank Hessen-Thüringen Girozentrale
7.	Veneda – "Projekt Echo – 97" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Veneda, Łomża	Landesbank Hessen-Thüringen Girozentrale
8.	Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Outlet Park, Szczecin	Landesbank Hessen-Thüringen Girozentrale
9.	Centrum Przemyśl – Projekt Echo 118 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – CH Przemyśl	Landesbank Hessen-Thüringen Girozentrale
10.	"Vousoka Polska" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – CH Bełchatów	Landesbank Hessen-Thüringen Girozentrale

Origination date	Loan currency	Interest	Final repayment date	Outstanding balance of loan (€) Non-current	Current
2016/12/04	EUR	3M EURIBOR, IRS	2022/12/05	**156 382**	**3 304**
2016/12/04	EUR	3M EURIBOR, IRS	2022/12/05	**125 748**	**2 696**
2014/12/22	EUR	3M EURIBOR, IRS	2019/12/30	**93 933**	**2 000**
2016/05/13	EUR	3M EURIBOR, IRS	2023/05/15	**50 302**	**1 054**
2016/05/13	EUR	3M EURIBOR, IRS	2023/05/15	**32 004**	**671**
2016/05/13	EUR	3M EURIBOR, IRS	2023/05/15	**26 253**	**550**
2016/05/13	EUR	3M EURIBOR, IRS	2023/05/15	**21 064**	**442**
2016/05/13	EUR	3M EURIBOR, IRS	2023/05/15	**37 789**	**792**
2016/05/13	EUR	3M EURIBOR, IRS	2023/05/15	**2 991**	**63**
2016/05/13	EUR	3M EURIBOR, IRS	2023/05/15	**6 078**	**128**

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

12. BANK BORROWINGS *(continued)*

	Borrower	Type	Lender
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.
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.
13.	Echo – West Gate Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – West Gate	Berlin Hyp AG/ING Bank Śląski S.A.
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.
15.	Oxygen – Projekt Echo – 125 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Oxygen, Szczecin	PKO BP SA
16.	Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Opolska I, Kraków	HSBC Bank PLC
17.	Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	VAT loan – Opolska I, Kraków	HSBC Bank PLC
18.	Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Tryton, Gdańsk	HSBC Bank PLC
19.	Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	VAT loan – Tryton, Gdańsk	HSBC Bank PLC
20.	Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Symetris I, Łódź	BGŹ BNP Paribas SA
21.	Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	VAT loan – Symetris I, Łódź	BGŹ BNP Paribas SA
	Total		

Origination date	Loan currency	Interest	Final repayment date	Outstanding balance of loan (€) Non-current	Current
2016/05/13	EUR	3M EURIBOR, IRS	2021/06/01	**32 862**	**684**
2016/05/13	EUR	3M EURIBOR, IRS	2021/06/01	**40 547**	**844**
2016/05/13	EUR	3M EURIBOR, IRS	2021/06/01	**20 182**	**420**
2016/05/13	EUR	3M EURIBOR, IRS	2021/06/01	**20 605**	**432**
2013/11/27	EUR	3M EURIBOR, IRS	2017/03/27	–	**11 109**
2016/12/16	EUR	3M EURIBOR, IRS	2019/12/30	**28 581**	**594**
2016/12/16	PLN	1M WIBOR	2017/06/30	–	**10 394**
2016/12/16	EUR	3M EURIBOR, IRS	2019/12/30	**32 726**	**680**
2016/12/16	PLN	1M WIBOR	2017/06/30	–	**10 918**
2016/12/01	EUR	3M EURIBOR	2021/12/19	**13 729**	**400**
2016/12/01	PLN	1M WIBOR	2017/09/30	–	**4 670**
				741 776	**52 845**

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

12. BANK BORROWINGS *(continued)*

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
1.	Echo Pasaż Grunwaldzki – Magellan West Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Pasaż Grunwaldzki, Wrocław	BZ WBK SA/Erste Bank
2.	Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galaxy, Szczecin	BZ WBK SA/Erste Bank
3.	Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Echo, Kielce	HSBC
4.	Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Amber, Kalisz	Landesbank Hessen-Thüringen Girozentrale
5.	Galeria Sudecka – "Projekt Echo – 43" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Sudecka, Jelenia Góra	Landesbank Hessen-Thüringen Girozentrale
6.	Galeria Olimpia – "Projekt Echo – 98" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Galeria Olimpia, Bełchatów	Landesbank Hessen-Thüringen Girozentrale
7.	Veneda – "Projekt Echo – 97" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Veneda, Łomża	Landesbank Hessen-Thüringen Girozentrale
8.	Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Outlet Park, Szczecin	Landesbank Hessen-Thüringen Girozentrale
9.	Centrum Przemyśl – Projekt Echo 118 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – CH Przemyśl	Landesbank Hessen-Thüringen Girozentrale
10.	"Vousoka Polska" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – CH Bełchatów	Landesbank Hessen-Thüringen Girozentrale

Fixed rate (IRS)	Termination date of IRS	% of loan secured by IRS	Nominal amount of loan (€)	
			Fixed rate	Floating rate
(IRS 1) (0.471%) (IRS 2) 0.0%	2022/12/05	100%	**161 051**	–
(IRS1) 0.56% (IRS2) 0.0%	2012/12/16	100%	**131 449**	–
(IRS 1) 0.24% (IRS2) (0.265%)	2019/12/30	100%	**96 018**	–
(IRS1) 0.21% (IRS2) 0.10%	2023/05/13	100%	**51 898**	–
(IRS1) 0.21% (IRS2) 0.10%	2023/05/13	100%	**33 036**	–
(IRS1) 0.21% (IRS2) 0.10%	2023/05/13	100%	**27 106**	–
(IRS1) 0.21% (IRS2) 0.10%	2023/05/13	100%	**21 751**	–
(IRS1) 0.21% (IRS2) 0.10%	2023/05/13	100%	**38 999**	–
(IRS1) 0.21% (IRS2) 0.10%	2023/05/13	100%	**3 127**	–
(IRS1) 0.21% (IRS2) 0.10%	2023/05/13	100%	**6 308**	–

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

12. BANK BORROWINGS *(continued)*

	Borrower	Type	Lender
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.
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.
13.	Echo – West Gate Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan - West Gate, Wrocław	Berlin Hyp AG/ING Bank Śląski S.A.
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.
15.	Oxygen – Projekt Echo – 125 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa	Investment loan – Oxygen, Szczecin	PKO BP SA
16.	Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Opolska I, Kraków	HSBC Bank PLC
17.	Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	VAT loan – Opolska I, Kraków	HSBC Bank PLC
18.	Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Tryton, Gdańsk	HSBC Bank PLC
19.	Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	VAT loan – Tryton, Gdańsk	HSBC Bank PLC
20.	Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa[1]	Investment loan – Symetris I, Łódź	BGŻ BNP Paribas SA
21.	Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	VAT loan – Symetris I, Łódź	BGŻ BNP Paribas SA
	Total		

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

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

Fixed rate (IRS)	Termination date of IRS	% of loan secured by IRS	Nominal amount of loan (€)	
			Fixed rate	**Floating rate**
(IRS1) (0.112%) (IRS2) (0.114%) (IRS3) (0.166%)	2021/06/01	100%	**33 858**	**–**
(IRS1) (0.112%) (IRS2) (0.114%) (IRS3) (0.166%)	2021/06/01	100%	**41 778**	**–**
(IRS1) (0.112%) (IRS2) (0.114%) (IRS3) (0.166%)	2021/06/01	100%	**20 790**	**–**
(IRS1) (0.112%) (IRS2) (0.114%) (IRS3) (0.166%)	2021/06/01	100%	**21 384**	**–**
1.21%	2017/03/27	92%	**10 204**	**905**
n/a	n/a	0%	**–**	**29 556**
n/a	n/a	0%	**–**	**10 918**
n/a	n/a	0%	**–**	**33 830**
n/a	n/a	0%	**–**	**10 394**
n/a	n/a	0%	**–**	**14 280**
n/a	n/a	0%	**–**	**4 671**
			698 757	**104 554**

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

	31 December 2016 €'000
13. TAX PAYABLES	
Corporate income tax	**172**
Other	**3**
Total	**175**
14. TRADE PAYABLES AND OTHER LIABILITIES	
Current	
Trade payables	**8 260**
Wages and salaries payable	**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 liquidity risk management processes, refer to note 28.

	Period from 4 January 2016 until 31 December 2016 €'000
15. REVENUE	
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**

	Period from 4 January 2016 until 31 December 2016 €'000
16. ADMINISTRATIVE EXPENSES	
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 €324 000. The audit fees incurred in relation to the listing amounted to €432 000 and were recognised against share premium.	
17. OTHER OPERATING INCOME AND EXPENSES	
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)**
18. FINANCE INCOME	
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**

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

	Period from 4 January 2016 until 31 December 2016 €'000
19. FINANCE COST	
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.

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), valuation 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 borrowings, as these are the only liabilities reported to the board on a segmental basis.

	Retail €'000	Office €'000	Total €'000
Period ended 31 December 2016			
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)**

20. SEGMENT INFORMATION *(continued)*

	Retail €'000	Office €'000	Total €'000
Year ended 31 December 2016			
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.

21. INCOME TAX

	Total €'000
The major components of income tax expense for the year ended 31 December 2016 are:	
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 of profit or loss	19 424
Reconciliation of tax expense and the accounting profit multiplied by Poland's corporate tax rate for 2016:	
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

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

	Statement of financial position €'000
21. INCOME TAX *(continued)*	
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, foreign exchange 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 €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.

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.

22. EARNINGS PER SHARE *(continued)*

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

	Period from 4 January 2016 until 31 December 2016 €'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 (€ cents)*	20.9
Headline earnings and diluted headline earnings per share (€ cents)**	8.7
Distributable income per share (€ 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.

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 €'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) (€ cents)	1.16
Net tangible asset value per share (€ cents)	1.16

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

24. SHARE-BASED PAYMENTS

Senior Executive Plan

EPP group committed to introduce a long-term incentive programme 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 €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 €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 €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.

25. RECONCILIATION OF PROFIT BEFORE TAX TO OPERATING CASH FLOW

	Period from 4 January 2016 until 31 December 2016 €'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**
Cash flows from operating activities	**26 363**

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%
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%

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

Name	Country of incorporation	Principal activities	Date of control	Share
26. RELATED-PARTY DISCLOSURES *(continued)*				
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%
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%

26. RELATED-PARTY DISCLOSURES *(continued)*

Name	Country of incorporation	Principal activities	Date of control	Share
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%
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%

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

26. RELATED-PARTY DISCLOSURES *(continued)*

Name	Country of incorporation	Principal activities	Date of control	Share
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 to 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 control business combinations of the abovementioned entities during the year are presented below (amounts in thousands €):

	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 to 87 listed above – holding companies.

As a part of ROFO transactions, the company has acquired entities 36 to 38 and 60 to 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 the equity consolidation method is applied.

26. RELATED-PARTY DISCLOSURES *(continued)*

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 €'000	Purchases from related parties €'000	Amounts due to related parties* €'000	Amounts due from related parties* €'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 €'000	Amounts due from related parties €'000	Amounts due to related parties €'000
Loans from related parties			
Echo Investment group	(57)	13 167	(6 106)

Loans to related parties are described in 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 one or five years depending on the 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 König	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 König hold 40% and 15% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares.*

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

26. RELATED-PARTY DISCLOSURES *(continued)*

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 €3 500 000 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 Real Estate.
Nebil Senman	**Griffin Real Estate advisory agreement**	Nebil Senman is an indirect beneficial shareholder of Griffin Real Estate.
Maciej Dyjas	**ROFO project acquisition agreements**	Maciej Dyjas is an indirect beneficial shareholder of Echo Investment (vendor).
Nebil Senman	**ROFO project acquisition agreements**	Nebil Senman is an indirect beneficial shareholder of Echo Investment (vendor).
Maciej Dyjas	**Warsaw retail development site acquisition agreement**	Maciej Dyjas is an indirect beneficial shareholder of Griffin Real Estate.
Nebil Senman	**Warsaw retail development site acquisition agreement**	Nebil Senman is an indirect beneficial shareholder of Griffin Real Estate.

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* €'000	Directors' fees** €'000	Bonuses and other performance payments** €'000	Total €'000
Executive directors				
Hadley Dean	**161**	–	**275**	**436**
Maciej Drozd	**87**	–	**50**	**137**
Total	**248**	–	**325**	**573**

26. RELATED-PARTY DISCLOSURES *(continued)*

	Basic salaries* €'000	Directors' fees** €'000	Bonuses and other performance payments** €'000	Total €'000
Non-executive directors				
Robert Weisz	–	45	–	45
Marc Wainer	–	25	–	25
Marek Belka	–	31	–	31
Andrew König	–	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's 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.

27. FUTURE OPERATING LEASE REVENUE

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

	Retail 2016 €'000	Office 2016 €'000	Total 2016 €'000
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

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

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 the 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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	Increase/ (decrease) in basic points 2016 %	Effect on equity 2016 €'000	Effect on profit before tax 2016 €'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 the statement of financial position listed below:

- Cash and cash equivalent
- Trade receivables
- Trade payables

	31 December 2016 €'000
Consolidated statement of comprehensive income	
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.

Notes to the consolidated financial information *(continued)*
for the period ended 31 December 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the 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):

	Up to one year €'000	One to three years €'000	Three to five years €'000	>Five years €'000	Total €'000
Year ended 31 December 2016					
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 31 December 2016 €'000	Fair value 31 December 2016 €'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**

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
31 December 2016				
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.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

	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%**

29. EMPLOYEES

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

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

30. COMMITMENTS AND CONTINGENCIES

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

Bank	Amount €'000	Maturity	Description
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

30. COMMITMENTS AND CONTINGENCIES *(continued)*

Bank	Amount €'000	Maturity	Description
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 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.

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, four retail properties ("the properties") for an aggregate consideration of €66.57 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 €40.67 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 Zamość 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 Zamość, Poland for an aggregate purchase consideration of €53.51 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 Tęcza Shopping Centre situated in Kalisz, Poland for an aggregate purchase consideration of €23.21 million. The remaining co-owner is Spolem Supermarket that owns the premises from which it operates within the Galeria Tęcza 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 €49.17 million. Wzorcownia is spread across 16 different plots, with different forms of ownership rights. Wzorcownia Retail has ownership rights in respect of two plots and perpetual usufruct rights in respect of one 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 two 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.

Notes to the consolidated financial information *(continued)*

for the period ended 31 December 2016

31. EVENTS AFTER THE REPORTING PERIOD *(continued)*

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 centres 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 €166.57 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, Zamość Retail 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


AMBER
GALERIA
E.Leclerc
HELIOS

Galeria Sudecka

08

Shareholder information

RETAIL UNITS
79

GLA
15 100 m^2

CATCHMENT
151 000

Shareholder analysis

for the period ended 31 December 2016

Shareholder spread	**Number of shareholdings**	**% of total shareholdings**	**Number of shares**	**% of issued capital**
1 – 1 000	172	10.18	85 772	0.01
1 001 – 10 000	1 056	62.49	4 185 817	0.71
10 001 – 100 000	335	19.82	9 775 431	1.67
100 001 – 1 000 000	97	5.74	31 654 497	5.40
Over 1 000 000	30	1.78	540 349 775	92.20
Total	1 690	100.00	586 051 292	100.00
Distribution of shareholders				
Assurance companies	16	0.95	2 073 096	0.35
Close corporations	20	1.18	280 273	0.05
Collective investment schemes	91	5.38	37 649 079	6.42
Control accounts	2	0.12	31 153 289	5.32
Custodians	9	0.53	14 961 814	2.55
Foundations and charitable funds	37	2.19	1 595 687	0.27
Hedge funds	7	0.41	607 766	0.10
Insurance companies	2	0.12	12 407	–
Investment partnerships	7	0.41	37 689	0.01
Managed funds	12	0.71	419 319	0.07
Medical aid funds	1	0.06	104 166	0.02
Organs of state	2	0.12	2 069 396	0.35
Private companies	61	3.61	131 843 394	22.50
Public companies	8	0.47	294 374 796	50.23
Public entities	2	0.12	34 821	0.01
Retail shareholders	976	57.75	28 035 251	4.78
Retirement benefit funds	83	4.91	11 826 113	2.02
Scrip lending	1	0.06	904 702	0.15
Stockbrokers and nominees	15	0.89	19 738 067	3.37
Trusts	338	20.00	8 330 167	1.42
Total	1 690	100.00	586 051 292	100.00
Shareholder type				
Non-public shareholders	7	0.41	355 921 894	60.73
Directors and associates (direct and indirect)	4	0.24	30 857 220	5.27
Redefine Properties Limited (holders > 10%)	2	0.12	235 147 077	40.12
Echo Prime Assets BV (holders > 10%)	1	0.06	89 917 597	15.34
Public shareholders	1 683	99.59	230 129 398	39.27
Total	1 690	100.00	586 051 292	100.00

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Beneficial shareholders with a holding greater than 3% of the issued shares				
Redefine Properties Limited			235 147 077	40.12
Echo Prime Assets BV			89 917 597	15.34
Pivotal Fund Limited various shareholders			31 153 281	5.32
Blackview Holdings Limited			27 166 308	4.64
The Big Five International Limited			25 726 456	4.39
Oxiana Limited			21 417 881	3.65
Total			430 528 600	73.46
Total number of shareholdings	1 690			
Total number of shares in issue	586 051 292			

Share price performance

Opening price 13 September 2016	**R24.00**
Closing price 30 December 2016	**R19.50**
Closing high for period	**R23.60**
Closing low for period	**R19.00**
Number of shares in issue	**586 051 292**
Volume traded during period	**27 962 906**
Ratio of volume traded to shares issued (%)	**4.77%**
Rand value traded during the period	**R590 846 673**
Price/earnings ratio as at 31 December 2016	**2 269**
Earnings yield as at 31 December 2016 (%)	**44 068**
Dividend yield as at 31 December 2016 (%)	**–**
Market capitalisation at 31 December 2016	**R11 428 000 194**

Shareholders' diary

for the period ended 31 December 2016

Financial year-end	**31 December**
Preliminary annual results announcement	**9 March 2017**
Annual report posted	**20 April 2017**
Annual general meeting	**19 May 2017**
Interim results announcement	**September 2017**

Distribution details

	2017 € cents per share	2016 € cents per share
Four months ended 31 December		3.14
Six months ended 30 June	**TBC**	
12 months ended 31 December	**TBC**	

Annexure 1: King III Chapter 2

EPP's application of King III Chapter 2 is set out below. The full application of King III is set out on the company's website (www.echo-pp.com).

Principle description	Principle	Compliance	How the principle is applied
Principle 2.1	The board acts as the focal point for and custodian of corporate governance	✓	EPP's board considers sound corporate governance practices to be a critical element in delivering sustainable growth. The board recognises that it is the ultimate custodian of corporate governance.
Principle 2.2	The board appreciates that the strategy, risk, performance and sustainability are inseparable	✓	The directors of the company subscribe to the principle that they have accountability to shareholders and an obligation to all stakeholders (including shareholders), to ensure that the company's resources are utilised to ensure its continuing viability. The board appreciates that strategy, risk, performance and sustainability are inseparable.
Principle 2.3	The board provides for effective leadership based on ethical foundation	✓	EPP's board considers ethical leadership and sound corporate governance practices to be a critical element in delivering sustainable growth for stakeholders. In conducting the affairs of the company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by King III.
Principle 2.4	The board ensures that the company is and is seen as a responsible corporate citizen	✓	The board undertakes its activities and instructs management to implement its strategies on a best practice basis and with consideration of the intrinsic value of being seen to be a responsible corporate citizen.
Principle 2.5	The board ensures that the company's ethics are managed effectively	✓	The board takes responsibility for building and sustaining a principled corporate culture within the group. A code of ethics and standards of professional conduct is included in the board charter.
Principle 2.6	The board ensures that the company has an effective and independent audit committee.	✓	EPP's audit and risk committee is integral to the company's risk management process. The committee consists of three independent non-executive directors. The chief executive officer and chief financial officer as well as representatives of the external auditors attend the meeting by invitation. All the members have the necessary skills and experience required. The committee has unrestricted access to independent expert advice should the need arise.
Principle 2.7	The board is responsible for the governance of risk	✓	The board oversees the management of risk and has delegated the process to the audit and risk committee. The committee monitors the adequacy and effectiveness of the company's internal and risk management process generally.

Principle description	Principle	Compliance	How the principle is applied
Principle 2.8	The board is responsible for information technology ("IT") governance	✓	The board monitors the use of, and risks associated with, IT governance by way of the risk committee.
Principle 2.9	The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	Nothing has come to the attention of the board that the group has not complied with applicable laws. The group strives to maintain abreast of all applicable laws via regular communication with its advisors. The board has adopted a legal compliance policy.
Principle 2.10	The board ensures that there is an effective risk-based internal audit	✗	Due to the size of the company, the board does not consider it cost-effective to maintain a full-time internal audit function. The company's situation and needs in terms of an annual assessment 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.
Principle 2.11	The board appreciates that stakeholders' perceptions affect the company's reputation	✓	The board of directors believes that stakeholders' perceptions are of critical importance and to this end the board regularly communicates with a cross-section of stakeholders in order to gauge perception.
Principle 2.12	The board ensures the integrity of the company's integrated report	✓	The audit and risk committee is tasked with reviewing the integrated annual report and reporting back to the board. Additionally, the board as a whole is provided an opportunity to provide feedback on the integrated annual report. EPP works closely with its advisors prior to the release of its integrated annual report.
Principle 2.13	The board reports on the effectiveness of the company's internal controls	✓	EPP's audit and risk committee reports to shareholders on the appropriateness of its system of internal controls in its integrated annual report. The audit and risk committee receives reports on the internal controls of the company well in advance of meetings of the audit and risk committee.
Principle 2.14	The board and its directors act in the best interests of the company	✓	The board of directors individually and collectively understand their fiduciary responsibility to act in the best interests of the company and disclosures of interest and directors' dealings are reported on in accordance with a policy adopted by the board in this regard.

Annexure 1: King III Chapter 2 *(continued)*

Principle description	Principle	Compliance	How the principle is applied
Principle 2.15	The board will/has consider/ed business rescue proceeding or other turnaround mechanisms as soon as the company has been/may be financially distressed as defined in the Companies Act, 71 of 2008	✓	The board actively monitors its commitments and cash requirements and whether it can settle all of its debts as they fall due for payment. The board monitors cash flow reports prepared by management on a regular basis.
Principle 2.16	The board has elected a chairman of the board who is an independent non-executive director. The CEO of the company does not also fulfil the role of chairman of the board.	✓	The chairman of the board is an independent non-executive director and his role is separate from that of the chief executive officer.
Principle 2.17	The board has appointed the Chief Executive Officer and has established a framework for the delegation of authority	✓	The board has appointed a chief executive officer and established a framework for the delegation of authority.
Principle 2.18	The board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent.	✓	The approvals framework ensures that there is a clear balance of power between the various board members. The board comprises two executive and nine non-executive directors, five of whom are independent.
Principle 2.19	Directors are appointed through a formal process	✓	The board has delegated the responsibilities of nominating and appointing new directors to the nomination and remuneration committee, which comprises three independent non-executive directors. Deliberations and appointments of the board are formal and transparent, free from any dominance of any one particular shareholder.
Principle 2.20	The induction of and ongoing training, as well as the development of directors are conducted through a formal process	✓	Training is arranged for the board as required.

Principle description	Principle	Compliance	How the principle is applied
Principle 2.21	The board is assisted by a competent, suitably qualified and experienced company secretary.	✓	The board is assisted by a suitably qualified company secretary, who has adequate experience, who is not a director of the company and who has been empowered to fulfil his duties. The board reviews the company secretary at least annually and the board is satisfied that the company secretary maintains an arm's length relationship with the board and is sufficiently qualified and experienced to execute the required duties.
Principle 2.22	The evaluation of the board, its committees and individual directors is performed every year.	✓	The evaluation of the board, its committees and individual directors is performed annually.
Principle 2.23	The board delegates certain functions to well-structured committees without abdicating from its own responsibilities.	✓	The board has delegated certain specific responsibilities to the nomination and remuneration committee and to the audit and risk committee without abdicating its own responsibilities.
Principle 2.24	A governance framework has been agreed upon between the group and its subsidiary boards	✓	EPP and its subsidiaries operate as a single corporate group and the subsidiaries are required to entrench the holding company governance framework within their day-to-day activities.
Principle 2.25	The company remunerates its directors and executives fairly.	✓	The nomination and remuneration committee approves the remuneration policy annually and ensures that the group remunerates its directors and executives fairly.
Principle 2.26	The company has disclosed the remuneration of each individual director and prescribed officer.	✓	Each individual director's remuneration is disclosed in the company's integrated annual report.
Principle 2.27	The shareholders have approved the company's remuneration policy.	✗	EPP will include a detailed remuneration report in its integrated annual report and will engage with investors to the extent that they voice any concerns in this regard. The board is of the view that this is more meaningful than putting a non-binding resolution to vote.

Definitions

Board	The board of directors of Echo Polska Properties N.V.
CEE	Central Eastern European
CSR	Corporate Social Responsibility
DPS	Dividend per share
Echo Investment	Echo Investment S.A.
EPP or the company	Echo Polska Properties N.V.
ESG	Environment Social Governance
FIZs	Forum XXIX and Forum XXXIV, each a Polish closed-end investment fund and each a wholly owned subsidiary of EPP
GLA	Gross lettable area
Griffin Real Estate	Griffin Real Estate sp. z o.o., a strategic investor in Echo Investment
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board
JSE	JSE Securities Exchange, on which EPP is listed in the Real Estate Holdings and Development Sector
King III Report	King Report on Corporate Governance for South Africa 2009
LuxSE	Luxembourg Stock Exchange on which EPP is listed on the Euro MTF market
NOI	Net operating income
OCR	Occupancy cost ratio
the period	The period from 4 January to 31 December 2016
Redefine	Redefine Properties Limited
ROFO agreements	collectively, the ROFO office agreement and the ROFO retail agreement
ROFO office agreement	the ROFO office agreement entered into between Echo Investment, EPP and Minster Investments on 1 June 2016, in terms of which Echo Investment grants EPP a right of first offer to acquire the office ROFO projects
ROFO projects acquisition agreements	the binding term sheet concluded by EPP and Echo Investment on 5 July 2016, in terms of which EPP will acquire the O3 Business Campus Phase I, A4 Business Park Phase III, Tryton Business House and Symetris Business Park Phase I
ROFO retail agreement	agreement entered into between Echo Investment, EPP and Camas Investments LP on 1 June 2016, in terms of which Echo Investment grants EPP a right of first offer to acquire the retail ROFO project
ROFO	a company or partnership that is the direct holder (ie owner and/or perpetual usufruct holder) of a property on which a given ROFO project is being developed at the relevant time
ROFO agreements	collectively, the ROFO office agreement and the ROFO retail agreement
RTS	Rent to sales
SA Companies Act	the South African Companies Act, 2008 (Act 71 of 2008)
SENS	Securities Exchange News Service of the JSE
WAULT	Weighted average unexpired lease term

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Incorporated on 4 January 2016 in the Netherlands

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