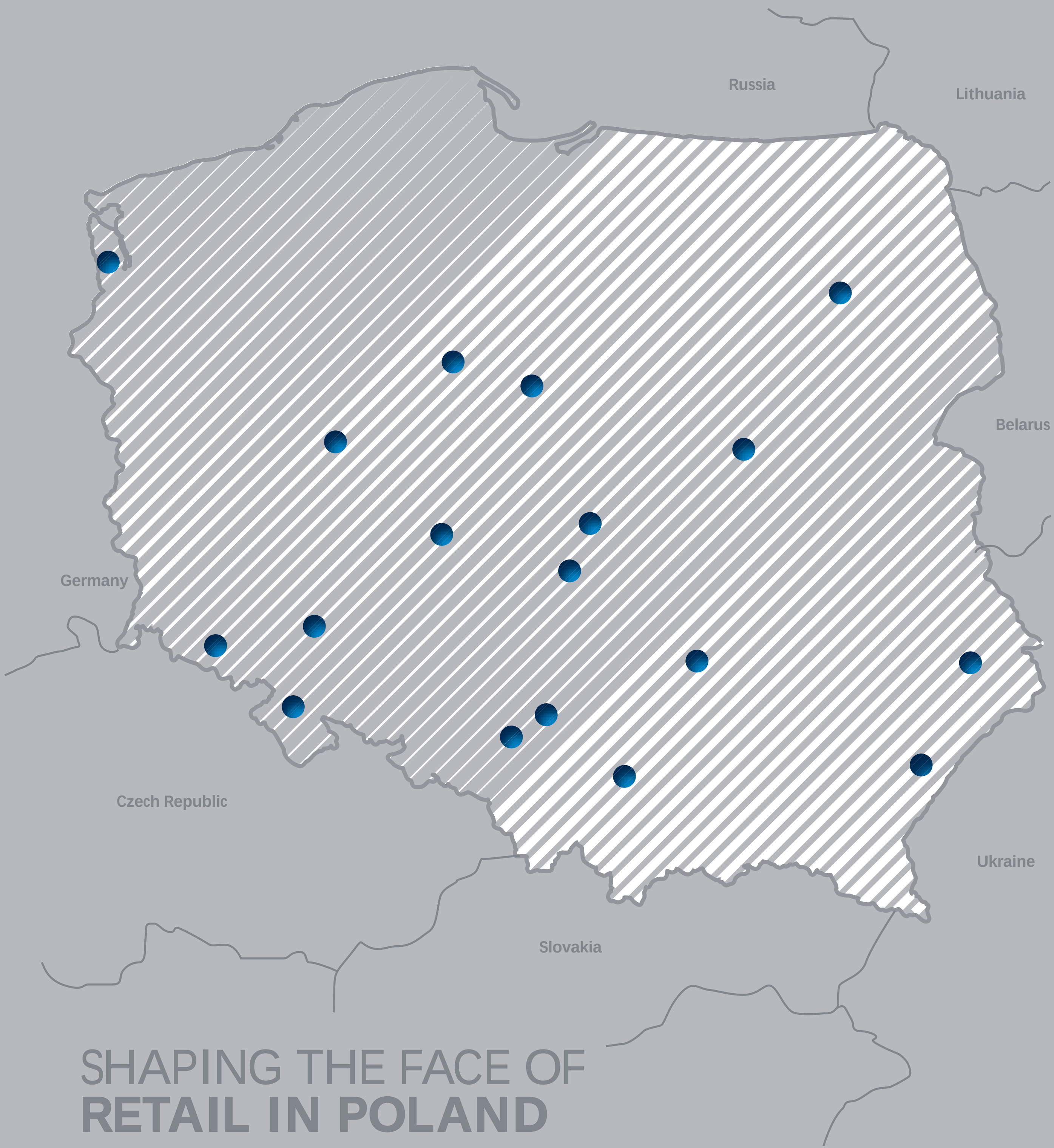
INTEGRATED REPORT 2017



SHAPING THE FACE OF **RETAIL IN POLAND**

POLAND

EPP is one of the leading retail landlords in Poland with properties across the country.

Contents

Industry recognition

2017

CIJ awards Poland

Best asset management company of the year

7th CEE investment awards by Europaproperty.com

Core+/value add investor of the year

2006 – 2012 deal of the decade awards by Property EU

Winner: Newcomer

CEE retail awards by Europaproperty.com

Property management company of the year

About this report

EPP is a real estate investment company that follows the REIT formula regarding investment strategy and dividend policy, investing in retail properties throughout Poland with primary listings on the Main Board of the JSE and the Euro MTF market of the Luxembourg Stock Exchange.

The current portfolio includes 14 retail projects, six offices 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. The company has a primary listing on both the Euro MTF Market of the Luxembourg Stock Exchange and the Main Board of the JSE (Real Estate and Development Sector).

This is EPP's second integrated annual report and presents the financial results and the ESG performance of the group for the year ended 31 December 2017 and follows our report for the previous year published in April 2017. The 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, the JSE Listings Requirements, IFRS, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, King IV 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 to be the presentation currency. (For more information see the annual financial statements on pages 85 to 195.)

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 year ended 31 December 2017. Their unqualified audit report is set out on page 86. The scope of their audit is limited to the information set out in the annual financial statements on pages 132 to 195.

FORWARD-LOOKING STATEMENTS

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 December 2017. 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

Jacek Bagiński
Chief financial officer

Peter Driessen
Chairman audit and risk committee

Echo Polska Properties N.V.
(Incorporated in The Netherlands)
(Company number 64965945)
JSE share code: EPP
ISIN: NL0011983374
Common code: 148164843
Date listed on LuxSE: 30 August 2016
Date listed on JSE: 13 September 2016
(Real Estate and Development Sector)
Closing price at 31 December 2017: R17.00

Feedback
A hard copy of this integrated annual report is available on request as well as online at www.echo-pp.com.

We welcome your feedback and any suggestions. Please forward comments to: Curwin Rittles, Investor Relations, curwin.rittles@echo-pp.com.

Chairman's letter to shareholders

ROBERT WEISZ
Chairman

The Polish real estate market continues to demonstrate phenomenal growth, driven by a Polish economy which has maintained its growth.

It has been another exciting year for EPP which has seen the company evolve and develop into a Pure Polish Property Play, focused on owning retail properties in regional cities across Poland. We have progressed in realising our strategy of being recognised as a Polish property company focused on retail, particularly among the European investment community.

The Polish real estate market continues to demonstrate phenomenal growth, driven by a Polish economy which has maintained its growth. GDP growth for 2017 was expected to be 4.2%, with 3.6% growth expected in 2018. This economic boom period for Poland is further supported by sustained consumer strength and an improving infrastructure, as well as low unemployment and a highly skilled workforce, making the country an attractive investment destination. In addition Poland has also become the first central or east European country to reach developed country status when FTSE Russell announced the upgrade of Poland from emerging market to developed market status in September 2017 which will occur in September 2018. Poland also boasts over 20 large cities and one of EPP's critical strategic objectives is to have a presence in all of these cities. We have progressed well in this during the year with a presence in 17 cities across Poland.

It has been another year of great support from our major shareholder Redefine, who has been instrumental in developing EPP as an investment vehicle into the Polish market, and who helped EPP to access funding from the South African investment community.

The EPP story for 2017 has on the one hand been a focus on the property side with office disposals and acquisitions, and on the other hand it has been a year of expanding the organisation, management and expertise to ensure we have the suitable processes and people in place as a large property and development

The year ahead will be one of consolidation. This means taking care of our current asset base which is nearing €2 billion and building it into an optimal investment base.

company. A game changer for us was our largest acquisition to date of 12 properties known as the Metro portfolio for €692 million at the end of 2017 which will add close to 500 000 m² in retail GLA. The properties are being acquired in three tranches with the first of these effective in January 2018. This transaction has made us a truly retail focused investment company. (See CEO's report for further detail on this transaction).

None of this would be possible without capable management and over the past year bolstering our expertise has been a focus area. While in the past we benefited greatly from expertise within our partners Echo Investment and Griffin, we now have a suitably expanded and strong management capacity within EPP itself. Critical in bolstering our team has been ensuring that we have the rights skills on board and I am confident that this is in place.

CORPORATE CITIZENSHIP

We are committed to running a sustainable business and maintaining good corporate citizenship. This encompasses ensuring that we run energy efficient, green buildings and are at all times cognisant of our impact on the environment as well as the communities in which we operate. We are also committed to good corporate governance and ensure that stringent governance processes and policies are in place. This includes adherence to all applicable governance codes including the Dutch Corporate Governance Code and South Africa's King IV Code.

Our board is made up primarily of seasoned independent non-executive directors with relevant property experience who are able to objectively assess all investment opportunities.

OUTLOOK

The year ahead will be one of consolidation. This means taking care of our current asset base which is nearing €2 billion and building it into an optimal investment base. Our focus will therefore be on optimising the asset management of our existing portfolio and management of the developments under way instead of expansion as in the prior year.

APPRECIATION

I would like to thank the EPP management team led by Hadley and Jacek for their hard work and dedication which has helped us evolve into a Pure Polish Property Play and trebled our asset base in a short space of time. I also thank my fellow board members for their wise counsel during the year.

Robert Weisz
Chairman

19 April 2018

01

EPP IN A SNAPSHOT

Warsaw

EPP properties:

- Galeria Młociny retail development
- Towarowa mixed use development
- Park Rozwoju (Stage I & II)

Key attractions:

- The Old Town with the Royal Castle
- Presidential/Namiestnikowski Palace
- The National Museum
- The National Stadium
- Warsaw Uprising Museum
- Copernicus Science Centre

1 753 977
CITY POPULATION

2 596 761
AGGLOMERATION POPULATION

€10 929
ANNUAL PURCHASING POWER PER CAPITA

€9 950
AGGLOMERATION ANNUAL PURCHASING POWER PER CAPITA

PLN 5 740
AVERAGE MONTHLY WAGE

FY17 highlights

at 31 December 2017

FINANCIAL HIGHLIGHTS

Distributable earnings of
€76.60 million

NAV €1.32 per share **up 16%**

Successfully executed
acquisitions of **€334 million**

LTV improved to **47.4%**
(2016: 52.7%)

Distributable income per share
10.87 € cents for full FY

NOI up to **€103 million**
(2016: €67 million)

Disposed of **€160 million**
of office assets

Cost of debt **2.14%**
– weighted maturity 3.9 years

OPERATIONAL HIGHLIGHTS

75 603 104 million shoppers visited EPP centres in 2017

130 international retailers in EPP malls

122 069 m² retail GLA acquisitions added to EPP portfolio in 2017 (excluding development site and M1 portfolio)

11 retailers launched flagship stores in EPP malls

Boosted in-house capabilities including asset management, leasing, legal department and investor relations

Announced €692 million M1 portfolio acquisition

Acquired six retail properties (including Młociny development site)

Disposed of three office properties

18 450 m² of retail extensions delivered (Galaxy and OPS)

RETAIL OPERATIONAL HIGHLIGHTS

GLA m²

444 350

(2016: 307 840)
GLA at the end of 2016 excluding extensions

Footfall growth ("LFL*")

4.6%

(2016: 3.0%)

Tenant turnover growth ("LFL*")

7.0%

(2016: 3.0%)

Vacancy

1.41%

(2016: 1.63%)

Rent-to-sales ("RTS")

10.3%

(2016: 11.0%)

Operational costs ratio ("OCR")

13.5%

(2016: 14.5%)

WALT# by GLA

5.30 years

(2016: 4.76 years)

Number of units

1 428

(2016: 968)

* *LFL: Like-for-like.*
\# *Weighted average lease term.*

EPP at a glance

EPP is a retail-focused real estate investment company with properties located in 17 regional cities across Poland, characterised by their strong economy, purchasing power and ability to attract international investment interests. EPP's portfolio spans 14 retail projects, six offices and two retail development sites in Warsaw.

€1.6 billion income-generating portfolio

444 350 m² retail GLA and 137 359 m² office GLA

Average annualised portfolio yield of 6.65% (2016: 6.58%)

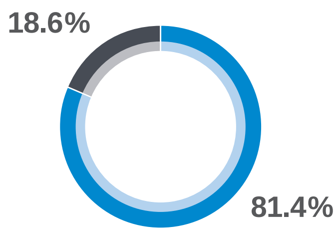
Over 150 employees

* *Figures at 31 December 2017.*

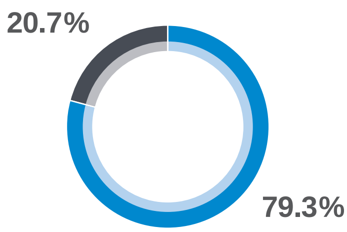
OUR MISSION

To become one of the leading landlords in Poland that leverages both its scale and relationships to provide a leading cash-generating property company that delivers consistent returns to shareholders through: asset management, acquisitions, developments and extensions and asset recycling.

Sectoral breakdown by revenue

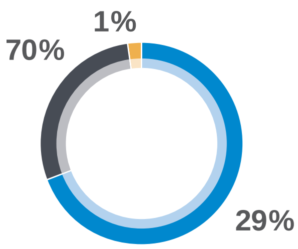


Sectoral breakdown by GLA

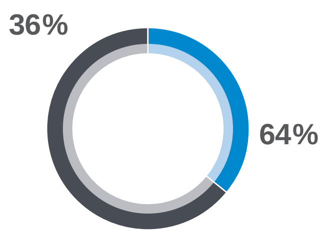


Retail Office

Rent and recoveries income

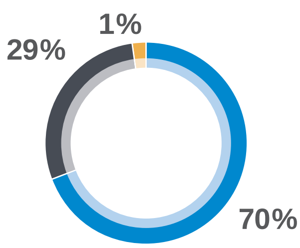


Straight-line rental income



Retail Office Unallocated

Property operating expense



Retail Office Unallocated

EPP at a glance (continued)

Geographic profile total portfolio by GLA m²

- Kielce 14.8%
- Szczecin 17.0%
- Wrocław 8.3%
- Kalisz 5.8%
- Bełchatów 5.6%
- Jelenia Góra 5.2%
- Kraków 11.0%
- Włocławek 4.4%
- Zamość 4.1%
- Inowrocław 4.1%
- Kłodzko 4.0%
- Łomża 2.6%
- Przemyśl 1.0%
- Warszawa 5.8%
- Poznań 4.9%
- Łódź 1.6%

Geographic profile total portfolio by Revenue (€)

- Kielce 14.1%
- Szczecin 22.1%
- Wrocław 12.6%
- Kalisz 5.0%
- Bełchatów 3.4%
- Jelenia Góra 3.8%
- Kraków 11.3%
- Włocławek 3.5%
- Zamość 3.4%
- Inowrocław 3.9%
- Kłodzko 3.2%
- Łomża 2.3%
- Przemyśl 0.4%
- Warszawa 4.8%
- Poznań 4.5%
- Łódź 1.5%

INVESTMENT CASE

Pure Polish property play

Dominant, defensible and sustainable shopping centres

Highly efficient and reliable operations supported by proprietary property information system

Attractive and secure yields

Track record of successful acquisitions

Supportive capital structure

Creative environments where retailers thrive

Highly skilled and experienced management team

Strong proprietary pipeline

Strong corporate governance

Our top properties

GALAXY

Szczecin

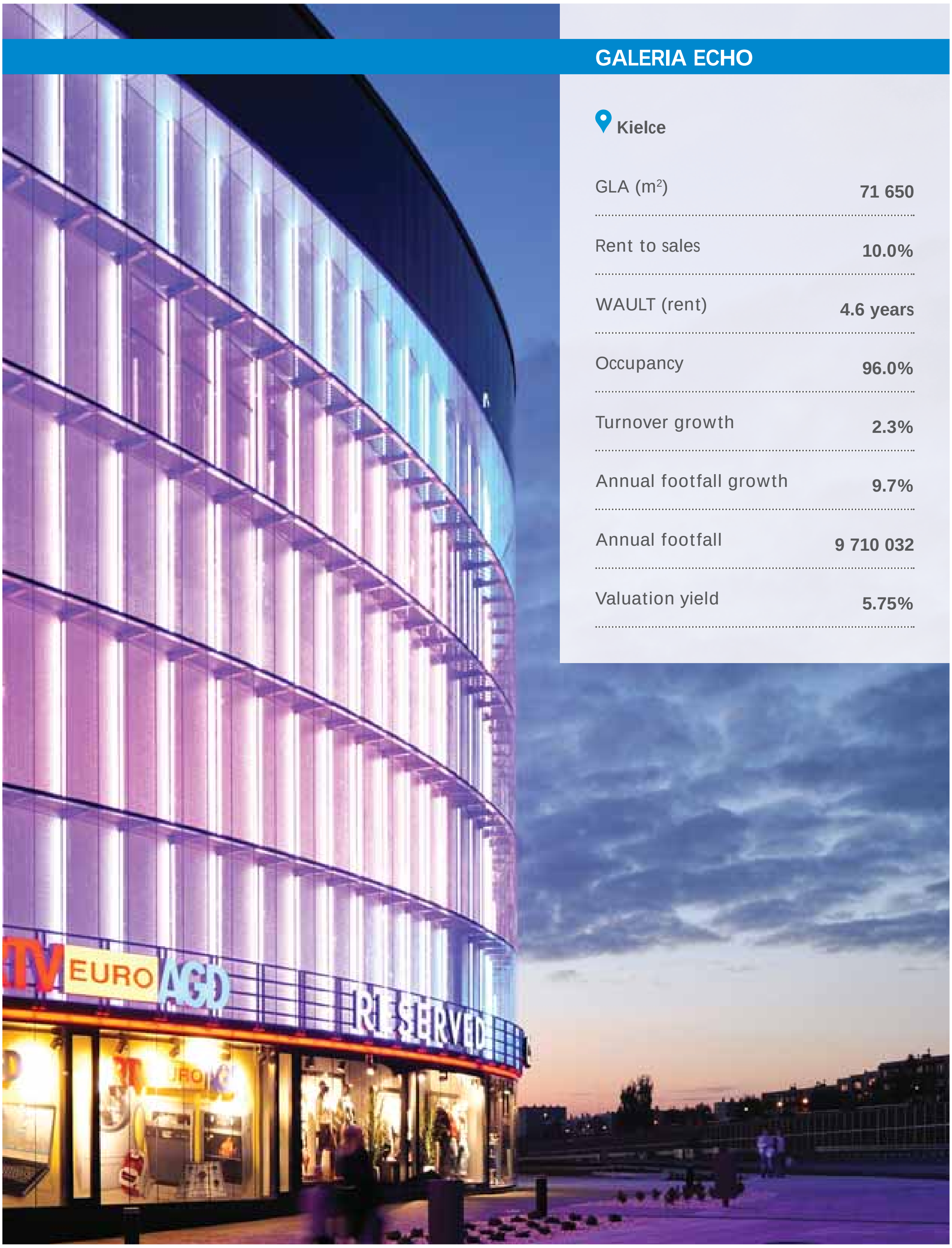
GLA (m^2)	56 627
Rent to sales	11.6%
WAULT (rent)	7.1 years
Occupancy	98.80%
Turnover growth	4.1%
Annual footfall growth	7.1%
Annual footfall	11 624 049
Valuation yield	5.95%

PASAZ GRUNWALDZKI

Wrocław

GLA (m^2)	**48 368**
Rent to sales	**12.6%**
WAULT (rent)	**4.7 years**
Occupancy	**99.3%**
Turnover growth	**8.8%**
Annual footfall growth	**6.3%**
Annual footfall	**10 525 382**
Valuation yield	**5.65%**

Our top properties (continued)



GALERIA ECHO

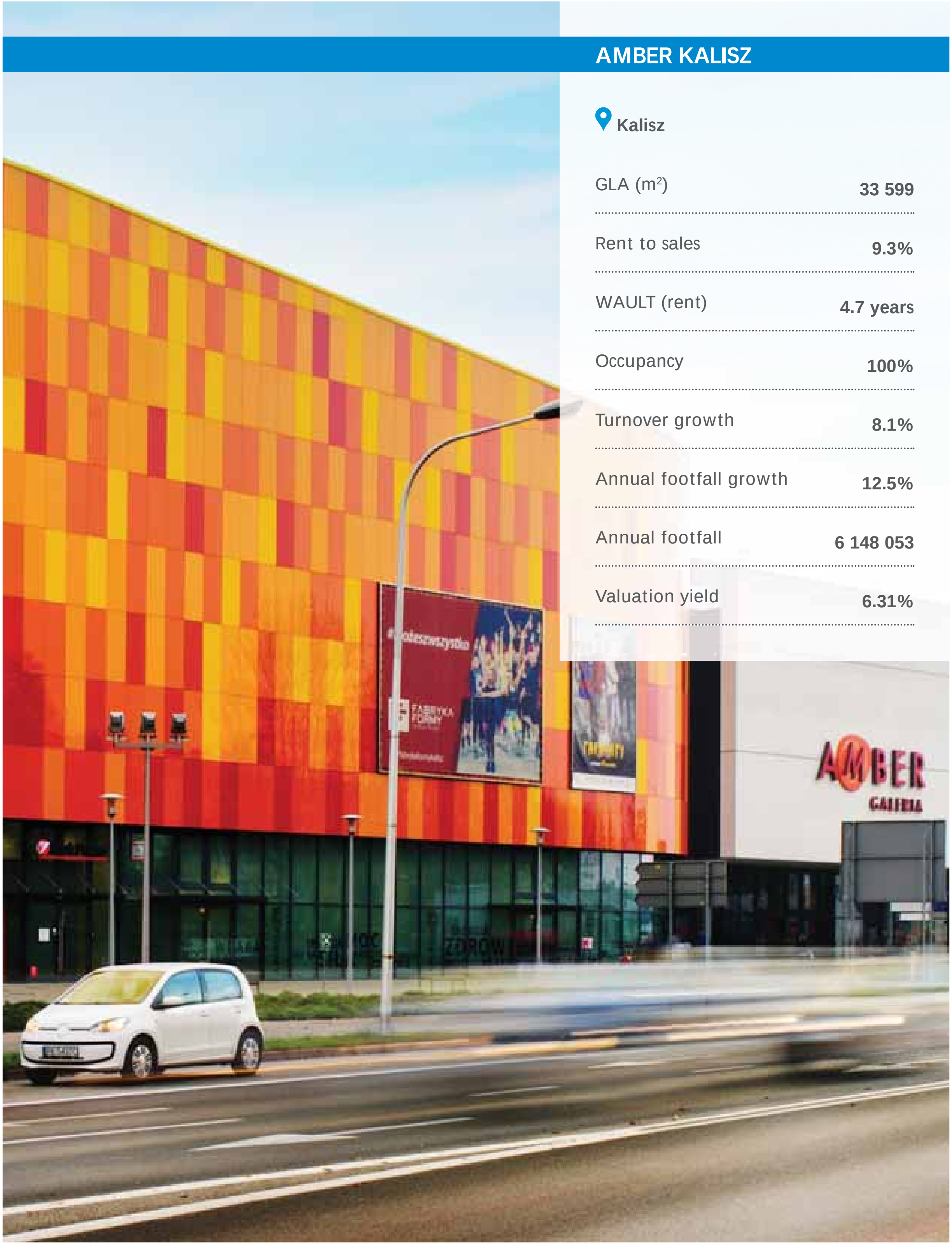
Kielce

GLA (m^2)	71 650
Rent to sales	10.0%
WAULT (rent)	4.6 years
Occupancy	96.0%
Turnover growth	2.3%
Annual footfall growth	9.7%
Annual footfall	9 710 032
Valuation yield	5.75%

AMBER KALISZ

Kalisz

GLA (m^2)	33 599
Rent to sales	9.3%
WAULT (rent)	4.7 years
Occupancy	100%
Turnover growth	8.1%
Annual footfall growth	12.5%
Annual footfall	6 148 053
Valuation yield	6.31%



Our top properties (continued)

OUTLET PARK

Szczecin

GLA (m^2)	28 283
Rent to sales	8.7%
WAULT (rent)	5.3 years
Occupancy	98.7%
Turnover growth	4.8%
Annual footfall growth	0.4%
Annual footfall	3 631 819
Valuation yield	6.28%

GALERIA SOLNA

Inowrocław

GLA (m^2)	**23 627**
Rent to sales	**8.8%**
WAULT (rent)	**3.9 years**
Occupancy	**99.6%**
Turnover growth	**4.5%**
Annual footfall growth	**7.2%**
Annual footfall	**4 239 887**
Valuation yield	**7.10%**

Directorate

EXECUTIVE

1 **Hadley Dean (46)**
British ✱
Chief executive officer

2 **Jacek Bagiński (48)**
Polish
Chief financial officer

INDEPENDENT NON-EXECUTIVE

3 **Robert Weisz (68)**
Dutch ✱
Chairman

4 **Marek Belka (66)**
Polish ✱

5 **Peter Driessen (70)**
Dutch ✱✱

6 **Dionne Hirschowitz (Ellerine) (51)**
South African ✱

7 **Andrea Steer (47)**
South African/Irish ✱✱

Please see page 117 for a detailed CV of each director.

Key to committees

✱ Audit and risk committee

✱ Investment committee

✱ Nomination and remuneration committee

– Committee chairperson

⬢ Social and ethics committee

NON-EXECUTIVE

8 **Maciej Dyjas (54)**
German ✱

9 **Andrew König (50)**
South African ✱

10 **Nebil Senman (46)**
German/Turkish ✱ ⬢

11 **Marc Wainer (69)**
South African ✱

Executive team

1 **Hadley Dean**
Chief executive officer

2 **Jacek Bagiński**
Chief financial officer

3 **Wojciech Knawa**
Property Management

4 **Michał Świerczyński**
Asset Management

5 **Rafał Kwiatkowski**
Chief operations officer and Company Secretary

02

STRATEGY IN ACTION

Kraków

EPP properties:

- Zakopianka
- M1 Kraków*
- O3 Business Campus

Key attractions:

- The Old Town
- Kazimierz (the former Jewish Quarter)
- The Wawel Hill (the former Royal Castle)
- St Mary's Church on the Main Square

* *Post year-end.*

765 320
CITY POPULATION

1 044 985
AGGLOMERATION POPULATION

€8 330
ANNUAL PURCHASING POWER PER CAPITA

€7 755
AGGLOMERATION ANNUAL PURCHASING POWER PER CAPITA

PLN 4 635
AVERAGE MONTHLY WAGE

Our business model

	THE RESOURCES WE USE	TO ACHIEVE
Financial capital	Debt and equity capital Reinvestment of capital	Capital and income growth Sustainable annual growth in distributions
Manufactured capital	High-quality, modern and location-dominant assets in strategic locations Yield-enhancing acquisitions Expansions and refurbishments	Well-managed and maintained assets Strategic extensions and refurbishments Increased property values
Human capital	Skilled executive and asset management team Experienced board Skills and leadership development	Empowered and incentivised staff
Social and relationship capital	Stakeholder engagement	Increased economic growth for tenants Access to retail for developed and developing communities
Intellectual capital	Strategic partnerships Proprietary asset management and operating systems Leasing and tenant management	High occupancy levels Effective, diverse tenant mix of premium blue-chip and international brands
Natural capital	Energy efficiency programmes Green buildings	Energy efficient buildings

AND CREATE VALUE

- Raised debt of **€311.6 million**
- **16%** increase in NAV per share
- **€76.6 million** distributable earnings
- Exceeded pre tax PLS guidance by **6.6%**
- LTV of **47.4%**
- Office disposals of **€160 million**

- **21%** increase in income generating portfolio
- **18 450 m²** GLA added in expansions
- **€44.7 million** invested in capital improvements

- Over **150 motivated employees**
- **65** jobs created

- **CSI programme**
- **Transparent** and frequent communication

- Vacancy rate of **1.41%** in retail and **4.0%** in office
- **4.6%** increase in footfall to our centres
- Contractual rental escalations of **0.55%**
  - Retail **0.63%**
  - Office **0.24%**

Weighted average rental escalation profile by rentable area – **0.08 €/m²**

- **11 BREEAM** certified building
- **Two EU** Greenbuilding certified buildings

Our strategic objectives

We aim to own quality shopping centres in Poland that are dominant in their catchment areas, have stable and growing cash flows and attract new quality concepts and flagship stores to make our centres the preferred locations for local and international brands. We are pursuing both acquisitions and new developments to increase the scale of our operations. Our company structure provides a sound foundation to execute group strategy, with capable and experienced teams and proactive management of our assets for ongoing income and capital growth.

FOCUS AREAS IN ACHIEVING OUR STRATEGIC OBJECTIVES

	Investment	Finance	Assets
Description	Investments aimed at improving the quality of portfolio and ensuring long-term sustainability of income and capital appreciation Driven by strong demand for retail assets in regional cities across Poland Acquisition criteria: ▸ Dominant location ▸ Catchment area in excess of 150 000 ▸ 20 minute drive time ▸ Modern high-quality property ▸ Diverse tenant mix	Access all available sources of funding Minimise cost of capital Maintain gearing levels Sustain strong balance sheet through conservative gearing and credit metrics that are well within covenants Reduce financial risk by reducing debt capital in the structure Limit exposure to interest rate fluctuations by fixing rates over periods and matching loan expiry profiles Diversify the shareholder and debt lender bases through debt capital markets, traditional bank funding and equity funding	Own quality retail assets that are dominant in their catchment areas Office assets should have quality tenants Maintain a high quality portfolio which is geographically diversified and more than 70% retail Adhere to the highest building standards in terms of green ratings
Progress in 2017	Acquisition of Blackstone and M1 portfolios Development of Galeria Młociny progressing on track and budget Towarowa 22 development in process	€311 million debt raised €152 million capital raised	Income generating portfolio valued at €1.7 billion 79.3% of the portfolio is retail by GLA and 81% by value M1 transaction increased presence across Poland
Targets for 2018	Increase retail portfolio to >70% Further geographic diversification Yield > cost of building	LTV target 45% to 55%	Increase retail portfolio to >70% Further geographic diversification

Rental income	Management	Distributable earnings
Earn sustainable rental income by providing quality space to a large and diverse base of financially sound tenants with good growth prospects and secured by long leases Internalised property and asset management uses our innovative property management platform to assist and advise tenants on implementing initiatives to drive additional income Revenue growth	Proactively manage assets and invest capital to ensure the properties are well maintained and operate at optimum efficiency Improve net property income with net property income growth exceeding Euro zone inflation Maximise value of existing assets through refurbishments, extensions and ongoing maintenance Provide highest level of service to stakeholders Improve efficiencies in the property management processes Ensure clear communication with tenants and other stakeholders	Growth in distributable earnings Distribution to shareholders Sustainable long-term earnings Continuous investment in employees, properties and communities in which we operate Diversified contribution to distribution income through geographic diversification
Net property income up 53%	Asset management team bolstered 15 150 m² extension to Galaxy Phase II development of Outlet Park Szczecin completed	Distribution 6.6% ahead of pre tax PLS guidance €76.6 million distributed to shareholders Leadership skills development programme initiated
	Net property income growth > Euro zone inflation Continued development of our people, culture and values	Forecast dividend for year-ended 31 December 2018 of between 11.6 and 11.8 euro cents per share

Our market in context

EPP remains focused on the Polish geographic region for strategic retail acquisitions. We believe that the country offers promising development prospects, higher property yields and is an environment where retailers thrive.

Following the 2016 record year investment volume reached, the total investment volume has continued to increase.

Poland again maintained the leading position in CEE-6 with a market share exceeding 40%. Warsaw remained the most diverse and liquid real estate market in Poland. However, three quarters of the transaction volume was invested outside of the capital city. Retail yields are in the range of 5.0% for modern, dominant shopping centres increasing up to 8.0% in secondary or tertiary cities.

	2017	2016
GDP growth (yoy)	4.6%	2.9%
Retail sales growth (yoy)	6.5%	5.9%
Consumer spending growth (yoy)	4.9%	3.7%
Average monthly salary growth	5.1%	3.8%
Unemployment rate	4.9%	6.2%
Inflation	2.0%	(0.6%)

Source: Oxford Economics.

Poland is the eighth largest European economy with a positive pace of growth, higher than major Western European economies. Between 2007 and 2016 Poland experienced 31% growth in GDP and 68% growth in exports. The Polish market is expected to maintain its momentum fuelled by consumption-led GDP growth and strong mid-term macro prospects for CEE. The country has high consumer confidence and continued increases in average household income have continued to stimulate robust growth in private consumption.

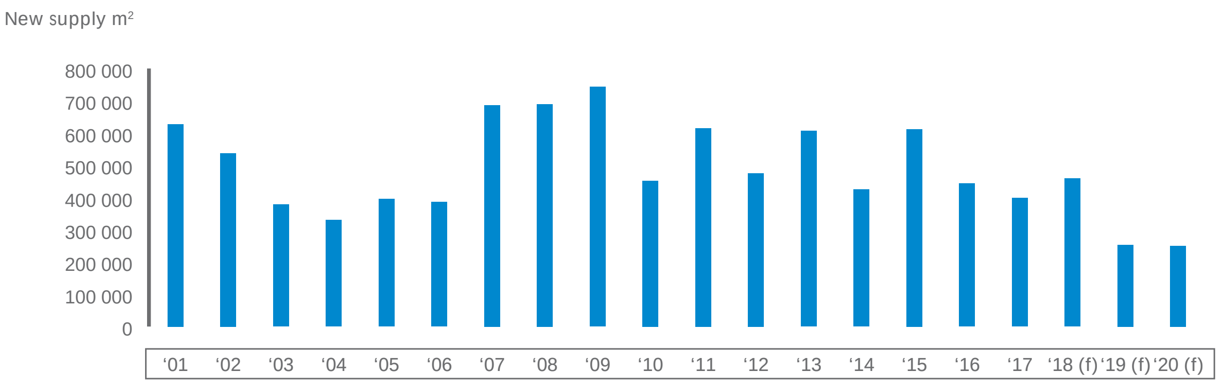
THE MARKET IN WHICH WE OPERATE

The office market

As EPP is strategically focused on retail, the group continued with its office disposal strategy in 2017. The office market continued to enjoy strong growth potential with an influx of shared services companies. Leased space saw a record year with an increase of 11% compared to 2016. Warsaw is still the largest office market in Poland with 27 office buildings completed during the year. The supply of new completed office projects declined in all major cities due to the number of completed office projects in Warsaw being less than in 2016.

The retail market

Evolution of retail space in Poland (New supply m²)



Source: JLL

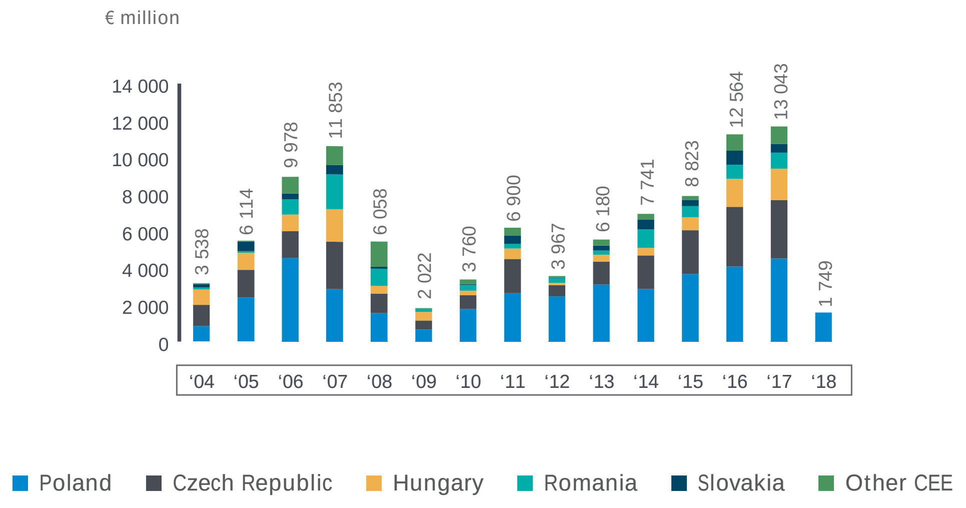
In 2017 the Polish retail property market was dominated by increased retail space, a growth in the number of international brands entering the Polish retail space, a fast growing e-commerce market and potential legislative changes. EPP was among the most active investors in the Polish retail property market in 2017. Thirteen new shopping centres were opened in 2017 with large retail projects investments delivered to the market. One of the largest shopping centres under construction is EPP's Galeria Młociny in Warsaw.

The real estate market and retail sector are awaiting the impact of numerous legislative changes such as new tax for owners of certain commercial properties and the Sunday trading ban. Warsaw remained the biggest and most competitive retail market in Poland.

Overall there is continued growth in the total stock of modern shopping centre space in Poland, with increased newly opened retail space. In addition, many retail chains are improving the standard of service and expanding shopping and payment functions.

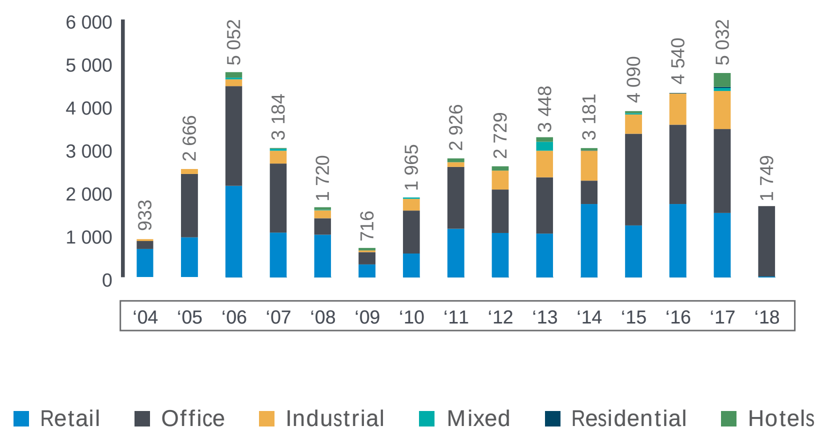
Our market in context (continued)

Transacted investment volume – retail



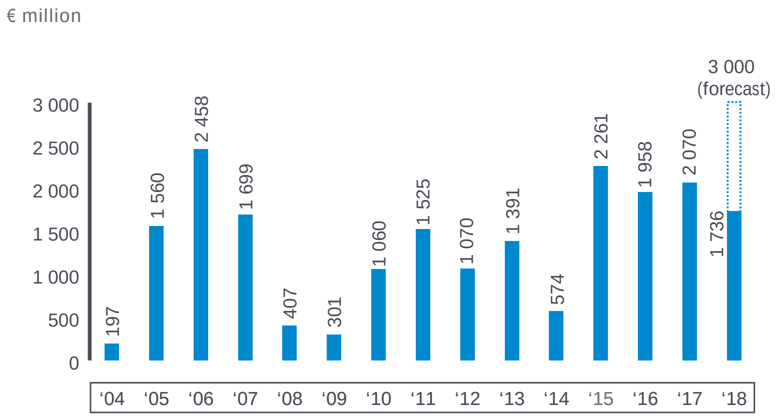
Source: JLL CEE Capital Markets, March 2018

Average vacancy rates in shopping centres (December 2017)



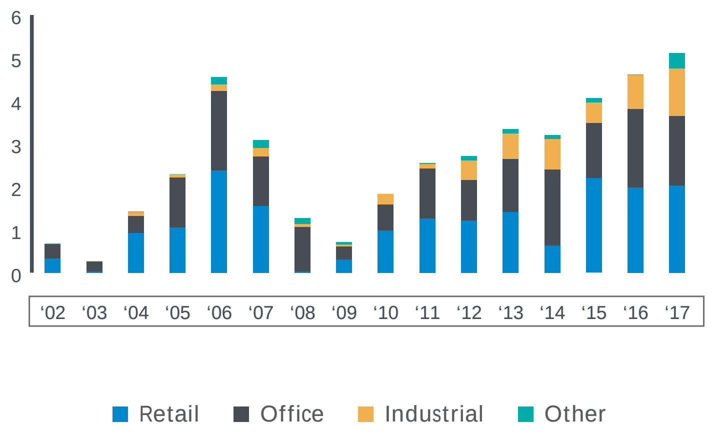
Source: JLL CEE Capital Markets, March 2018

Retail investment volumes



Source: JLL CEE Capital Markets, March 2018

Investment volumes 2002 to 2017 (€ bn)



Trends in our market

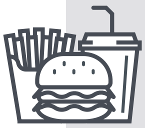
OMNI-CHANNEL

Click & collect is a growing trend in Poland

The advent of e-commerce has led to retailers adapting and changing their approach. The omni-channel strategy supports online sales as well as offline sales ensuring that retailers do not lose any customers. Bricks and mortar retailers are moving towards creating in-store experience zones, which help service sales across all channels. Click & collect is a growing trend in Poland whereby customers place orders online but collect in store, with the potential for additional in store sales. Leading Polish retailers embracing omni-channel include MediaMarkt, Mango, eobuwie.pl, Empik and Smyk.

FOOD IS THE NEW FASHION

More and more space is being dedicated to food and beverages



Demographic trends, technological innovations and growing customer expectations are the key factors behind shifts in consumer spending patterns and the resulting changes to retail space allocation. More and more space is being dedicated to food and beverages in global retail. At EPP we are innovating with new food court designs focused on the overall customer experience as well as concept food halls.

FITNESS AND CONVENIENCE

Customers frequent gyms multiple times each week

Positive effects on footfall growth in shopping centres has occurred as customers frequent gyms multiple times each week bringing customers to the shopping centres far more regularly than usual shopping centre customers. This is all as a result of the no contract and low-cost fitness market along with sites being open 24 hours.

THE MATURING SHOPPER

The number of people over 65 years is set to increase by 47% by 2050

Growing key influences on global shopping habits – particularly in developed countries – is that of the ageing society. The number of people over 65 years of age is set to increase from 608 million in 2015 to 1.5 billion in 2050. The countries with the largest share of senior population will be Japan, Spain, Italy, Germany and Poland.

M-COMMERCE IS THE GAME CHANGER

Although mobile payments are still in their infancy, technology providers and consumers in some markets have quickly adopted this type of payment method. Mobile technology is a real game changer for the retail sector. It is not only the way people shop online, but the way people pay for their purchases online and in store, that will be revolutionised by mobile devices. **54% year-on-year increase in visits to retail sites from smartphones.**

SMART PARKING

Shopping malls are progressing to the use of the smart way to pay your parking using no cash, no parking ticket and no queue. It just scans licence plates and the transaction is verified via your smartphone at the entrance and exit. Smart Parking could result in a **fuel saving of 220 000 gallons by 2030.** Some of our centres are using technology to help locate your car in the car park – so no more aimless searches with heavy shopping bags as you try to remember where you parked your car. This also provides us with useful data to track where our customers are driving from and better assess our catchment area.

IT'S NOT ONLY ABOUT SHOPPING BUT ALSO ENTERTAINMENT

Entertainment has become a huge aspect of the customer experience at shopping centres and this area is set to develop more and more in the future. This goes hand in hand with the use of technology to allow consumers to experience, see and touch the things they buy. Our centres are adapting to meet this trend with dwell areas for the **"non-shopping" partners and entertainment areas for children.**

EFFICIENCY

Rising labour costs are incentivising retailers to use innovative technologies such as robotics, automation and artificial intelligence. There is an increasing number of self-checkouts, self-scanning, chatbots, and robotic customer service assistants. Out of 2 000 consumers, the **majority of consumers are aware of what a chatbot is** (57%) and over a third (35%) want to see more companies using chatbots to answer their questions.

POP-UPS

Brands use pop-ups more as an advertising tool than as a place to transact. These kind of pop-ups usually offer some sort of **special experience to draw consumers into the store.** Pop-ups can also be set up in locations other than malls, allowing brands to reach their target customers where they are.

PERSONALISATION

Personalisation enables shoppers to build products and customise them to the very last detail. **56% of consumers are more likely to shop at a retailer in store or online that recognises them by name.**

Sources: Savills Commercial Research; AMP Capital; Colliers International; Internet Retailing; Vend; ITProPortal; Ritchie Tech.

03

OUR PERFORMANCE

Wrocław

EPP properties:

- Pasaż Grunwaldzki

Key attractions:

- The Market Square
- Ostrów Tumski (Cathedral Island)
- Panorama of Racławice Battle
- Wrocław Town Hall
- Wrocław Zoo & Afrykarium
- Wrocław's Dwarfs

637 683
CITY POPULATION

800 336
AGGLOMERATION POPULATION

€8 342
ANNUAL PURCHASING POWER PER CAPITA

€8 008
AGGLOMERATION ANNUAL PURCHASING POWER PER CAPITA

PLN 4 801
AVERAGE MONTHLY WAGE

Chief executive officer's report and operational review

HADLEY DEAN
Chief executive officer

As a result of the M1 transaction, by 2020 we will own 27 shopping malls with almost 1 million square metres of GLA across Poland, one of the fastest growing consumer markets in Europe

I'm pleased to present a strong set of financial results in our first full year of operation. 2017 has been a tremendous year which has seen us consolidate a fairly fragmented retail market in Poland with acquisitions totalling nearly a billion euros. The year culminated in December when we announced the finalisation of the M1 transaction, a portfolio comprising 12 shopping centres located in cities across Poland. As a result of the M1 transaction, by 2020 we will own 27 shopping malls with almost 1 million square metres of GLA across Poland, one of the fastest growing consumer markets in Europe. Not only did we execute on our stated strategy but we trebled our catchment area to 40% of the Polish market. The M1 and Blackstone acquisitions have enabled us to become one of the leading retail landlords in Poland and we believe we can leverage our scale to help tenants with their expansion plans and at the same time reduce our operating costs across the portfolio. We are already seeing the benefits of this scale in discussions with tenants.

The world of retail is constantly changing and we are seeing that online and bricks and mortar markets are converging rather than becoming mutually exclusive. This is particularly relevant with such concepts such as "click & collect" where mall proximity becomes fundamentally important (see "Our market environment" below).

Our tenants continue to perform well and we are pleased to report positive rental growth and very strong tenant sales growth of 7% across the portfolio. Annually footfall numbers have increased by 4.2%. Naturally this has provided

I'm pleased to present a strong set of financial results in our first full year of operation. 2017 has been a tremendous year which has seen us consolidate a fairly fragmented retail market in Poland with acquisitions totalling nearly a billion euros.

a very positive contribution to the fair value growth of our original assets, in addition to the properties more recently acquired in the Blackstone portfolio. On a like-for-like basis, the fair value of our retail properties has increased by 7.7%.

ACQUISITIONS AND DISPOSALS

In June we acquired the Blackstone portfolio which comprised Galeria Twierdza in Klodzo, Galeria Twierdza in Zamość and Galeria Wzorcownia in Włocławek, for an aggregate cost of €142 million. This was followed in July by the acquisition of the 24 000 m² Galeria Solna in Inowrocław with an asset value of €55.4 million. In line with our strategy, these shopping centres are located in regionally growing Polish cities, with large catchment areas and a proven trading history. The acquired assets have performed exceptionally well during the year, reporting strong footfall and growth in tenant sales.

In December we finalised the acquisition of the M1 portfolio, valued at €692 million. The portfolio has a total GLA of 446 500 m² and over 620 stores in densely populated catchment areas. The super-regional centres are all well-positioned with large motorway fronting sites. Anchored by leading grocery retailer Auchan Hypermarkets, they also boast a variety of international and domestic brands such as MediaMarkt and fashion retailers, TK Maxx, H&M and C&A. The M1 portfolio comprises eight M1 regional shopping centres and four retail power parks. The first tranche was completed in January 2018 adding M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze to our portfolio. Tranche 2 will follow in June 2019 and tranche 3 in June 2020.

Related to the significant volume of acquisitions during the year, we also implemented our capital recycling strategy and disposed of certain office assets. We sold three office properties in 2017, namely Tryton Business House in Gdańsk, A4 Business Park in Katowice and West Gate in Wrocław, for €160 million. The proceeds were used to fund further retail acquisitions such as the M1 transaction announced in December.

OUR MARKET ENVIRONMENT

With the growing popularity of e-commerce, prevailing sentiment in the US is that bricks and mortar retailing will be the losers. However, this is not necessarily the case in Europe and, more importantly, Poland. What we are seeing is an

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

Towards the end of last year the Polish government imposed restricted trading on Sundays which will become effective from March 2018.

evolution whereby some retailers are doing better and adapting by using e-commerce to their advantage. Research has shown that by offering click & collect, for every dollar the consumer spends on the online order, they spend additionally in the store. Click & collect is also more economical for retailers, who save on delivery and other logistical and holding costs, and promotes additional and often unplanned purchases while the customer is in the store to collect. The retailers are also benefiting from the "halo effect" where some online purchases will have been driven by improved brand awareness, customer service provision, and trust that result from having a physical store.

The negative theme around retail this year has been largely driven by the amount of retail bankruptcies in the US and this negative sentiment towards traditional retail has put a lot of pressure on retail landlords across the US, spreading to other regions of the world. The major difference between the US and European markets is that the US market is significantly oversupplied and is generally regarded as over-retailed.

The landscape in Poland differs to the US and UK as we are not oversaturated with stores in high streets in addition to the traditional shopping centre concept that is offered. Additionally, the US malls have been heavily apparel focused, a class of retail that has been under pressure, particularly in contrast to online shopping. In Europe and Poland, shopping centres are predominantly anchored by grocery tenants rather than department stores which allows for a more sustainable flow of footfall to its centres.

In the UK we have seen retailers reducing the number of stores in their portfolio on the premise that they only need to be in dominant areas where the productivity of the stores will be higher. However, certain retailers have experienced a significant negative impact on their online sales in areas where they have closed stores. Retailers have discovered that customers generally like to see and feel certain products and this interaction drives their desire to purchase the goods online. This discovery has led to the reopening of certain stores that were previously closed.

The impact of e-commerce is therefore not all doom and gloom for retailers but is rather driving innovation to realise the potential for enhancing their overall sales by combining their bricks and mortar and online strategies as a way to drive growth in revenues. We have already seen the trends of traditional online retailers opening up physical stores, ie Amazon, and this is happening locally as well with one of the largest online shoe retailers in Poland, eobuwie.pl opening up physical stores. This is further evidence of online and offline concepts converging.

Ultimately the consumer is changing and most customers are prioritising experiences over tangible goods. Therefore our asset management initiatives have focused on increasing the leisure and entertainment element of our malls by including more entertainment, fitness centres and food and beverage concepts, in order to improve their tenant mix and their ability to attract consumers over time. For this reason EPP only acquires well located dominant malls and this makes the M1 deal particularly noteworthy.

Towards the end of last year the Polish government imposed restricted trading on Sundays which became effective from March 2018. EPP owns several shopping centres in small markets such as Kalisz, which is a one hour drive from Poznań. At the moment people from Kalisz tend to do a big shop in Poznań on a Sunday but once the restrictions are in place local malls in Kalisz are expected to benefit. This would be replicated in small regional cities across Poland with shoppers shopping more locally, which is advantageous for EPP. The ban also contains a number of exceptions such as food and beverage and EPP has long been working towards enhancing its food and beverage offering. This strategy should sustain or drive further footfall to our centres.

OUR STRATEGY

EPP's acquisition strategy is focused on acquiring dominant retail assets in strategic locations, allowing us to further leverage our portfolio and platform with retail tenants. When assessing shopping centres as possible acquisition targets we focus on three areas:

1. Is it dominant, located in a catchment area of more than 150 000 people with a minimum drive time of 20 minutes?
2. Is it defensible with capacity to expand in order to address changes in the retail market?
3. Is the performance sustainable and where can we add value?

In line with our strategy to become one of the leading retail landlords in Poland, we will continue to sell our office assets to fund our retail programme. As the quality of our portfolio grows we will also assess our retail portfolio for possible recycling to align with the strategy of owning high quality assets that can continue to deliver growing income streams.

OUR ASSET MANAGEMENT ACTIVITIES

Our strategy also entails proactive asset management to enhance and refurbish our existing shopping centres. We are constantly assessing our centres for possible expansion possibilities to further enhance the shopping experience and help drive footfall for our tenants. In November we opened the expansion of Galaxy in Szczecin adding over 15 000 m² with an NOI uplift of €3.1 million. The opening attracted over 300 000 visitors equating to 75% of the city's population. This development enabled us to custom build large flagship stores with double volume full glass shopfronts. This included a 2 300 m² store for leading footwear brand CCC, its largest in Poland.

In September, we completed the third phase of Outlet Park Szczecin ("OPS") which now boasts 120 stores, 1 200 parking lots and 3 000 m² of additional retail space. The NOI uplift on this development was €1 million. The third phase includes brands such as Guess, Solar, Bagatelle, Pierre Cardin and Home & Cook and has already attracted new customers. OPS is the largest and the only outlet in the Szczecin region. This extended offering will strengthen its position as a leader amongst outlets in Poland.

As I have previously remarked "food is the new fashion" and with this in mind we have been actively redeveloping, redesigning and rethinking our food courts. We launched our new food court design in Wrocław, Galeria Echo and Galaxy and these have proven very successful. Our current Warsaw development Galeria Młociny will boast a unique food court area featuring a roof garden, street food on a specially designed gastronomic street; restaurants in the wooden capsules and greenery. Our next step will be food halls, an exciting and growing trend.

BUILDING OUR TEAM

Integrating five shopping centres in 18 months has been an excellent achievement and required a solid and skilled team. We have developed a second tier of management throughout the company and implemented a leadership coaching programme. We have appointed an HR manager, additional asset managers, legal and investor relations skills and are focused on building our team and developing leadership skills.

We significantly bolstered our leasing and asset management teams with seven new members during the year. Our specialised team are well-seasoned asset managers with a solid track record of retail and asset management having worked for key retail players in the Polish market. They work closely with tenants to help improve their turnover and financial results and offer financial, technical and administrative support. The team successfully launched a new innovative asset management system and is constantly assessing ways to modernise and improve the tenant mix in our various malls.

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

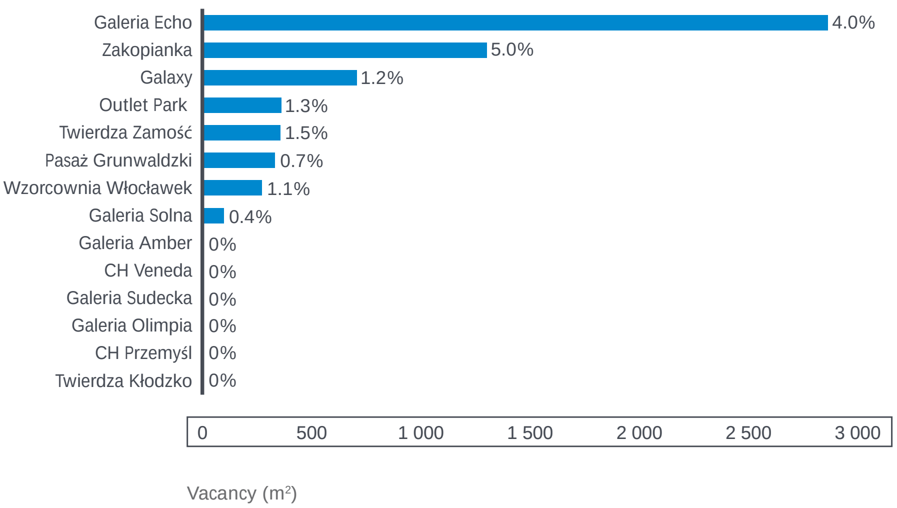
NAV PER SHARE INCREASED BY 16%

A CLOSER LOOK AT OPERATIONS

Our portfolio NAV per share increased 16% during the year with the growth reflecting our quality assets, driven by superior asset management.

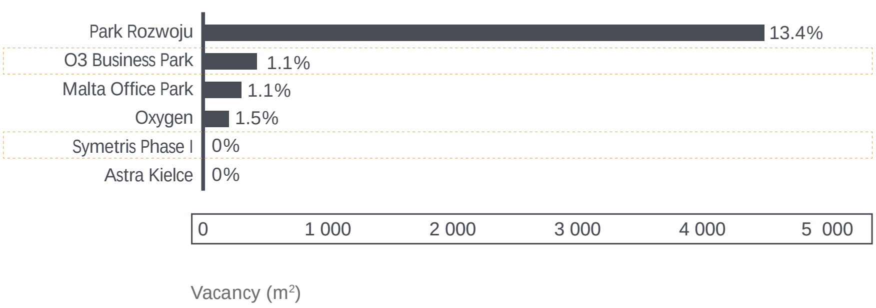
For further detail see the chief financial officer's report on page 48 and the annual financial statements on pages 85 to 195.

Vacancy profile – Retail



* *Galeria Olimpia and Echo centrum Bełchatów considered as a single unit – Olimpia.*

Vacancy profile – Office



Asset with rental guarantee during three years since the purchase.

RETAIL VACANCIES REDUCED FROM

1.6% to 1.4%

Vacancies and lease expiry

Retail vacancies reduced from 1.6% to 1.4% and office vacancies reduced from 4.2% to 4.0%.

Lease expiry by NOI

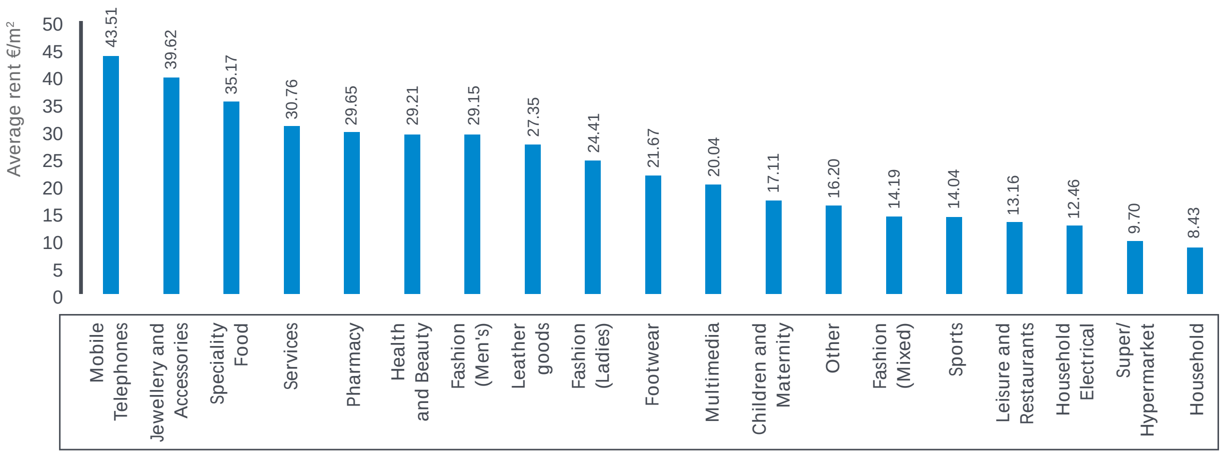
	2018	2019	2020	2021	2022>
Office	**8.70%**	9.80%	14.50%	24.10%	42.900%
Retail	**7.10%**	9.20%	13.00%	16.80%	53.900%
Total	**7.42%**	9.30%	13.35%	18.38%	51.55%

Lease expiry by GLA

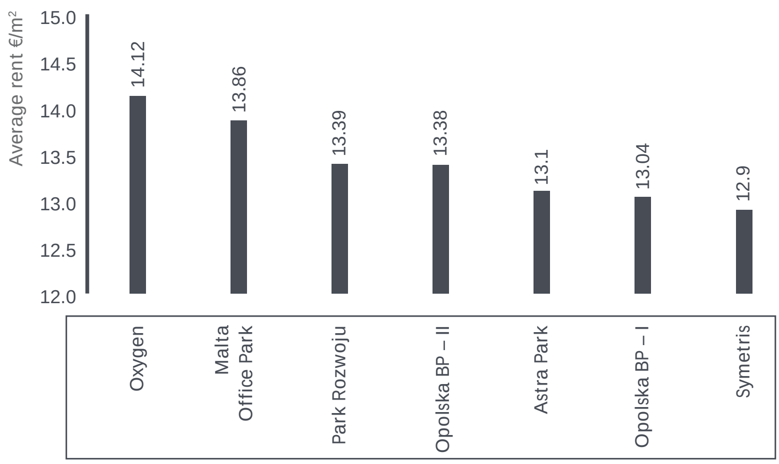
	2018	2019	2020	2021	2022>
Office	**8.90%**	9.60%	15.00%	24.70%	41.800%
Retail	**5.40%**	8.40%	13.00%	14.60%	58.600%
Total	**6.18%**	8.69%	13.43%	16.86%	54.85%

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

Weighted average rent in terms of tenant categories (€/m²) – Retail assets (31 December 2017)



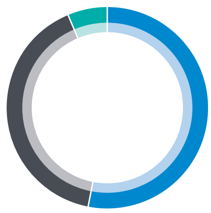
Weighted average rent (€/m²) – Office assets (31 December 2017)



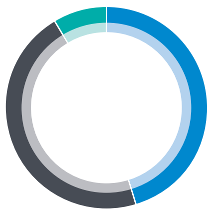
Tenant profile

With our expanded portfolio we have made great strides in becoming the leading retail landlord in Poland and we also seek to be the landlord of choice. We continually focus on providing a good tenant mix, balancing local and international brands, and are constantly innovating to ensure that we can support tenants in growing their business.

% share in total GLA	% share in total income



A 53.3% B 40.5% C 6.2%



A 45.4% B 46.2% C 8.4%

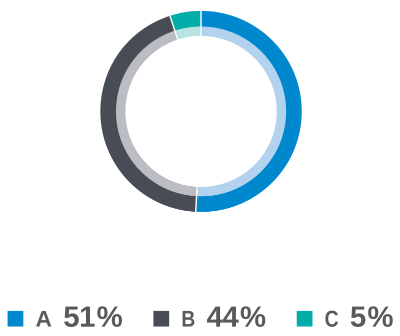
A Large international and national tenants, large listed tenants and government or smaller tenants in respect of which rental guarantees are issued.

B Smaller international and national tenants, smaller listed tenants, major franchisees and medium to large professional firms.

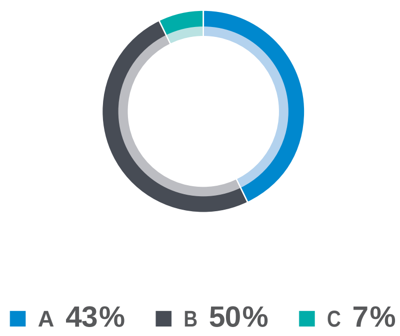
C Smaller national tenants (Retail: 29; Office: 11).

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

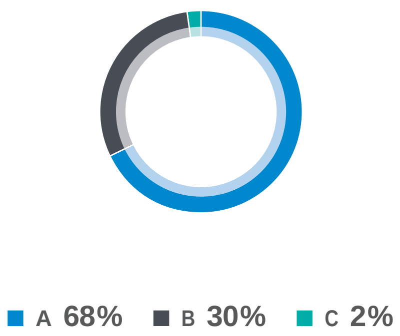
Retail tenant grade by GLA



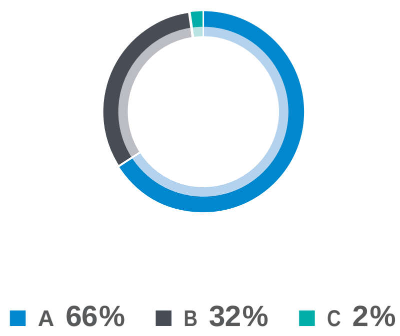
Retail tenant grade by retail income



Office tenant grade by GLA



Office 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: 29; Office: 11).

TOP TEN RETAIL TENANTS BY RENTAL INCOME

No.	Tenant name	Rental income €/month	% share in total rental income
1.	LPP	**542 712**	8.1%
2.	Auchan	**352 648**	5.3%
3.	H&M	**154 096**	2.3%
4.	CCC	**147 368**	2.2%
5.	Multikino	**131 509**	2.0%
6.	Inditex	**128 400**	1.9%
7.	Tesco	**125 599**	1.9%
8.	Rossmann	**125 371**	1.9%
9.	SMYK	**108 395**	1.6%
10.	RTV Euro AGD	**103 344**	1.5%
	Total	**1 919 442**	28.9%

TOP TEN OFFICE TENANTS BY RENTAL INCOME

No.	Tenant name	Rental income €/month	% share in total rental income
1.	McKinsey & Company	**154 013**	9.1%
2.	HCL	**138 781**	8.3%
3.	Schneider Electric	**103 103**	6.1%
4.	Epam	**61 156**	3.6%
5.	Roche	**61 148**	3.6%
6.	Cersanit	**57 037**	3.4%
7.	Nordea	**51 590**	3.1%
8.	Mostostal	**49 419**	2.9%
9.	Ericsson	**48 152**	2.9%
10.	DGS	**47 355**	2.8%
	Total	**771 754**	46%

LOOKING AHEAD

After a period of rapid growth, 2018 will be a year of stabilisation with a particular focus on incorporating the M1 properties into our operating and asset management systems. The second tranche of properties is set to complete in June 2019 at a gross asset value of €222.5 million and comprising M1 Bytom, M1 Czestochowa, M1 Radom, PP Kielce, PP Olsztyn and PP Opole which collectively will add 184 000 m² GLA and NOI of €16.3 million.

The Polish economy is expected to continue to grow and is underpinned by domestic demand with private consumption supported by favourable labour market trends, as well as record-high consumer confidence. EPP is a part of this strong Polish economy. As the economy grows and develops the retail mix at our malls becomes more diverse too and we continue to attract popular Polish, European and international brands.

We remain on track to become a leading Polish retail landlord and in the year ahead we will focus on extracting further value out of our existing portfolio and incorporating the acquisitions as well as progressing our two Warsaw developments.

APPRECIATION

I thank our dedicated and committed team for their hard work which has contributed so much to another successful year for EPP. My appreciation also goes to our board for their strategic guidance.

Hadley Dean
Chief executive officer

19 April 2018

Chief financial officer's report

JACEK BAGIŃSKI
Chief financial officer

10.87 euro cents

DISTRIBUTION PER SHARE

€76.6 million

DISTRIBUTABLE EARNINGS MORE THAN DOUBLED

47.4%

LOAN TO VALUE RATIO ("LTV") REDUCED

OVERVIEW

EPP is pleased to report its first full set of results for the 12 months ended 31 December 2017. Full year distribution per share ("DPS") amounted to 10.87 euro cents which was ahead of the 10.84 guidance in the pre-listing statement. This was an exceptional result as DPS guidance was achieved despite changes to the tax legislation.

This was quite a transformational year for the business with acquisitions amounting to €334 million of property assets during the year and contracting for an additional €692 million at year-end with the successful completion of the M1 deal. Tranche 1 on the M1 one deal was successfully completed in January 2018 and tranche two and three are expected to be completed in 2019 and 2020 respectively. The company also successfully raised €152 million of new equity, in an oversubscribed issue, and executed on its office disposal strategy by disposing of €160 million worth of office assets at the end of the year.

DISTRIBUTABLE EARNINGS

Distributable earnings more than doubled to €76.6 million for the year from €34 million in the previous year. The positive performance was largely driven by the successful acquisitions concluded during the year and the positive operational performance.

The positive performance was largely driven by the successful acquisitions concluded during the year and the positive operational performance.

	Historical FY2016 €m	**FY2017 €m**
Profit and loss		
Net property income	67.3	**103.3**
Other income/(expenses)	(0.5)	**(0.6)**
Administrative expenses	(12.5)	**(15.6)**
Fair value gain on investments	39.9	**75.3**
Share in profit of joint ventures	12.5	**16.1**
Finance income/(expenses)	(17.1)	**(15.7)**
Current and deferred taxation	(19.4)	**(32.6)**
Foreign exchange gain/(loss)	2.2	**(1.8)**
Net profit after taxes	72.3	**128.3**
Exclusions from earnings	(38.3)	**(55.4)**
Antecedent dividends	–	**3.7**
Distributable earnings	34.0	**76.6**
DPS pre tax full year		**11.56 cents**
DPS post tax (full year)		**10.87 cents**

PROPERTY PORTFOLIO

As at 31 December 2017 EPP owned an income generating property portfolio, valued at €1.6 billion, consisting of 14 retail projects and six offices with a total GLA of 581 709 m2. The company also owns two retail development sites, namely Towarowa 22 which is a mixed use scheme with a retail GLA component of 105 000 m2 located in the centre of Warsaw and Młociny, with a planned GLA of 81 900 m2 located in the northern part of Warsaw. Młociny is expected to open in the second quarter of 2019 while Towarowa 22 is still in the zoning process. The segmental breakdown of the EPP portfolio at 31 December 2017 is set out on page 13.

Chief financial officer's report (continued)

VALUATIONS

	Retail	Office	Total
Year ended 31 December 2017			
Number of projects	**14**	**6**	**20**
Value/consideration (€ million)	**1 347**	**309**	**1 656**
Vacancy (%)	**1.41**	**4.0**	
Market value (% split)	**81.4%**	**18.6%**	**100%**
GLA (m^2)	**444 350**	**137 359**	**581 709**
WAULT (rent)	**4.8 years**	**4.2 years**	
Period ended 31 December 2016			
Number of projects	9	9	18
Value/consideration (€ million)	977	387	1 364
Vacancy (%)	1.6	4.2	
Market value (% split)	72%	28%	100%
GLA (m^2)	322 633	175 941	498 575
WAULT (rent)	5.9 years	3.7 years	

REGULATORY TAX

On 1 January 2017 amendments to Polish corporate income tax ("CIT") 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. Unfortunately during the year Polish tax authorities introduced further taxes affecting real estate and as of 1 January 2018 a bill with significant changes to the CIT law entered into force.

THE KEY CHANGES INCLUDE:

- Implementation of a so-called "minimum levy" on certain commercial real estate (mainly shopping malls and office buildings) at the rate of 0.42% per annum of the gross (initial) tax value of the building.
- Limitation of the deduction of financing costs to 30% of a tax-adjusted EBITDA with a safe harbour of PLN 3 million (approximately €0.7 million).

The above changes as well as the fact that as of 1 January 2018 companies are paying CIT according to the standard 19% CIT rate (compared to 2017 when companies paid CIT at a 15% CIT rate – which was a tax privilege for newly established companies) resulted in an estimated increase in the effective tax rate in 2018 by two percentage points.

POLISH REIT LAW

On 26 May 2017 the Polish Ministry of Finance published a draft of the legislation introducing real estate investment trust ("REIT") structures in Poland. As per the latest information available from the Ministry of Finance, REIT structures in Poland will most likely only be available for investments in residential buildings, thereby excluding all commercial real estate in Poland, which was a surprise to many of the industry participants.

BORROWINGS

As at 31 December 2016 the loan to value ratio (“LTV”) (net of cash) was 52.7%, which improved significantly during the year to 47.4% at year-end. The decline can be attributed to the positive revaluation of properties, amortisation of debt and the disposals of offices during the year. The positive revaluations were driven by rental growth, cap rate compression and various asset management activities undertaken during the year. The company’s medium term LTV target is between 45% to 55%. The aggregate debt maturity is 3.9 years (2016: 5.1 years). The average cost of debt increased slightly to 2.14% (2016: 1.85%), with a hedging level of 83% (2016: 90%).

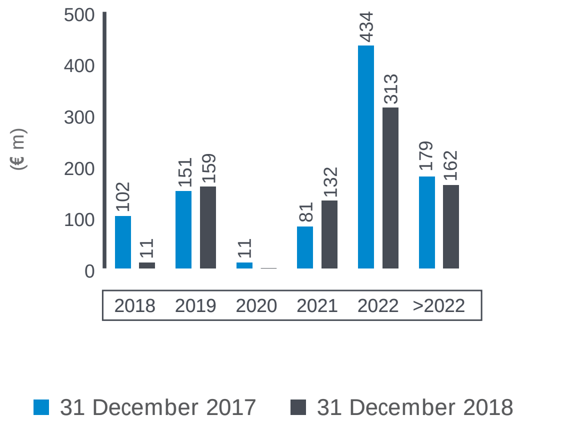
NET ASSET VALUE

The net asset value (excluding deferred tax) per share increased by 16% to €1.32 in December 2017 from €1.14 at the end of 2016. The NAV growth was driven largely by investment property revaluations.

Jacek Bagiński
Chief financial officer

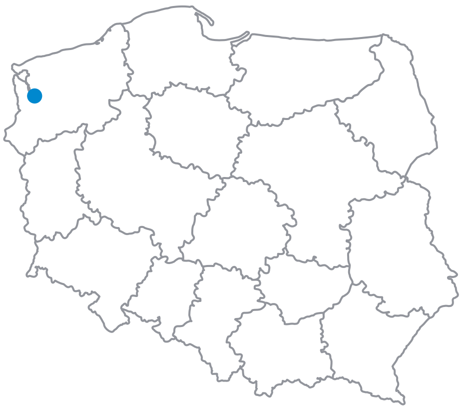
19 April 2018

Debt maturity profile



04

OUR PEOPLE



Szczecin

EPP properties:

- Galaxy
- Outlet Park
- Oxygen

Key attractions:

- Castle of the Pomeranian Dukes
- The Chrobry Embankment
- The Archdiocese Cathedral Basilica of Saint James
- The Old Town Hall
- The Tower of the Seven Cloaks
- The National Museum
- Szczecin Philharmonic

404 878
CITY POPULATION

553 744
AGGLOMERATION POPULATION

€7 548
ANNUAL PURCHASING POWER PER CAPITA

€7 345
AGGLOMERATION ANNUAL PURCHASING POWER PER CAPITA

PLN 4 539.15
AVERAGE MONTHLY WAGE

Stakeholder engagement

Consistent, open and timeous communication with our stakeholders is integral to our sustainability and a critical part of our business strategy. Our stakeholder engagement informs our key strategic discussions and informs the identification of our material issues. 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.

During the year we conducted an investor perception survey which has helped inform our investor relations strategy going forward.

We have identified our stakeholders in terms of our business model, as set out below:

Stakeholder

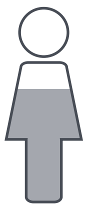
- Shareholders, providers of capital and financial institutions
- Stock exchanges (JSE; LuxSE)
- Employees
- Media (South Africa, Poland, Europe)
- Tenants
- Real estate sector
- Local communities

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.

	What matters to them	How we engage	Topics raised in 2017
	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	• Impact of new tax legislation in Poland • Sunday trading ban • Polish political environment
	Compliance; sustainability; credibility; shareholder returns	Supervised compliance; transparent and timely communication	
	Career development; communication	Internal communication tool EMPLO	
	Timely, relevant and open communication	Media engagement as per established channels and regional programmes	Sunday trading ban
	Tenant mix; redevelopments and enhancements; cleanliness, security and maintenance; communication	Transparent and timely communication; sector-related B2B events	Sunday trading ban
	New legislation; global and local industry trends; sector-specific issues	One-on-one meetings; sector events (awards, panel, conferences, fairs); media	
	Environmental impact; responsible corporate citizenship	Events at shopping centres; CSR events	

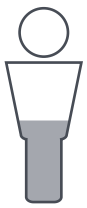
Human capital

Employees by gender



58%

FEMALE



42%

MALE

153
TOTAL EMPLOYEES

(2016:100)

Having a motivated, highly skilled team is integral to our success and we place great emphasis on building teams with the right skills. In our first full year since listing we have focused on bolstering not only our executive management team but also the asset and property management teams. We have made a number of key appointments including an HR director to oversee our talent management. During the year we added 65 new employees to our growing team.

The HR director is responsible for developing an HR strategy aligned to the company strategy which will also meet the development needs of employees within the organisation. The key areas of focus in this regard include the following:

- **Increasing organisational performance in the context of dynamic development**
  This includes ensuring that employees within the group have the competence essential for the implementation of the strategy. In the current year the HR department will develop a competence model to provide a basis for the recruitment process, assessment of training options, procedure for regular evaluations and employee development plans. This will encompass remuneration including bonus schemes as well as other benefits such as sports centre access cards.

- **Development of managerial staff**
  A competent and committed managerial staff is an indispensable building block of the implementation of our strategy. In 2018 we plan to implement an annual development programme for managers to develop team management competence and strengthen leadership attitudes. In addition we plan to launch a Leader Academy focused on the development of leadership competencies as well as internal and inter-team communication. Initiatives aimed at preserving company values, such as "EPP Values Are My Values", "Health and Safety" and internal communication improvement will also be implemented, as well as non-financial incentive solutions.

- **Building the image of EPP as an employer of choice**
  Attracting the top specialists in the job market is an essential component of supporting strategy implementation, including through CSR activities and employee volunteering, and building the vision of EPP as a friendly, effective work environment. Employees are the best ambassadors of our brand as an employer. Our ultimate goal is to provide employees with the best working and development conditions possible, thus increasing the attractiveness of EPP as an employer.

In our modern organisation there is no room for discrimination and we see the diversity of teams, experience, age and nationalities as an opportunity to build international, effective teams. The right to equal treatment with no regard for gender, age, disability, race, religion, nationality, political inclination, trade union membership, ethnicity, religion or sexual orientation is outlined in the Work Regulations.

In addition, rules have been introduced for reporting irregularities and every employee is now required to report irregularities that are general, operational or financial in nature, which the employee considers to be a breach of law, rules of execution, regulations and/or code. This also applies to the nature of discrimination-related issues.

No cases of discrimination were reported during the year.

SKILLS DEVELOPMENT AND TRAINING

During the year a number of external courses were conducted as set out below:

Course	Attendance
Development of English language skills	**26 (19 women; 7 men)**
Training in installation, operation and maintenance of fire dampers	**3 (1 woman; 2 men)**
ISO 14001 documentation	**6 (1 woman; 5 men)**
Training related to the environment in EPP Property Management	**35 (17 women; 18 men)**
Amendments to the provisions of the Construction Law related to maintenance and operation of real estate and execution of construction works at facilities	**9 (1 woman; 8 men)**
Archibus training – service, introducing contracts, invoicing, settling settlement costs	**20**
eCO training – document handling, accepting	**25**
Legal training	**10**
Dundas reporting platform	**40**

The internal training programme focused on subject specific training including:

- Marketing
- Leases, settlements and finances
- Technology
- Administration
- Asset managers
- Shopping centres' directors

In 2018 we will focus on the development of managerial staff and the development of subject-related competence for our employees which encompasses enhancing the knowledge and skills of our employees. This includes the Leader Academy as well as specialised training options that take the business needs of the organisation into account.

Total training spend for the year amounted to PLN 62 000 which is an increase on the prior year. This is expected to increase significantly in the current year due to plans for a development programme for managers as well as specialist training.

Acting sustainably

HEALTH, SAFETY AND THE ENVIRONMENT

Formal health and safety and environmental policies are 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.

Compliance with the requirements of ISO 14001:2004 is certified annually by TUV Rheiland. In the year ahead the management team will be focusing on implementing the latest standard for environmental management being ISO 140001:20105-09.

During the year a central register of all facilities was created (Central Register of Operators) to record the maintenance activities regarding systems and equipment containing freons in line with regulations.

Certain properties in the portfolio are certified with globally recognised LEED (Leadership in Energy and Environmental Design), BREEAM certificates and EU Greenbuilding. Two Astra Park facilities in Kielce and Malta Office Park in Poznań have a lifetime green building classification.

None of the properties is located in an area of high biodiversity. During the year the company received no fines or penalties for non-compliance with environmental regulations.

EPP is committed to energy efficient buildings and programmes optimising water consumption have been implemented at all facilities. In addition, gas and heat suppliers are verified and selected on the basis of optimal efficiency.

Recycling is encouraged at all properties and clearly marked containers for sorting waste are provided.

EPP does not measure its carbon footprint. However, every property which emits dust and gas is registered with KOBIZE, the National Register of Emissions Balancing and Management. Annual reports with consumed fuel and substance emissions are submitted in line with regulations. EPP sets internal targets in terms of emissions which are monitored in the annual technical and environmental audits.

CORPORATE SOCIAL INVESTMENT

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

EPP is committed to being a good corporate citizen and during the year the company has been contributing to the realisation of a better society on a local and national level.

Since its establishment the spirit of contributing to society has been an integral part of EPP's corporate culture. In addition to the day-to-day asset management of our properties, we have strived to ensure full compliance with all regulations and laws, protect the local environment, and provide humanitarian support for our local communities.

EPP's main objective of its corporate social responsibility approach is to support a variety of causes which provide development, education and financial support to different kinds of communities across Poland.

The stakeholder engagement activities are carried out throughout the year including holidays such as Children's day, Mother's day, Christmas or Easter.

EPP centre management teams also support initiatives providing education and access to medical examinations for women, seniors, children or animals.

By actively participating and supporting numerous CSR activities within the communities where our properties are building our identity as a company which is close to the community and understands local needs. Through our CSR activities we endorse the integration of residents and strengthen our position as an active and open place for the needs of residents, non-governmental organisations, local social workers and opinion leaders.

During 2017 there was over 50 CSR initiatives organised within our portfolio and the cities where we operate.

Through our platform of 14 shopping centres we organised a number of events including:

1 GREAT ORCHESTRA OF CHRISTMAS CHARITY

The nationwide charity Great Orchestra of Christmas Charity ("GOCC") was supported by a number of our centres including Galeria Echo, Zakopianka and Twierdza in Kłodzko.

The foundation supports public healthcare in Poland by buying state-of-the-art equipment for Polish hospitals and clinics. It has also initiated and managed five nationwide medical programmes, which aim to systematically transform medicine in the country. Its educational programme introduces CPR lessons into primary schools nationwide. GOCC further works to raise awareness and improve health prevention. The foundation's work is focused on supporting children's medicine and improving the level of care offered to senior patients in geriatric and long-term care units. EPP properties hosted concerts and fund raising actions in January in support of GOCC.

2 SYNAPSIS FOUNDATION

EPP headquarters as well as selected project teams supported nationwide autism awareness and educational month (April) for the Synapsis Foundation. The countrywide organisation seeks to foster understanding and integration into society for autism sufferers.

3 JULIAN COCHRAN FOUNDATION

EPP supported the Julian Cochran Foundation which promotes young talented artists providing classical music for a wider audience in Poland.

EPP provided the foundation with space in Hala Koszyki, one of the properties under management. In doing so Hala Koszyki has gained a long-term entertainment partner as the foundation provides regular classical music concerts weekly. Pasaż Grunwaldzki also used the opportunity and provided its customers with a series of open air concerts in the centre. The footfall results during the week of the concerts exceeded expectations.

4 LOCAL SPORTS TEAMS

We supported several local sport teams including Tauron handball team in Kielce, Anwil Włocławek basketball team, Skra Bełchatów volleyball team and KSK Noteć basketball team.

5 COMMUNITY INITIATIVES

We supported a number of community initiatives with local municipalities such as providing support for filing annual tax declarations, a local police initiative educating schools and children on safety on the way to school.

05

GOVERNANCE

540 372
CITY POPULATION

832 523
AGGLOMERATION POPULATION

€8 960
ANNUAL PURCHASING POWER PER CAPITA

PLN 4 770.94
AVERAGE MONTHLY WAGE

Poznań

EPP properties:

- Malta Office Park
- M1 Poznań | Tranche 3 | June 2020

Key attractions:

- Malta Lake
- Termy Maltańskie
- Poznań International Fair
- Art.& Fashion Forum Poznań
- World Rowing Masters Regatta

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 espoused in King IV. 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 Conduct (the Code) was put in place in 2017 and will be reviewed regularly going forward. The Code applies to all employees and employees are required to sign acknowledgement of the Code.

The Code outlines EPP's commitment to conduct all business operations with honesty, integrity and openness. The chief operating officer and company secretary, Rafał Kwiatkowski, serves as compliance officer in this regard and monitors adherence. A whistle blowing function is in place where employees are required to report any breaches of the Code. Any reported contraventions are dealt with at a managerial level. There were no reported contraventions during the year.

EPP materially complies with the principles of King IV and our application is set out in detail on our website http://www.echo-pp.com/s,132,governance.html.

There were no ethics-related penalties or fines or reported incidents of corruption during the year. In December 2017 a non-executive director was detained by the Regional Prosecutor's Office in Katowice on alleged corruption charges. He resigned from the board with immediate effect on 20 December 2017. None of EPP's directors or employees is currently under investigation. Notwithstanding that the charges related to the director in his personal capacity and related to a specific property, EPP conducted additional governance checks. These included the following:

- Special audits conducted by Dentons, Polish law firm SKS and Deloitte. Deloitte – no irregularities were found
- Annual audit by EY extended to include examination of fraudulent transactions, bribery and anti-money laundering – no irregularities were found
- Compilation by Loyens & Loeff of tailored policies and procedures on contracting intangible services (donations, sponsorship and marketing)
- Related-party policies are in place and EY has verified their existence, completeness, valuation and proper presentation

In addition to the above audits and policies the compliance team was strengthened.

AMBER KALISZ

Corporate governance

BOARD COMPOSITION BY GENDER

82%
MALE

18%
FEMALE

GOVERNANCE STRUCTURE *at 31 December 2017*

Board

- Hadley Dean (CEO)
- Jacek Bagiński (CFO)
- Robert Weisz* (chairman)
- Marek Belka*
- Peter Driessen*
- Maciej Dyjas^
- Dionne Hirschowitz*
- Andrew König^
- Nebil Senman^
- Andrea Steer*
- Marc Wainer^

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

** Independent non-executive.*
^ Non-executive.

Audit and risk committee	Nomination and remuneration committee	Investment committee
Members		
Peter Driessen (chairperson)	**Marek Belka (chairperson)**	**Marc Wainer (chairperson)**
Andrea Steer	**Dionne Hirschowitz**	**Hadley Dean**
Robert Weisz	**Andrea Steer**	**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 thereof 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

BOARD INDEPENDENCE

45%
INDEPENDENT NON-EXECUTIVE

37%
NON-EXECUTIVE

18%
EXECUTIVE

A social and ethics committee was established post year-end. Please see page 68 for further detail.

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. The directors have unrestricted access to all company information, records and documents to enable them to conduct their responsibilities sufficiently.

In terms of the articles of association, one-third of the non-executive directors are re-elected annually. Accordingly, PJR Driessen, DT Hirschowitz, AP Steer and MM Belka will retire by rotation 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. A self-evaluation exercise on the board and committees was conducted during the year and areas marked for improvement have been tabled at board level.

GALAXY

EPP BOARD AND COMMITTEE MEETING ATTENDANCE

Director	Board meetings	Audit committee meetings	Nomination and remuneration committee meetings	Investment committee meetings
Hadley Dean (CEO)	7/7	1/4◆	2/2◆	1/1
Jacek Bagiński+ (CFO)	6/7	3/4◆	1/2◆	
Robert Weisz* (chairman)	7/7	4/4		
Marek Belka*[2]	5/7		2/2	
Peter Driessen*[1]	7/7	4/4		1/1
Maciej Dyjas^	4/7			1/1
Dionne Hirschowitz*	5/7	1/4◆	2/2	
Andrew König^	3/7			1/1
Nebil Senman^	3/7			1/1
Andrea Steer*	7/7	4/4	2/2	
Marc Wainer^	3/7			1/1
Maciej Drozd•	1/3			
Przemysław Krych◊	1/3			

** Independent non-executive.*
^ Non-executive.
• Resigned 19 May 2017.
+ Appointed 19 May 2017.
◊ Resigned 20 December 2017.
◆ By invitation.

1. Audit committee chairman.
2. Nomination and remuneration committee chairman.
The social and ethics committee was established post year-end.

Some board meetings were held by teleconference. At the board meeting on 27 September 2017, Marek Belka and Andrea Steer were represented by power of attorney.

Corporate governance (continued)

SOCIAL AND ETHICS COMMITTEE

In line with the JSE Listings Requirements, a social and ethics committee was established post year-end on 7 March 2018. No meetings have been held to date. The committee comprises Dionne Hirschowitz, Andrea Steer and Nebil Senman.

The committee will report to shareholders on how it fulfilled its responsibilities and obligations during the 2018 financial year in the company's next integrated annual report.

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 and a gender diversity policy was adopted by the board in June 2017. EPP recognises the value that a diversity of skills, experience, background, knowledge, culture, race and gender adds to the effectiveness of the board. The company is committed to using its best endeavours to ensure that the percentage of female representation on the board improves over time and is considered each time a new appointment is being sought. There are currently two female directors on the board.

Due to the fact that EPP does not operate in South Africa and all property and staff are located in Poland, the group has received exemption from the JSE for the requirement of a racial diversity policy.

SHARE DEALINGS AND CONFLICTS OF INTEREST (SOUTH AFRICA)

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.

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 IV and the JSE Listings Requirements.

The board conducted an annual evaluation of the company secretary and is satisfied as to his competence, qualifications and experience.

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 that this does not impact the arm’s length relationship and that he is best placed to undertake the role of company secretary.

IT GOVERNANCE

A dedicated director of IT is responsible for the development of property management systems and we will look to expand the team going forward. EPP’s IT function is currently outsourced but this year we expect all asset and property management related IT services to be fully internalised.

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.

Post year-end EPP appointed a Compliance Officer who is responsible for ensuring compliance with the external regulations including JSE, LuxSE, King IV as well as internal systems of control. He is also provides legal assistance related to all Dutch corporate actions of the company.

Please see page 103 in the directors’ report for further detail on corporate governance.

Remuneration report

PART 1: BACKGROUND STATEMENT

To align with King IV, we have separated our report into three sections: background statement (part 1), overview of the remuneration policy for the year ahead (part 2) and the remuneration implementation report indicating the actual remuneration paid based on the remuneration policy (part 3). Part 2 and 3 will be put to non-binding advisory shareholder votes at the upcoming annual general meeting of the company.

In the event of 25% or more of shareholders voting against the non-binding advisory votes, the board undertakes to engage actively with dissenting shareholders in order to address all legitimate and reasonable objections and concerns.

We have also enhanced our remuneration reporting to be more transparent regarding the basis on which remuneration is determined. We invite our shareholders to engage with us regarding the changes to our policy and reporting.

EPP has successfully attracted and retained high calibre talent at all levels, and the remuneration policy is designed to facilitate and consolidate this achievement. As we understand that all employees are integral to our success, we are committed to internal equity, and fair and responsible remuneration. We have thus considered executive management's remuneration in light of the remuneration of all employees, and over time have made adjustments to our policy to reflect our commitment to paying fairly, responsibly and transparently. We believe that, as we have a small committed team of employees, it is important for everyone to be motivated by the same goals.

The remuneration and nomination committee oversees all remuneration decisions, and in particular determines the criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities. Pursuant to the terms of reference, the committee strives to give the executive directors every encouragement to enhance the company's performance and to ensure that they are fairly but responsibly rewarded for their individual contributions and performance.

The remuneration and nomination committee is satisfied that the current remuneration policy achieved its stated objectives. During the course of the year under review, certain changes have been implemented to further align the policy with our strategy. These are outlined below in part 2 of this report.

Use of remuneration advisers

The remuneration and nomination committee received advice from Korn Ferry during the year, in terms of the evaluation of the board. They are satisfied that the advice received was objective and independent.

Voting results

At the annual general meeting on 19 May 2017, the non-binding advisory vote on the company's remuneration policy received a 93.37% vote in support of the policy.

PART 2: OVERVIEW OF THE MAIN PROVISIONS OF THE REMUNERATION POLICY

Elements of remuneration

The remuneration of directors will consist of the following components which are discussed in more detail below:

- fixed annual base salary;
- short-term variable pay in cash; and
- long-term variable pay in the form of shares or cash.

The bonus is payable annually in cash and is linked to the achievement of strategically important company-wide performance measures.

Fixed annual base salary

The executive directors are entitled to a base salary. In this respect, the annual aggregate base salary of Hadley Dean and Jacek Bagiński in connection with them being a member of the board and/or employed and/or providing services for affiliated companies can amount to a maximum of €500 000 gross and €300 000 gross, respectively. The non-executive independent directors are entitled to a fixed compensation related to chairmanship and membership in committees.

Annual variable remuneration

The executive directors might be entitled to a variable remuneration in cash ("bonus"). The objective of the bonus is to ensure that the executive directors will be focused on realising their short-term operational objectives leading to

Remuneration report (continued)

longer term value creation. The bonus will be paid out when predefined targets are realised. Targets are related to the approved budget and consist of both financial, ie distribution and distribution per share growth, and non-financial measures. The annual aggregate bonus of Hadley Dean and Jacek Bagiński in connection with them being a member of the board and/or employed and/or providing services for affiliated companies can amount to a maximum of €500 000 gross and €300 000 gross, respectively. On an annual basis, performance conditions will be set by the board (or the relevant affiliated company, as the case may be) at or prior to the beginning of the relevant financial year. These performance conditions include the company's (and/or affiliated companies') financial performance and activity in growing and improving the business of the company (and/or its affiliated companies) and may also include qualitative criteria related to the company's, affiliated companies' and/or individual performance.

Long-term variable remuneration

On 8 December 2017, the company's annual general meeting resolved to implement the motivating programme to the members of key personnel in a form of a long-term incentive plan. It was introduced to create an economic motivation based on the measured business outcome and performance of the company and on individual loyalty of the members of key personnel in order to enhance their economic motivation.

Key conditions of the LTI Plan are as follows:

- The company will grant and transfer, free of charge, shares to the Members of Key Personnel.
- The annual maximum aggregate number of shares that may be granted to all Members of the Key Personnel is 1 850 000 shares. The amount of shares in each tranche is specified for each employee, as well as total amount of shares in the whole programme (18 500 000 shares).
- The LTI Plan will expire not later than on the first business day of July 2026.
- Within 30 months from the end of each period ("lock-up period") a Member of Key Personnel, shall not sell, or otherwise transfer, or put any encumbrance on shares that were transferred to such Member of Key Personnel. The lock-up period is shorter than five years, but taking into account a short history of the company, its development stage and additional safeguarding measures, the 30 months lock-up period is deemed to be more appropriate.
- The programme includes 10 tranches in total, the schedule of settlement dates, end of lock-up periods and reference periods are presented in the table below. Vesting date in the table means the date in each calendar year, on which the company shall transfer the shares to the Members of Key Personnel.

Tranche number	Reference period	Vesting date	End of lock-up period
1 (first Tranche)	These shares are not linked with any reference period but are given to generally motivate future performance of managers. These shares shall be transferred in maximum amounts I(s) to each member of key personnel.	**2017**	**First business day of July 2019**
2 (second Tranche)	1.01.2017 – 31.12.2017	**First business day of July 2018**	**First business day of July 2020**
3 (third Tranche)	1.01.2018 – 31.12.2018	**First business day of July 2019**	**First business day of July 2021**
4 (fourth Tranche)	1.01.2019 – 31.12.2019	**First business day of July 2020**	**First business day of July 2022**
(…n)	1.01(n) year – 31.12 (n) year	**First business day of July (n+1) year**	**First business day of July 20(n +3)**

1. The programme includes 10 tranches in total.
   The first tranche was transferred without any conditions. For each of the next tranches the plan stipulates vesting conditions:
   a. 25% of maximum annual fixed number of shares for each employee will be granted for loyalty ("service condition").
   b. Up to 75% of maximum annual fixed number of shares for each employee will be granted depending on the achievement of economic targets specified for the respective reference period ("performance conditions").
2. Service condition is met for a particular tranche in case where a Member of Key Personnel was engaged by the company or by any of the company's affiliates to provide work, duties and/or services, in particular upon an employment contract, service agreement or any other agreement or arrangement during the whole reference period applicable for appropriate tranche.
3. Performance conditions are as follows:
   a. dividend per share growth in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
   b. EBITDA growth in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
   c. individual targets assigned for each Key Person by the Board of Directors ("Individual Performance") – delivery of this target will entitle to 15% of maximum annual fixed shares number.
4. The performance conditions will be proposed by the company and shall be agreed and set by the board until 30 April of each respective reference period.

In the year ended 31 December 2017 the first tranche of 1 832 000 shares were granted to the Members of Key Personnel, their fair value amounting to €1 810 000.

Changes to the remuneration policy

We amended the remuneration policy, subject to shareholder approval, to reflect that compensation will be paid to all non-executive directors instead of only independent non-executive directors. We believe this action aligns to best practice principles.

Remuneration for the non-executives for their respective functions are listed below:

(i) Chairmanship of the board: €70 000;
(ii) Non-executive board membership (excluding the chairman of the board as mentioned under (i) above): €50 000;
(iii) Chairmanship of the audit and risk committee: €24 000;
(iv) Membership of the audit and risk committee: €20 000;
(v) Chairmanship of the nomination and remuneration committee: €20 000;
(vi) Membership of the nomination and remuneration committee: €10 000;
(vii) Chairmanship of the investment committee: €20 000;
(viii) Membership of the investment committee: €10 000;
(ix) Chairmanship of the social and ethics committee: €20 000 (from May 2018);
(x) Membership of the social and ethics committee: €10 000 (from may 2018).

The full remuneration policy is available on the company website: www.echo-pp.com.

Policy relating to setting of non-executive directors' fees

Non-executive directors' fees comprise an annual fee in recognition of their responsibility in their various committees of which they are members.

The fees payable for 2017 were paid on the basis recommended by the remuneration and nomination committee and by the board and approved by shareholders at the annual general meeting held on 19 May 2017. Proposed fees for 2018 are contained within the notice of annual general meeting.

Advisory vote on the remuneration policy

Shareholders will be requested to cast an advisory vote on the remuneration policy as it appears in part 2 of this report at the upcoming annual general meeting.

Remuneration report (continued)

PART 3: IMPLEMENTATION OF THE REMUNERATION POLICY DURING THE 2017 FINANCIAL YEAR

Termination of employment

There were no payments in terms of terminations of employment during the financial year.

The details of the directors' emoluments accrued or paid for the year ended 31 December 2017 and period to 31 December 2016 are set out in the table below:

	Basic salaries €'000	Directors' fees €'000	Bonuses and other performance payments €'000	Share-based payment €'000	Total €'000
Year ended 31 December 2017					
Executive directors					
Hadley Dean	475	–	500#	2 567	3 542
Jacek Bagiński	243	–	300	1 444	1 987
Maciej Drozd*	87	–	–	–	87
Total	805	–	800	4 011	5 616
Non-executive directors					
Robert Weisz	–	90	–	–	90
Marc Wainer	–	35	–	–	35
Marek Belka	–	66	–	–	66
Andrew König	–	30	–	–	30
Maciej Dyjas	–	30	–	–	30
Przemysław Krych**	–	30	–	–	30
Nebil Senman	–	30	–	–	30
Dionne Hirschowitz	–	60	–	–	60
Andrea Steer	–	80	–	–	80
Peter Driessen	–	79	–	–	79
Total	–	530	–	–	530

* *Maciej Drozd retired from the board on 19 May 2017.*
** *Przemysław Krych resigned from the board on 20 December 2017.*
\# *The actual bonus payment to Hadley Dean was €425 000. The table above presents the accrual recognised in the approved financial statements at 31 December 2017.*

TECZA KALISZ

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 in 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 Significant decreases in estimated rental value and rent growth would result in significantly lower fair value of the portfolio.	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 expectations may significantly impact the results of investments.	▸ Partnership dialogue and cooperation with city authorities ▸ Provide assurance on positive social and urban impact of projects ▸ Development partner Echo Investment S.A. with long-term experience in both construction and development of commercial projects across Poland ▸ Development director appointed at each project, supervised by EPP technical director ▸ Cost assessments updated on current market conditions
E-commerce Certain tenant sales may reduce due to increased online sales.	▸ Asset management team focused on improving customer experience by increasing food and beverage and attractiveness of leisure areas
Operational risks	
Profitability Increased operational costs could impact profitability.	▸ Internalisation of property and facility management enabling full control of property management process ▸ Operational control of budget performance ▸ Structuring lease agreements with operational costs recharged to tenants ▸ Green building certification
Attractive retail centres Requirement for constant maintenance to maintain modern standards. Poor maintenance could lead to undesirable environments which could reduce footfall.	▸ Professional and technical teams in place to ensure long-term maintenance plan is budgeted and executed ▸ Each centre overseen by asset manager and supervised by head of retail

See page 100 in the directors' report for further detail on risks and mitigations including compliance and financial risks.

Audit and risk committee report

The information below constitutes the report of the audit and risk committee in respect of the year under review. The committee is an independent statutory committee, to which duties are delegated by the board.

The following independent non-executive directors served on the audit and risk committee during the 2017 financial year:
- Peter Driessen (chair)
- Robert Weisz
- Andrea Steer

All committee members are independent non-executive directors and are financially literate. The audit and risk committee is governed by a charter which was approved by the board.

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

The audit and risk committee meets at least three times a year and attendance of directors is set out on page 67. Special meetings are convened as required. The external auditors and executive management are invited to attend every meeting and 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. The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems.

The committee members were all satisfied with the functioning of the committee. The board was also satisfied that the committee members collectively have sufficient academic qualifications and the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

The audit and risk committee has reviewed these annual financial statements prior to submission to the board for approval.

In terms of the JSE Listings Requirements the audit and risk committee has considered and satisfied itself of the appropriateness of the expertise and experience of the CFO, Jacek Bagiński.

The audit and risk committee has also assessed the suitability for appointment of the external auditor Ernst & Young Inc., and designated individual partner, in line with paragraph 3.84h(iii) of the JSE Listings Requirements and has further satisfied itself that they are independent of the company. In addition, the committee has requested from the audit firm the information detailed in paragraph 22.15(h) of the JSE Listings Requirements in their assessment of the suitability for appointment of their current audit firm and designated individual partner and was satisfied that:
- the audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;
- the auditors have provided to the audit and risk committee, the required IRBA inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels; and
- both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

The committee has reviewed the Integrated Report for completeness and accuracy relative thereto.

Peter Driessen
Chairman audit and risk committee

GALERIA SUDECKA


TAJMAHAL

06

PROPERTY PORTFOLIO

Łódź

EPP properties:

- M1 Łódź*
- Symetris Business Park

Key attractions:

- The Piotrkowska Street
- Central Museum of the Textile Industry
- Se-ma-for Animation Museum
- The Museum of Art
- The Izrael Poznanski Palace

* *Post year-end.*

696 503
CITY POPULATION

964 262
AGGLOMERATION POPULATION

€7 606
ANNUAL PURCHASING POWER PER CAPITA

€7 215
AGGLOMERATION ANNUAL PURCHASING POWER PER CAPITA

PLN 4 230.12
AVERAGE MONTHLY WAGE

Income generating property portfolio

RETAIL

Galaxy

Pasaż Grunwaldzki

Galeria Echo

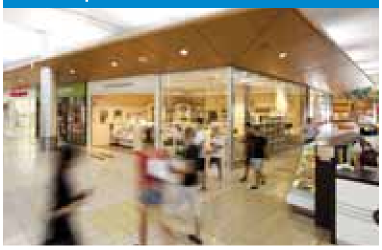
Outlet Park

Amber Kalisz

Galeria Solna

Galeria Sudecka

Zakopianka



Galeria Twierdza Zamość

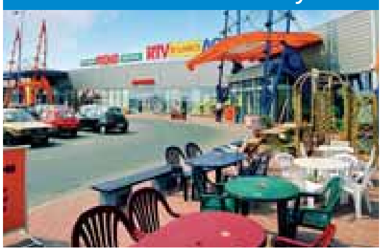
Wzorcownia

Galeria Twierdza Kłodzko

Olimpia

Veneda

Echo Centrum Przemyśl



Property	City	Retail GLA (m²)	Fair value 31 December 2017 (€m)	Gross current rent (€m p.a.)	Weighted average rental per m² for rentable area
Galaxy	Szczecin	56 627	275.1	16.37	22.60
Pasaż Grunwaldzki	Wrocław	48 368	252.3	13.69	22.00
Galeria Echo	Kielce	71 650	222.6	12.76	13.60
Outlet Park	Szczecin	28 283	91.7	5.67	14.90
Amber	Kalisz	33 599	87.7	5.48	12.40
Galeria Solna	Inowrocław	23 627	58.7	4.25	13.50
Galeria Sudecka	Jelenia Góra	30 268	57.1	4.19	10.50
Zakopianka	Kraków	26 142	56.3	5.76	16.20
Galeria Twierdza	Zamość	23 806	51.7	3.68	13.50
Wzorcownia	Włocławek	25 455	51.2	3.77	14.00
Galeria Twierdza	Kłodzko	23 039	48.6	3.48	11.40
Olimpia	Bełchatów	32 703	54.6	3.75	9.66
Veneda	Łomża	15 026	39.2	2.55	13.70
Echo Centrum Przemyśl	Przemyśl	5 759	4.86	0.46	6.22
Total		444 351	1 351.66	85.86	14.88

Income generating property portfolio

(continued)

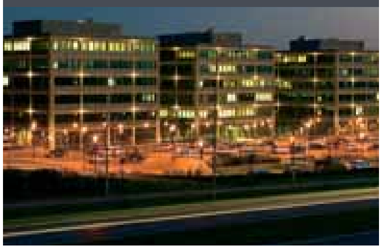
OFFICE

Park Rozwoju

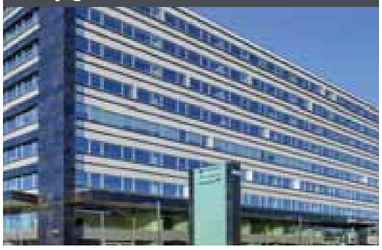
Malta Office Park

O3 Business Campus

Astra Kielce



Oxygen

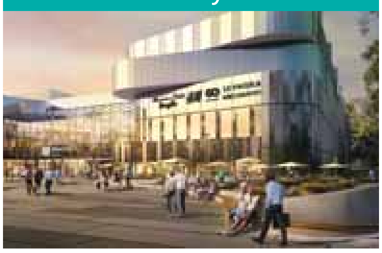


Symetris Phase I

DEVELOPMENTS

Towarowa 22

Galeria Młociny Site



Property	City	Office GLA (m^2)	Fair value 31 December 2017 (€m)	Gross current rent (€m p.a.)	Weighted average rental per m^2 for rentable area
Park Rozwoju	Warsaw	33 475	71.9	5.21	13.4
Malta Office Park	Poznań	28 270	61.9	4.94	13.9
O3 Business Campus	Kraków	37 846	92.6	6.57	13.2
Astra Kielce	Kielce	14 269	31.4	2.61	13.1
Oxygen	Szczecin	13 904	28.1	2.03	14.1
Symetris Phase I	Łódź	9 595	22.6	1.64	12.9
Total		137 359	308.5	22.99	13.45

Property	City	Land area (m^2)	Fair value 31 December 2017 (€m)
Towarowa 22	Warsaw	64 869	102
Galeria Młociny Site	Warsaw	51 037	186.6
Total		115 906	288.6

07

ANNUAL FINANCIAL STATEMENTS

as published on 8 March 2018

Kielce

EPP properties:

- Galeria Echo
- Astra Park
- M1 Portfolio (PP Kielce) | Tranche 2 | June 2019

Key attractions:

- The Old Town market (18th century)
- Kielce National Museum
- Five natural reserves: Ślichowice, Kadzielnia, Biesak (inanimate nature) and Karczówka (a landscape reserve)

197 704
CITY POPULATION

304 565
AGGLOMERATION POPULATION

€7 309
ANNUAL PURCHASING POWER PER CAPITA

€7 309
AGGLOMERATION ANNUAL PURCHASING POWER PER CAPITA

PLN 3 920.24
AVERAGE MONTHLY WAGE

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 131 to 195, which comprise the consolidated statement of financial position as at 31 December 2017, 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 year ended 31 December 2017, 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 2017, and its consolidated financial performance and consolidated cash flows for the year then ended 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 consolidated 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 consolidated 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 consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
Fair value of investment property (note 5)	
The investment properties of Echo Polska Properties N.V. comprise income generating assets in Poland. As noted in note 5 to the consolidated financial statements, the total investment property as of 31 December 2017 amounts to €1.7 billion (2016: €1.4 billion) representing 85% (2016: 90%) of total assets. Despite the decrease in this ratio, investment property itself increased by 22%. The portfolio consists of both retail properties 81% (2016: 72%) of the total portfolio, and office properties 19% (2016: 28%) of the total portfolio. As noted in note 4 to the consolidated financial statements, the total carrying amount of investments in joint ventures amounts to €116 million (2016: €54 million), which is significantly impacted by the fair value of the related investment properties. Total fair value of the investment properties in joint ventures amounts to €289 million (2016: €102 million). 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 rates 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. We are required to reassess all of the assumptions each year owing to changes in the environment and the different characteristics of each property. 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 obtained an understanding of the internal processes related to determining the fair value, performed walkthroughs and evaluated the design of controls. ▸ We received the valuation reports for all properties from independent professional expert valuators and performed the following specific procedures on the valuations: – Assessed whether the valuation approach used for these was suitable for determining the fair value of investment properties in the financial statements. – Involved EY real estate specialists to assist us with the evaluation of the valuation method and the assumptions used by management's valuators as well as a recalculation of the fair value of investment properties. – Evaluated the external valuator's expertise, independence and methodology used for the valuation. – Assessed and challenged the key assumptions included in the valuation (such as capitalisation rate, market rental income, market-derived discount rate, projected net operating income, vacancy levels, estimate of the reversion/terminal value, rent-free periods, letting fee, letting voids and fit-out allowance for vacant space or renewals). – Agreed the significant data applied in the valuations to appropriate supporting documentation. We have also evaluated the appropriateness and completeness of the disclosures included in the group financial statements relating to the assumptions used in the valuations and disclosed in the notes 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 27)	
Echo Polska Property N.V. ("EPP"): • Acquired A4 Business Park (stage III) on 26 April 2017 and Opolska Business Park (stage II) on 28 December 2017. These investment properties were acquired through the right of first offer ("ROFO") agreement with Echo Investment S.A. ("Echo") a related party of EPP; • Loans were received from Echo for subsidiaries of EPP (Astra Park, Outlet Park and Verwood Investments) of €20 million (2016: €6 million) as noted in note 27; and • Loans were granted to Kalisz Retail sp. z o.o. and to Aradiana Ltd, a shareholder and a controlling entity of Kalisz Retail sp z o.o. of a nominal amount of €21.8 million (2016: €0) and €1.5 million (2016: €0) respectively as noted in note 8 to the consolidated financial statements, respectively. In addition, as noted in note 1 (basis of preparation) to the consolidated financial statements, a restatement was made regarding the recognition of the preferred dividend liability to Echo of €16 million, which is related to the extension of the investment properties Galaxy and Outlet Park. The restatement required the involvement of technical specialists and significant time from senior audit team members to evaluate the contract to determine the appropriate accounting treatment. In addition significant time was required to assess the impact of the restatement on the consolidated financial statements. 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, are not for a valid business rationale, the terms of interest and repayment for loans are not fair and/or the accounting treatment of the rights and obligations of these transactions is incorrect, it could materially influence the results of the group. Furthermore, for financial reporting purposes, IAS 24: *Related Party Disclosure* and IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, requires complete and appropriate disclosure of transactions with related parties.	• 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 these 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 and considered loan and other agreements with related parties to assess the terms and conditions; • We evaluated the rights and obligations per the terms and conditions of the agreements and assessed whether the transactions were recorded appropriately; • We determined whether the directors have disclosed relationships and transactions in accordance with IAS 24: *Related Party Disclosures* (refer disclosure note 27); and • We inspected that the restatement regarding the preferred dividend liability is recognised appropriately in terms of IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* in the restated statement of financial position as at 31 December 2016 and the restated consolidated statement of profit and loss and in the statement of changes in equity for the year ended 31 December 2016. We evaluated the appropriateness of the disclosures included in note 1 and note 27 to the consolidated financial statements.

GALAXY

Independent auditor’s report (continued)

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 Standards, 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.

GALERIA SUDECKA

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.

Independent auditor's report (continued)

- 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.

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 two years.

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

102 Rivonia Road
Sandton
South Africa

7 March 2018

Directors’ report

RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group annual financial statements of Echo Polska Properties N.V. comprising the consolidated and standalone statement of financial position at 31 December 2017, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 1 January 2017 to 31 December 2017 and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), IFRS as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and JSE Securities Exchange (“JSE”) Listings Requirements and the directors’ report in accordance with Part 9 of Book 2 of the Dutch Civil Code (including the broad outline of the corporate governance of the company and compliance with the Dutch Corporate Governance Code).

The directors are also responsible for such internal controls 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.

DIRECTORS’ REPORT

1. Overview and company’s structure

EPP is a Dutch-based real estate company that follows the REIT formula and is one of the leading owners of retail space in Poland. Its portfolio is complemented by high quality offices located in regional cities across Poland. The company currently operates a portfolio of 14 retail centres located across the majority of the regional cities across Poland and six offices. By the end of 2020 expects to own 27 shopping centres post the conclusion of the M1 transaction. EPP shopping centres are dominant in their locations and attract both local and international brands.

EPP owns and operates 444 350 m² retail gross lettable area (“GLA”) and 137 359 m² office GLA, excluding joint ventures. During 2017, 124 000 m² retail GLA was added via completed acquisitions. The company’s team has grown significantly during this period to adequately support the growth of its operations, and currently comprises 153 professionals with expertise in accounting, architecture, asset management, administration, development, finance, investments, law, leasing, marketing, property management and tax.

EPP is listed on the Euro MTF market of the Luxembourg Stock Exchange (“LuxSE”) and on the Main Board of the JSE in the Real Estate Holdings and Development Sector. The company has primary listings on both LuxSE and the JSE.

Details of all direct and indirect subsidiaries of the company as at 31 December 2017 are presented in note 27 of the financial statements.

2. Long-term value creation strategy

EPP’s long-term strategy is to own quality shopping centres in Poland that are dominant in their catchment areas, have stable and growing cash flows and attract new quality concept and flagship stores to make these centres the preferred locations for local and international brands. We are pursuing both acquisitions and new developments to increase the scale of our operations. Our company structure provides a sound foundation on which to execute group strategy, with capable and experienced teams and proactive management of our assets for ongoing income and capital growth. We have outlined five areas of focus to help achieve our strategic objectives as set out below:

Directors' report (continued)

Investment

We seek to make strategic investments aimed at improving the quality of our portfolio while ensuring long-term sustainability in income and capital appreciation. In assessing suitable investments we apply a strict set of investment criteria including dominance in catchment area, opportunity for expansion and quality of asset. In doing so, we are also cognisant of consolidating the retail sector in Poland. This objective is being driven by strong demand for retail assets in regional cities across Poland as well as dominant assets in secondary cities. The operational targets aligned to this objective are geographic diversification and increasing the retail portfolio to over 70% of the total portfolio.

We shall maintain a limited development programme tailored to market risks and opportunities. Our current development pipeline consists of two flagship development sites, namely Młociny located in the north of Warsaw and Towarowa 22 located in the rapidly growing Wola district in central Warsaw. Development opportunities are driven by external trading and in all cases the yield must exceed the cost of the development.

Finance

We seek to access all available sources of funding to minimise the cost of capital while maintaining gearing levels. Our objective is to sustain a strong balance sheet through conservative gearing and credit metrics that are well within covenants and reducing financial risk by reducing debt capital in the structure. We also endeavour to limit our exposure to interest rate fluctuations by fixing rates over periods and matching loan expiry profiles, thereby limiting the impact of interest rate increases on the cost of finance.

We aim to diversify the shareholder and debt lender bases through the debt capital markets, traditional bank funding and equity funding. In doing so our target loan to value ratio ("LTV") is 45% to 55%.

Assets

Our objective is to own quality retail assets that are dominant in their catchment areas. Where we own office assets these should have quality tenants. Our primary goal is to maintain a high quality portfolio which is geographically diversified and more than 70% retail. In maintaining the quality of the assets in the portfolio we seek to adhere to the highest building standards in terms of green ratings.

Rental income

Our objective is to earn sustainable rental income by providing quality space to a large and diverse base of financially sound tenants with good growth prospects and secured by long leases. Our internalised property and asset management uses our innovative property management platform to assist and advise tenants on implementing initiatives to drive additional income. The aim of this objective is gross revenue growth.

Management

We seek to proactively manage our assets and invest the necessary capital to ensure that properties are well maintained and operate at optimum efficiency. The ultimate goal is to improve net property income with net property income growth exceeding Euro zone inflation.

We continually look to build the maximum value of our existing assets through refurbishments, extensions and ongoing maintenance. At all times we ensure that we provide the highest level of service to our stakeholders. Therefore we continue to strengthen our internal asset management team with experienced individuals. We seek to attract and retain the best people by creating an environment that is conducive to productivity and performance and fostering an entrepreneurial approach. We focus on the development of our people, culture and values. We continually look to improve efficiencies in the property management processes and ensure clear communication with tenants and other stakeholders.

Distributable earnings

Our objective is to achieve growth in distributable earnings and distribute these to shareholders. In doing so we need to balance between providing investors with annual distribution growth while also delivering sustainable long-term earnings. To achieve this we continually invest in our employees, properties and the communities in which we operate. Our objective of geographic diversification will also ensure that the contribution to distribution income is diversified.

Environmental matters

Our strategy is not just to react to regulations as they are introduced but to engage positively with local stakeholders to anticipate areas of potential environmental impact and to minimise the potential harmful impact. It is especially our focus in two of our joint venture development projects: Galeria Młociny and Towarowa 22.

Social and employee matters

We believe that respecting and developing our human capital is critical to our business success. Not only does this relate to our own employees but the satisfaction of the employees of our tenants is equally important. Therefore we invest in top-class health and safety solutions in our properties, provide adequate training to employees and create a culture of open communication to learn about the important employee matters.

We believe that respecting the societies in which we operate is also critical to our ongoing success. EPP supports numerous local activities in the cities where our properties are located, as we believe that sustainable development is the future of retail business.

3. Acquisitions

2017 was an incredibly busy year which saw the company conclude deals to the value of nearly a billion euros and also enter into a joint venture with regard to a key retail development site Młociny in Warsaw. Młociny is earmarked for a 78 000 m² GLA retail, leisure and office project and is expected to be delivered in 2019. It is located in a much desired site in the north of Warsaw. In 2017, upon fulfilment of all outstanding conditions, EPP purchased the A4 Business Park Phase III and O3 Business Campus Phase II. The plans announced in the 2016 Directors' Report including extensions to Galaxy and Outlet Park and the purchase of Zakopianka Shopping Centre have been concluded. Further, the group, in line with its strategy of acquiring quality retail centres that are dominant in their catchment areas, purchased three additional retail centres during the year. In total we acquired five shopping centres for an aggregate consideration of €220 million. The shopping centres are listed below:

- Twierdza Kłodzko Shopping Centre with a GLA of 23 000 m² situated in Kłodzko, Poland;
- Galeria Zamość Shopping Centre with a GLA of 24 000 m² situated in Zamość, Poland;
- Wzorcownia Shopping Centre with a GLA of 26 000 m² situated in Włocławek, Poland;
- Galeria Solna Shopping Centre with a GLA of 24 000 m² situated in Inowrocław, Poland; and
- Zakopianka Shopping Centre with a GLA of 27 000 m² situated in Kraków, Poland.

4. Disposals

In line with EPP's long-term strategic goal to become a pure retail property fund, the group disposed of a portfolio of office properties in December 2017 including:

- Tryton Business House in Gdansk;
- A4 Business Park in Katowice; and
- West Gate in Wrocław.

The aggregate consideration for the portfolio was €160 million.

Directors' report (continued)

5. Financial overview

General

The equity (excluding deferred tax) as at 31 December 2017 amounted to €834 million (2016: €607 million) with equity per share of 1.32 euro cents (2016: 1.14 euro cents per share) representing a 16% increase since 31 December 2016. The growth of net asset value ("NAV") per share was mainly due to the net result for the period and fair value gain on the investment property portfolio. In 2017 the company built a strong property management team, which actively remodels the purchased assets and integrates the portfolio.

The net cash generated from operating activities amounted to €119 million (2016: €25 million) with €258 million (2016: €363 million) used in the reporting period in investment activities (business combinations, asset acquisitions and investment in joint ventures) and €225 million (2016: €360 million) generated from financing activities resulting in a cash and cash equivalents balance of €99 million (2016: €22 million) providing sufficient liquidity for the group to meet its current obligations and dividend payment.

Future acquisitions and development projects will be financed from a mix of external debt and equity keeping the LTV ratio of 47.4% on a comparable level. The LTV decreased when compared to 2016 (52.7%) due to the issuance of new equity of €152 million in April 2017.

No research and development activities which had a material impact on the group's results were undertaken by the company during the reporting period.

The net profit attributable to the company's shareholders for the year ended 31 December 2017 amounted to €128 million (2016: €72 million) with distributable earnings amounting to €77 million (2016: €34 million) in line with expectations. The profit increased in line with net property income due to the acquisition of seven new properties and the full year impact of properties acquired in 2016.

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

The average number of employees in 2017 grew by 74% from last year to 153 expressed in full-time equivalents. The most significant growth was in the retail department, due to the acquisitions described above.

	Number of employees	
	2017	2016
Department		
Retail	**85**	47
Office	**11**	9
Other	**57**	32
Total	**153**	88

Property valuations

The portfolio was valued at 31 December 2017 by Savills Sp. z o.o., an independent valuation expert as per the investment property accounting policy at €1.656 million (2016: €1.359 million) with a 4.6% increase in value on the existing portfolio when compared to 31 December 2016. This significant growth was driven by our effective and active asset management measured by an increase in footfall of 5.6% on the 2016 portfolio and yield compression.

In the current year the group acquired new properties to the value of €334 million as compared to €114 million during the 2016 financial year. The vacancy rate (based on GLA) is 1.64% in the retail sector and 9.1% in the office sector (2016: 2.04% and 11%, respectively).

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 2017, the all-in blended rate of the group's debt was 2.14% (2016: 1.85%). The group has total debt facilities of €968 million (2016: €795 million) that are measured using the amortised cost method. The average loan maturity as at 31 December 2017 is 3.9 years (2016: 5.1 years).

The group's financial position is analysed taking into account the cash and cash equivalents position and LTV which at 31 December 2017 amounts to 47.4% (2016: 52.7%).

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

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

As at year-end, 83% (2016: 90%) of the drawn-down debt has been hedged through interest rate swaps while the remaining portion of unhedged facilities relates to short-term debt.

Segment operations

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

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

	Retail €'000	Office €'000	Total €'000
Year ended 31 December 2017			
Segment profit			
Rent and recoveries income	**105 733**	**44 278**	**150 011**
Straight-line rental income	**180**	**324**	**504**
Property operating expenses	**(34 116)**	**(14 287)**	**(48 403)**
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)

Directors' report (continued)

	Retail €'000	Office €'000	Total €'000
31 December 2017			
Segment assets			
Investment in joint ventures	**116 009**	**–**	**116 009**
Investment property	**1 347 072**	**308 500**	**1 655 572**
Total segment assets	**1 463 081**	**308 500**	**1 771 581**
Bank borrowings	**686 982**	**161 699**	**848 681**
Total segment liabilities	**686 982**	**161 699**	**848 681**
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 borrowings, as these are the only liabilities reported to the board of directors (the "board") of the company on a segmental basis.

6. Outlook

Poland remains an attractive investment and business destination with access to a highly skilled and educated workforce, relatively low cost of doing business (wages and rents are lower than in the EU) and a stable economy. The majority of outsourcing jobs are in regional cities which not only supports our office portfolio, but also increases general spending power, which should drive the spend in our retail centres.

Polish wages continue to grow as a result of the growing economy and this should benefit the retail sector in Poland as a whole. However, at the end of 2017 the Polish government implemented a law that will restrict trading on Sundays. Polish consumers will have two years to adapt to the new Sunday trading ban with the ban coming into full effect in 2020. We expect an initial reduction in retailer sales as shoppers adapt to the new trading hours but we do not expect any long-term negative impact on retailer sales as we believe that shoppers' habits will adapt to the new trading hours.

2017 was an extremely busy year in terms of acquisitions and disposals and the focus for the next 12 months will be on further integration of the assets acquired during the year and fundamental strategic asset management in the portfolio. The group plans further growth of its experienced asset management and operational workforce.

In December 2017, the group announced the acquisition of 12 major shopping centres and retail parks (M1 portfolio) from Chariot Top Group B.V., a consortium in which Redefine Properties Limited owns 25%. The assets' aggregated value is €692.1 million. The acquisition has been divided into three tranches. The first tranche was successfully concluded in January 2018 and tranche 2 and 3 are due to complete in June 2019 and June 2020, respectively.

Tranche 1, with a gross asset value ("GAV") of €358.7 million, comprises M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze totalling collectively 194 400 m² GLA and NOI of €25.1 million.

Tranche 2, at €222.5 million GAV, comprises of M1Bytom, M1 Czestochowa, M1 Radom and Power Park Olsztyn, Power Park Opole and Power Park Kielce totalling collectively 184.000 m² GLA and NOI of €16.3 million.

Tranche 3, at €110.9 million GAV, comprises M1 Poznań and Power Park Tychy totalling collectively 68 100 m² GLA and NOI of €7.6 million.

This transaction is in line with the group's strategy to acquire quality retail centres that are dominant in their catchment areas, have potential redevelopment opportunities and have stable and growing cash flows. The deal also significantly provides scale benefits for our tenants' increased exposure to the growing middle class of Poland.

RISK PROFILE AND RISK MANAGEMENT

1. Risk appetite

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

One of EPP's key values is performance excellence and embedding this into our culture on a day-to-day basis ensures that we are able to deliver expected returns and meet the expectations of our stakeholders.

Another key value is transparency and EPP strives to comply with laws and regulations in all the jurisdictions in which it is active. EPP considers it crucial that it correctly applies the relevant tax laws and industry specific standards while also fully complying with these laws as to their object and purpose. EPP involves specialist teams (both internal and external) for complex topics and advises to minimise the risk of non-compliance.

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 the risk factors involved.

The group's policy is to hedge the interest rate risk to the extent where the hedging cost do not exceed the forecasted risk exposure for each particular borrowing. As described below in the financial risk section, 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.

The group's exposure to foreign exchange rate risk is significantly decreased by borrowings denominated in EUR. The group is exposed to foreign currency risk on receivables and payables denominated in a currency other than EUR being functional and the presentation currency. The group's policy is to hedge expected significant transactions in currencies other than EUR, like dividend payment, to minimise the impact of exchange rate fluctuations, to the extent where the hedging cost do not exceed the forecasted risk exposure for each particular transaction.

2. Risk management

2.1 Risk management process

Risk management is integral to the company's growth strategy and ensuring that our strategic objectives are achieved. Over the last year the company has build a formal frame for its risk management process incorporating several policies within the company, including formal Code of Conduct, Board Regulations and Whistleblower policy.

Directors' report (continued)

A thorough management process is in place to identify, assess, manage and monitor risks. Procedures are under continuous improvement, in order to meet the needs of a fast-growing business. Within the course of the next year the company plans to establish a social and ethics committee within its board of directors to further strengthen the corporate governance environment.

Occurrence of any or all of the risks listed below could have a material impact on the group's financial performance.

2.2 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 has assessed the organisation and functioning of the internal risk management and control systems. There is an constant ongoing process of the improvements to the risk management system. The outcome of this assessment was discussed with the audit and risk committee.

3. Main risks and risk mitigation

3.1 Strategic and business risks

The group's portfolio is subject to risks particular to real estate investments. The market value of our property portfolio has a significant impact on the group's net asset value ("NAV") and covenants related to the borrowings.

Market value of the portfolio

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 expires.

The mitigating measures are assessed as highly effective. The risk did not have a significant impact on the company in the past financial year, as the market value of the portfolio increased.

If the risk materialised and the market value of the portfolio dropped by 10% our loan to value ratio would decrease from 47.4% as currently reported in the financial statements to 52.1%.

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 its 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 two major development projects – Galeria Młociny and Towarowa 22, is one of the largest and most reputable developers in Poland. It has a successful long-term track record 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 leading retailers in Poland with feedback requested from most of the anchors' tenants.

Each project has a development director and is supervised by the technical director of EPP. Any variations are monitored closely and corrective action is taken where necessary. The mitigating measures are assessed as effective and the risk did not have a significant impact on the company in the past financial year.

E-commerce

There is a risk that certain tenant sales may be reduced by online sales thereby negatively impacting the profitability of certain tenants. This may lead to reduced rent which will have a negative impact on the market value of the property.

The company's asset management team continues to focus on improving the customer experience in our shopping centres by increasing the food and beverage component in malls and improving the attractiveness of its leisure areas. This will encourage customers to spend more time in malls and likely increase spend.

The risk did not have a significant impact on the company in the past financial year.

3.2 *Operational risks*

Profitability

Increase in operational costs may lead to reduced profitability of the business.

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. Each shopping centre has a shopping centre director and the retail director at the company provides additional supervision across all the centres owned by the company.

Moreover, the green building certification and sustainability initiatives help maintain the stable cost level from tenants' perspective.

The company is profitable and the risk did not have a significant impact on the company in the past financial year.

Attractive retail centres

Shopping centres require constant maintenance and need to be kept up to modern standards to remain attractive for shoppers and its tenants. Poor maintenance may lead to undesirable environments which may reduce the footfall, negatively impact tenant performance and in turn leading to reduced rent and value of the property.

EPP employs professionals and technical teams to ensure that the long-term maintenance plan is properly budgeted and executed accordingly. Additionally all centres are overseen by an asset manager and supervised by the head of retail.

The risk did not have a significant impact on the company in the past financial year.

Directors' report (continued)

3.3 *Compliance risks*

Tax compliance

The Polish tax landscape is characterised by frequent changes and the regulatory requirements are increasing. The company also operates in multiple jurisdictions which further complicates and increases the risk of non-compliance of local tax rules.

The risk management framework requires appropriate strategy for effective tax control. The management team is supported by an external team of reputable tax advisors and monitors the efficiency of the tax strategy across the group's operating structures to ensure the business delivers in line with the strategy. The company has an external legal advisor in each jurisdiction in which it operates.

The risk did not have a significant impact on the company in the past financial year.

Non-compliance with laws and regulations

The laws and regulations are always changing in the jurisdictions that the company operates (including JSE and LuxSE requirements) and therefore there is the risk of non-compliance with local laws.

New legislation that may impact the group are continually assessed by the executive management team and tabled at board meetings for discussion. The directors are assisted in this regard by the company secretary and the internal legal department. New legislation initiatives and other regulatory changes are monitored at an early stage by respective team members supported by external advisors, in each jurisdiction in which it operates.

The risk did not have a significant impact on the company in the past financial year.

3.4 *Financial risks*

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.

The company hired experienced specialists to actively manage the financing needs of the fast-growing business and proactively mitigate risks related to renewal and refinancing of loans. The company closely monitors the loan to value ratio to avoid adverse impact on its financial condition or results of operations.

The risk did not have a significant impact on the company in the past financial year.

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 2017, after taking into account the effect of interest rate swaps, 83% of the group's borrowings are economically hedged (90% as at 31 December 2016, respectively).

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.

The risk mitigating measures are assessed as highly effective. The risk did not have a significant impact on the company in the past financial year.

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.

The risk did not have a significant impact on the company in the past financial year.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The company is registered and incorporated in the Netherlands as a public company (*naamloze vennootschap*) with primary listings on the Main Board of the JSE and the Euro MTF market of the LuxSE. For this reason the company is subject to both the Dutch Corporate Governance Code ("Dutch Code") and South African King IV Corporate Governance Code ("King IV").

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 both Codes.

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.

1. CORPORATE GOVERNANCE CODE IN THE NETHERLANDS

The Dutch Code was released on 9 December 2003 by the Dutch Corporate Governance Committee, with a subsequent revision on 8 December 2016. The Dutch Code contains principles and best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The most important change implemented by the 2016 revision of the Dutch Code is the focus on long-term value creation and the company's culture as an important component of corporate governance.

Directors' report (continued)

The principles and best practice provisions of the Code are focused on a company with a two-tier board structure, whereby a supervisory board supervises the management board, whereas EPP has a one-tier board structure, with non-executive directors who supervise the executive directors. The Dutch Code includes a separate chapter with guidelines as to how to apply the other best practice provisions in a company with a one-tier board structure. In principle all best practice provisions for the supervisory board *mutatis mutandis* apply to non-executive directors as to provisions for the management board *mutatis mutandis* apply to executive directors and in some instances also apply to the non-executive directors. The list of exceptions below should be read bearing this in mind.

2. EXCEPTIONS TO THE APPLICATION OF THE DUTCH CODE

Certain principles and best practice provisions in the Dutch 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 policy. Reasons as to why and to what extent EPP has not yet implemented or decided not to adopt certain principles and best practice provisions are explained below.

1.3 Internal audit function

The duty of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The management board is responsible for the internal audit function. The supervisory board oversees the internal audit function and maintains regular contact with the person fulfilling this function.

While the company does not maintain a full internal audit function, the company endorses this principle. This principle is embedded in the rules and regulations of the management board. Due to the size and complexity of the company's operations, the management board is of the opinion that the current company's current controlling structure provides adequate supervision of financial and operational controls. The company's situation and needs in terms of internal audit function are reassessed on a yearly basis. The management board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.

1.3.1 Appointment and dismissal

The management board both appoints and dismisses the senior internal auditor. Both the appointment and the dismissal of the senior internal auditor should be submitted to the supervisory board for approval, along with the recommendation issued by the audit committee.

In the event that the company appoints a senior internal auditor, the company will apply this best practice. Pursuant to the rules and regulations of the management board, the resolution regarding the appointment and the dismissal of the senior internal auditor shall be adopted with a majority of the votes cast by the executive directors and non-executive directors in a meeting of the management board in which all members of the management board are present or represented.

Due to the size and complexity of the company's operations, the management board is of the opinion that the company's current controlling structure provides adequate supervision of financial and operational controls. The company's situation and needs in terms of an internal audit function are reassessed on a yearly basis. The management board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.

1.3.2 Assessment of the internal audit function

The management board should assess the way in which the internal audit function fulfils its responsibility annually, taking into account the audit committee's opinion.

In the event that the company appoints an internal auditor, the company will apply this best practice. Due to the size and complexity of the company's operations, the management board is of the opinion that the current company's controlling structure provides adequate supervision of financial and operational controls. The company's situation and needs in terms of internal audit function will be reassessed on a yearly basis.

1.3.3 *Internal audit plan*

The internal audit function should draw up an audit plan, involving the management board, the audit committee and the external auditor in this process. The audit plan should be submitted to the management board, and then to the supervisory board, for approval. In this internal audit plan, attention should be paid to the interaction with the external auditor.

As the company does not maintain a full internal audit function, the company does not comply with this best practice provision. Due to the size and complexity of the company's operations, the management board is of the opinion that the company's current controlling structure provides adequate supervision of financial and operational controls. The company's situation and needs in terms of internal audit function will be reassessed on a yearly basis. The management board has mandated the audit and risk committee to initiate internal audit investigations, when deemed necessary, and the audit and risk committee reports its audit results to the management board and the external auditor.

1.3.4 *Performance of work*

The internal audit function should have sufficient resources to execute the internal audit plan and have access to information that is important for the performance of its work. The internal audit function should have direct access to the audit committee and the external auditor. Records should be kept of how the audit committee is informed by the internal audit function.

While the company does not maintain a full internal audit function, the company applies this best practice to the extent possible. Due to the size and complexity of the company's operations, the management board is of the opinion that the company's current controlling structure provides adequate supervision of financial and operational controls. The company's situation and needs in terms of internal audit function will be reassessed on a yearly basis. The management board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.

1.3.5 *Reports of findings*

The internal audit function should report its audit results to the management board and the essence of its audit results to the audit committee and should inform the external auditor. The research findings of the internal audit function should, at least, include the following:

i. any flaws in the effectiveness of the internal risk management and control systems;

ii. any findings and observations with a material impact on the risk profile of the company and its affiliated enterprise; and

iii. any failings in the follow-up of recommendations made by the internal audit function.

While the company does not maintain a full internal audit function, the company applies this best practice to the extent possible. The management board has mandated the audit and risk committee to initiate internal audit investigations, when deemed necessary, and the audit and risk committee reports its audit results to the management board and the external auditor.

Directors' report (continued)

2.1.1 Profile

The supervisory board should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address:

i. the desired expertise and background of the supervisory board members;

ii the desired diverse composition of the supervisory board, referred to in best practice provision 2.1.5;

iii. the size of the supervisory board; and

iv. the independence of the supervisory board members.

The company applies this best practice in its one-tier structure. The profile shall be posted on the company's website as part of the management board regulations.

2.1.5 Diversity policy

The supervisory board should draw up a diversity policy for the composition of the management board, the supervisory board and, if applicable, the executive committee. The policy should address the concrete targets relating to diversity and the diversity aspects relevant to the company, such as nationality, age, gender, education and work background.

The company has drawn up a gender diversity policy in respect of the management board. The company's gender diversity policy does not relate to the executive committee and does not address concrete targets relating to nationality, age education and work background.

Referring to best practice 2.1.6., EPP recognises the benefits of diversity, including gender balance. However, the company feels that gender is only one part of diversity. Board members will continue to be selected on the basis of wide-ranging experience, backgrounds, skills, knowledge and insights. The company continues to strive for more diversity in both on the higher management level as well as in the board.

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 committee, 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 company undertakes to use its best endeavours to ensure that the percentage of female representation on the board improves over time; and is considered each time a new appointment to the board of directors is being sought.

Principle 2.2 Appointment, succession and evaluation

The supervisory board should ensure that a formal and transparent procedure is in place for the appointment and reappointment of management board and supervisory board members, as well as a sound plan for the succession of management board and supervisory board members, with due regard to the diversity policy. The functioning of the management board and the supervisory board as a collective and the functioning of individual members should be evaluated on a regular basis.

The company applies this best practice in its one-tier structure, with the exception of the diversity principle explained. 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 committee, 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.

2.2.1 Appointment and reappointment periods – management board members

A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The diversity objectives from best practice provision 2.1.5 should be considered in the preparation of the appointment or reappointment.

The company applies this best practice in its one-tier structure, with the exception of the diversity principle explained.

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.

2.2.8. Evaluation accountability

The supervisory board's report should state:

- *i. how the evaluation of the supervisory board, the various committees and the individual supervisory board members has been carried out;*
- *ii. how the evaluation of the management board and the individual management board members has been carried out; and*
- *iii. what has been or will be done with the conclusions from the evaluations.*

As required by the Dutch Code, the non-executive directors will evaluate the functioning of the executive directors at least once per year, outside the presence of the executive directors. Conclusions will be attached to the evaluation prepared by the external independent company and taken into account in the light of succession of management. This year the evaluation has been scheduled for April/May 2018 after the audited results will be available.

2.3.2 Establishment of committees

If the supervisory board consists of more than four members, it should appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. Without prejudice to the collegiate responsibility of the supervisory board, the duty of these committees is to prepare the decision-making of the supervisory board. If the supervisory board decides not to establish an audit committee, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committee(s) should apply to the entire supervisory board.

Directors' report (continued)

The company applies this best practice in its one-tier structure. The company 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.

2.3.6 *Chairman of the supervisory board*

The chairman of the supervisory board should in any case ensure that:

i. the supervisory board has proper contact with the management board, the employee participation body (if any) and the general meeting;
ii. the supervisory board elects a vice-chairman;
iii there is sufficient time for deliberation and decision-making by the supervisory board;
iv. the supervisory board members receive all information that is necessary for the proper performance of their duties in a timely fashion;
v. the supervisory board and its committees function properly;
vi. the functioning of individual management board members and supervisory board members is assessed at least annually;
vii. the supervisory board members and management board members follow their induction programme;
viii. the supervisory board members and management board members follow their education or training programme;
ix. the management board performs activities in respect of culture;
x. the supervisory board recognises signs from the enterprise affiliated with the company and ensures that any (suspicion of) material misconduct and irregularities are reported to the supervisory board without delay;
xi. the general meeting proceeds in an orderly and efficient manner;
xii. effective communication with shareholders is assured; and
xiii. the supervisory board is involved closely, and at an early stage, in any merger or takeover processes.

The chairman of the supervisory board should consult regularly with the chairman of the management board.

The company for the most part complies with this best practice, to the extent possible in its one-tier structure, except that no formal vice-chairman has been appointed. If the chairman is not available to attend a management board meeting, in practice one of the other independent non-executive directors will chair the meeting.

2.3.7 *Vice-chairman of the supervisory board*

The vice-chairman of the supervisory board should deputise for the chairman when the occasion arises.

According to the Board Regulations, in the absence of the chairman, the meeting shall appoint one of the non-executive directors as chairman.

2.4.2 *Other positions*

Management board members and supervisory board members should report any other positions they may have to the supervisory board in advance and, at least annually, the other positions should be discussed at the supervisory board meeting. The acceptance of membership of a supervisory board by a management board member requires the approval of the supervisory board.

The company applies this best practice almost entirely in its one-tier structure. The acceptance of membership of a supervisory board by a management board member does not require the explicit approval of the non-executive directors.

2.4.3 Point of contact for the functioning of supervisory board and management board members

The chairman of the supervisory board should act on behalf of the supervisory board as the main contact for the management board, supervisory board members and shareholders regarding the functioning of management board members and supervisory board members. The vice-chairman should act as contact for individual supervisory board members and management board members regarding the functioning of the chairman.

The company applies this best practice in its one-tier structure, through the chairperson of the management board. No formal vice-chairman has been appointed (see above).

2.7.3 Reporting

A conflict of interest may exist if the company intends to enter into a transaction with a legal entity:

i. in which a member of the management board or the supervisory board personally has a material financial interest; or

ii. which has a member of the management board or the supervisory board who is related under family law to a member of the management board or the supervisory board of the company.

A management board member should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such management board member to the chairman of the supervisory board and to the other members of the management board without delay. The management board member should provide all relevant information in that regard, including the information relevant to the situation concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.

A supervisory board member should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such supervisory board member to the chairman of the supervisory board without delay and should provide all relevant information in that regard, including the relevant information pertaining to his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the supervisory board has a conflict of interest or potential conflict of interest, he should report this to the vice-chairman of the supervisory board without delay.

The supervisory board should decide, outside the presence of the management board member or supervisory board member concerned, whether there is a conflict of interest.

The company for the most part complies with this best practice to the extent possible in a one-tier structure, except that no formal vice-chairman has been appointed. If the chairman of the management 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.

Directors' report (continued)

2.7.4 Accountability regarding transactions: management board and supervisory board members

All transactions in which there are conflicts of interest with management board members or supervisory board members should be agreed on terms that are customary in the market. Decisions to enter into transactions in which there are conflicts of interest with management board members or supervisory board members that are of material significance to the company and/or to the relevant management board members or supervisory board members should require the approval of the supervisory board. Such transactions should be published in the management report, together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 have been complied with.

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

In due observance of statutory provisions, the company's articles of association and the board regulations, in case of a conflict of interest, management board members shall not participate in deliberations and the decision-making process of the management board.

3.1.2 Remuneration policy

The following aspects should in any event be taken into consideration when formulating the remuneration policy:

i. the objectives for the strategy for the implementation of long-term value creation within the meaning of best practice provision 1.1.1;
ii. the scenario analyses carried out in advance;
iii. the pay ratios within the company and its affiliated enterprise;
iv. the development of the market price of the shares;
v. an appropriate ratio between the variable and fixed remuneration components. The variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long term in character;
vi. if shares are being awarded, the terms and conditions governing this. Shares should be held for at least five years after they are awarded; and
vii. if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. Share options cannot be exercised during the first three years after they are awarded.

The company does not entirely comply with this best practice. The company has prepared a long-term incentive programme for certain members of key personnel of the company and/or its affiliated companies, pursuant to which these members of key personnel will have an option to receive shares in the company against no consideration. In order to strengthen the loyalty, all shares transferred under the long-term incentive programme will remain under a 2.5 year lock-up, calculated from the end-date of the relevant reference period. During this lock-up the participant is not allowed to sell, or otherwise transfer or encumber the shares, without the consent of the management board. Taking into account a short history of the company, its development stage and additional safeguarding measures, the current lock-up period of 2.5 years is deemed to be more appropriate.

Additionally, the remuneration policy does not currently include scenario analyses carried out in advance, which will be added in the future. Furthermore the remuneration report will be drawn up after the publication of the financial statements therefore no remuneration report has been included in this annual report within the meaning of best practice provision 3.4.1 of the Dutch corporate governance code.

3.4.2 Agreement of management board member

The main elements of the agreement of a management board member with the company should be published on the company's website in a transparent overview after the agreement 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.

The company does not entirely comply with this best practice. These elements have been disclosed in the prospectus for the initial public offering of the company in respect of one board member. The relevant information in respect of other board members is presented in the remuneration policy and financial statements published on the company's website www.echo-pp.com.

4.1.3 Agenda

The agenda of the general meeting should list which items are up for discussion and which items are to be voted on. The following items should be dealt with as separate agenda items:

i. material changes to the articles of association;
ii. proposals relating to the appointment of management board and supervisory board members;
iii. the policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend);
iv. any proposal to pay out dividend;
v. resolutions to approve the management conducted by the management board (discharge of management board members from liability);
vi. resolutions to approve the supervision exercised by the supervisory board (discharge of supervisory board members from liability);
vii. each substantial change in the corporate governance structure of the company and in the compliance with this Code; and
viii. the appointment of the external auditor.

The agenda for the annual general meeting of 2017 did not include the appointment of the external auditor as no decision on the engagement of the external auditor had been made at the time. A subsequent extraordinary general meeting was convened in 2017 regarding the appointment of the external auditor. A resolution with regard to the appointment of a new auditor will be part of the 2018 annual general meeting .

4.1.8 Attendance of members nominated for the management board or supervisory board

Management board and supervisory board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination.

The company did not comply with this best practice in 2017. No management board members were present at the annual general meeting as no shareholders registered to be physically present at the meeting, votes were cast through proxies granted to the chairman and no (representatives) of shareholders attended the annual general meeting. In situations where at least one shareholder (representative) intends to attend the annual general meeting in person, the company will ensure attendance.

Directors' report (continued)

4.1.9 External auditor's attendance

The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor should for this purpose attend and be entitled to address this meeting.

The company did not comply with this best practice in 2017. The external auditor was not present at the annual general meeting as no shareholders registered to be physically present at the meeting, votes were cast through proxies granted to the chairman and no (representatives) of shareholders attended the annual general meeting. Going forward, EPP shall ensure that there is a dial-in available to the external auditors or that they attend the AGM.

4.2.2 Policy on bilateral contacts with shareholders

The company should formulate an outline policy on bilateral contacts with the shareholders and should post this policy on its website.

The company applies this best practice. The company's policy on bilateral contacts with the shareholders was adopted on 29 November 2017 and shall be made available on the company's website during 2018.

4.3.3 Cancelling the binding nature of a nomination or dismissal

*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. In due observance of statutory provisions, the company'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. The mechanism provided by the company's Articles of Association sufficiently secures interest of shareholders allowing them to cancel the binding nature of a nomination or dismissal.

1. CORPORATE GOVERNANCE CODE IN SOUTH AFRICA

The King Committee published the King IV Report on Corporate Governance for South Africa 2016 ("King IV") on 1 November 2016. King IV is effective in respect of financial years commencing on or after 1 April 2017, replacing the previous King III Code. EPP has applied and complied with all 16 principles contained in King IV. A register of all King IV principles and the extent of EPP's compliance therewith, is available on the company's website at www.echo-pp.com.

2. BOARD OF DIRECTORS

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 IV 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 committee, 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 company's articles of association, one-third of the non-executive directors must be re-elected annually.

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

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

Directors ensure that they have a working understanding of applicable laws. The board 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 in 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 reappointment of a director only occur after the evaluation of the performance and attendance of the director.

Directors' report (continued)

The board has commenced drafting 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 investment committee. In March 2018 the new social and ethics committee will be established. The board is conscious of the fact that delegation of duties to committees is not an abdication of the board members' responsibilities.

3. INVESTMENT COMMITTEE

The board has established an investment committee comprising 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 2017 the investment committee met several times in order to review acquisition proposals and make final decisions for the company regarding investments.

4. AUDIT AND RISK COMMITTEE

General

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 audit and risk committee is governed by a charter which was approved by the board.

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

The 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.

Financial and operating controls

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.

Non-audit services

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 auditors of the company and work is being performed under management supervision.

In 2017 the committee had regular updates on the split of audit and non-audit services. EPP is in the process of implementing a pre-approval policy regarding non-audit services. The overview of audit and non-audit fees of our auditors is disclosed in note 8 of the stand-alone financial statements of EPP N.V. The non-audit services relate to ongoing tax projects, which are authorised by the board with due regard to independence threats.

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.

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.

Directors' report (continued)

Appointments

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 chief executive 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 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, in line with paragraph 3.84g(iii) of the JSE Listings Requirements.

5. NOMINATION AND REMUNERATION COMMITTEE

The nomination and remuneration committee comprises Marek Belka (chairperson), Andrea Steer and Dionne Ellerine, 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.

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

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

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.

The company, under the lead of the audit and risk committee performs an annual assessment, as to whether in the absence of an internal audit department, adequate alternative measures have been taken to ensure the effectiveness of the internal control system. Due to the size and complexity of the company's operations, the management board is of the opinion that the current company's controlling structure provides adequate insight into its operations.

The company introduced a tailored internal risk management and control system, the proper operation of which has been closely monitored in 2017. EPP's management closely monitors the operational controls to ensure that monthly results reporting is performed on accurate, up to date, information and adequate segregation of duties is implemented. Whenever necessary EPP employs external specialists to ensure the financial statements closing cycle operates without material errors. Changes to the controls system are introduced where necessary, given the development stage of the group and its growth of operations. Also, the company has a set of whistle-blower rules in place to ensure employees of the company and its subsidiaries have the possibility of reporting alleged irregularities. 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 without any failings.

7. COMPOSITION OF THE BOARD OF 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 EPP. 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, he managed business across 12 countries, 16 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. Hadley was appointed to the board effective 1 June 2016. His current term expires in 2020.

Directors' report (continued)

Jacek Bagiński (Chief financial officer)

(Male, 48, Polish)

Jacek is a senior financial executive with over 20 years' experience in various businesses operating across Poland and Central and Eastern Europe (CEE) countries, ranging from retail, production and sale of pharmaceuticals, fast moving consumer goods, to exploration of oil and gas and other natural resources. Jacek was a member of a number of management boards and CFO of companies listed on the Warsaw Stock Exchange and controlled by the largest private equity funds operated in CEE countries. Additionally, he has served in senior management and executive positions in multinational corporations, including PepsiCo and BP/Amoco, with turnovers ranging from €15 million to over €750 million. Jacek was responsible for business development, including M&As, financing and taxation as well as financial planning and controlling. 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. He holds a Master's degree from SGH Warsaw School of Economics. Jacek was appointed to the board effective 19 May 2017. His current term expires in 2019.

Robert Weisz (Independent non-executive chairman)

(Male, 68, Dutch)

Robert 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, Robert was Partner and Managing Director of DBN group, a commercial property company operating in the Netherlands and the US. He 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. Robert is the co-author of three textbooks on property investment. He holds an MBA, and is a CA, Fellow of the Royal Institute of Chartered Surveyors RICS. Robert was appointed to the board effective 12 August 2016. His current term expires in 2019.

Marek Marian Belka (Independent non-executive director)

(Male, 66, Polish)

Marek 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 prime ministers 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 from 2002 to 2003. Marek was appointed to the board effective 12 August 2016. His current term expires in 2018.

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. Peter holds a degree from University of Tilburg, faculty of law. He was appointed to the board effective 12 August 2016. His current term expires in 2018.

Maciej Dyjas (Non-executive director)

(Male, 54, 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. Maciej was appointed to the board effective 1 June 2016. His current term expires in 2020.

Dionne Ellerine (Independent non-executive director)

(Female, 50, South African)

Dionne has a BCom LLB from the University of the Witwatersrand ("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 a director of Ellerine Bros. Proprietary Limited, which is involved in equities and property investments. Dionne was appointed to the board effective 1 June 2016. Her current term expires in 2018.

Andrew König (Non-executive director)

(Male, 50, 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 the chief executive officer of Redefine responsible for all aspects of regulatory compliance, corporate activity and communications, and for ensuring the board's strategy is implemented. Andrew holds a BCom and a BAcc and is a CA(SA). Andrew was appointed to the board effective 1 June 2016. His current term expires in 2019.

Nebil Senman (Non-executive director)

(Male, 46, 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 Institute of Chartered Surveyors, MRICS. Nebil was appointed to the board effective 12 August 2016. His current term expires in 2019.

Directors' report (continued)

Andrea Philippa Steer (Independent non-executive director)

(Female, 48, South African/Irish)

Andrea holds BCom (WITS) and LLB (UNISA) degrees and was admitted as an Attorney, Notary and Conveyancer of the High Court of South Africa. She is currently registered as a Solicitor of England and Wales. Andrea runs her own legal consultancy business, and until recently acted as International Legal Counsel at Randstad Holding N.V., a global leader in the HR services industry, 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). She currently holds a number of other non-executive directorships in privately held companies in the Netherlands and South Africa. Andrea was appointed to the Board effective 12 August 2016. Her current term expires in 2018.

Marc Wainer (Non-executive director)

(Male, 69, South African)

Until August 2014, Marc was chief executive officer of Redefine Properties Limited, before moving into 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. Marc was appointed to the board effective 1 June 2016. His current term expires in 2020.

Przemysław Krych resigned as director on 20 December 2017.

8. DIRECTORS' INTEREST

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 2017 and 31 December 2016 respectively:

	Beneficially held			
	Directly	**Indirectly**	**Total**	**Percentage %**
31 December 2017				
Director				
Hadley Dean	84 000[1]	500 000	584 000	0.1
Marc Wainer	10 290 584	25 977 720[2]	36 268 304	5.1
Andrew König	4 888 027	25 726 456[3]	30 614 483	4.3
Robert Weisz	34 000	–	34 000	–
Jacek Bagiński	450 000	–	450 000	0.1
Total	**15 746 611**	**52 204 176**	**67 950 787**	**9.6**

1. *As of 31 December 2017 the 800 000 shares to be granted from the LTI programme to Hadley Dean were kept as treasury shares on the company's trading account.*
2. *Marc Wainer holds 40% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares and additionally he owns 50% of shares of Ellwain Investments Proprietary Limited, which holds 251 264 shares of EPP.*
3. *Andrew König holds 15% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares.*

There have been no changes to directors' interest since 31 December 2017 until the date of approval of the annual financial statements.

	Beneficially held			
	Directly	Indirectly	Total	Percentage %
31 December 2016				
Director				
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	51 452 912	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.*

Distributions to shareholders are disclosed in note 12 of the consolidated financial statements.

9. DIRECTORS' INTEREST IN CONTRACTS

No transactions have occurred in 2017 between the company and legal or natural persons who hold at least 10%of the shares in the company.

Transactions, where directors have interest and conflict of interests were subject to approval and disclosure in line with Board Regulations, in compliance with the Dutch Code Best Practice Provision 2.7.3 and 2.7.4. All such transactions were carried out on terms that are customary on the market.

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	–	–	–	–
2017	**10 109**	**4 703**	**11 965**	**712**
2016	–	–	2 723	2 232
Griffin RE Group				
2017	**–**	**500**	**31**	**–**
2016	–	150	185	–

** The amounts are classified as trade receivables and trade payables, respectively.*

Directors' report (continued)

	Interest €'000	Amounts due from related parties €'000	Amounts due to related parties €'000
Loans from related parties			
Echo Investment Group			
2017	**(146)**	**–**	**(19 760)**
2016	(57)	13 167	(6 106)
Loans to related parties			
Echo Investment Group			
2017	**229**	**5 614**	**–**
Griffin RE Group			
2017	**950**	**24 258**	**–**
2016	–	–	–
Other financial liabilities			
Echo Investment Group			
2017	**–**	**–**	**–**
2016	–	–	(16 356)

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.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. For the year ended 31 December 2017, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: €Nil). This assessment is undertaken each financial year through examining the financial position of the related-party and the market in which the related-party operates.

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
Maciej Dyjas	Griffin advisory agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Griffin advisory agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	ROFO project acquisition agreements	Maciej Dyjas is an indirect beneficial shareholder of Echo (vendor).
Nebil Senman	ROFO project acquisition agreements	Nebil Senman is an indirect beneficial shareholder of Echo (vendor).
Maciej Dyjas	Warsaw retail development site acquisition agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Warsaw retail development site acquisition agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	Loans granted to Aradiana Limited and Kalisz Retail Sp z o.o.	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Loans granted to Aradiana Limited and Kalisz Retail Sp z o.o.	Nebil Senman is an indirect beneficial shareholder of Griffin.

Until the date of his resignation on 20 December 2017 Przemysław Krych had also a beneficial interest in: Griffin Advisory Agreement, ROFO project acquisition agreement, Warsaw retail development site acquisition agreement, Loans granted to Aradiana Ltd and Kalisz Retail Sp. z o.o.

NON-EXECUTIVE DIRECTORS' REPORT

The non-executive directors are entrusted with the supervision of the performance of the tasks by the members of the board and perform their duties within the audit and risk committee and nomination and remuneration committee.

The non-executive directors participate in all board meetings, where the following topics, *inter alia*, were discussed:

- EPP's mission and strategic objectives, their implementation and principal risks associated with them.
- Contributions to long-term value creation of the company and its feasibility.
- The company's financial results.
- A performance review of the board and evaluation of the company's remuneration policy.
- Risk management process and mitigation of key risks.
- Evaluation and reappointment of the company's auditors.
- Detailed review, evaluation and approval of the most significant related-party transactions.
- Internal controls system and the compensating controls for the absence of an internal audit department.

Non-executive directors assessed (as required by the Dutch Code) whether adequate alternative measures have been taken to compensate for the absence of the internal audit department and concluded that the current company's controlling structure provides adequate supervision of financial and operational controls.

Directors' report (continued)

In 2017, the audit and risk committee meetings were held on the following dates:

- 1 March 2017 and 8 March 2017 to discuss the consolidated financial statements of the company as at 31 December 2016 and for the period from 4 January 2016 to 31 December 2016.
- 4 September 2017 to discuss the audit plan concerning the company for the year 2017, diligence around related-party transactions, rotation of property valuators and internal controls of the company in situation of the exponential growth.
- 29 September 2017 and 29 November 2017 to discuss, *inter alia*: audit plan, independence of auditors including non-audit. services, regulatory updates and diligence around related-party transactions.

In 2017, the nomination and remuneration committee meeting was held on:

- 18 May and 10 November to approve the remuneration policy.
- 29 June 2017 to approve the gender diversity policy.

With regard to the independence requirements of the non-executive directors, the requirements of the Dutch Code are fulfilled to the extent possible in a one-tier board structure, ie the criteria are fulfilled for at least one non-executive director. Five out of nine non-executive directors qualify as independent within the meaning of the Dutch Code. The section composition of the board includes information regarding which non-executive directors are not considered independent.

In a one-tier board structure, the non-executive directors participate in all board of directors meetings, which ensures ongoing communication, therefore no formal reporting from the committees was deemed necessary.

The performance of the non-executive directors is evaluated annually in accordance with Board Regulations. The formal process is initiated by the chairperson and this year it is facilitated by an external independent company for the whole board of directors. Attention is paid to:

(a) substantive aspects, the mutual interaction and the interaction with the executive directors;
(b) events that occurred in practice from which lessons may be learned; and
(c) the desired profile, composition, competencies and expertise of the non-executive directors.

As required by the Dutch Code, the non-executive directors will evaluate the functioning of the executive directors at least once per year, outside the presence of the executive directors. Conclusions will be attached to the evaluation prepared by the external independent company and taken into account in the light of succession of management.

DIRECTORS' REMUNERATION – OVERVIEW

Remuneration policy

The remuneration policy was adopted by the company's general meeting (general meeting) on 8 December 2017 and replaced the previous remuneration policy (which was adopted by the general meeting on 19 May 2017) with retrospective effect from 1 July 2017. The remuneration report for 2017 will be prepared after audited financial data for 2017 will be published and included in our 2018 directors' report.

The remuneration policy is aimed at attracting, motivating and retaining highly qualified executives and rewarding members of the board of directors with a competitive remuneration package that is focused on sustainable results and is aligned with the company's long-term strategy. The remuneration policy also seeks to promote the achievement of strategic objectives within the company's risk appetite, promote positive outcomes and promote an ethical culture and responsible corporate citizenship.

Pursuant to the remuneration policy, the remuneration of the members of the board of directors will consist of the following components which are discussed in more detail below:

- fixed annual base salary;
- short-term variable pay in cash; and
- long-term variable pay in the form of shares or cash.

In 2017 there were/was no:

- allowance for pension and fringe benefits;
- severance payments; and
- sign-on, retention and restraint payments.

Fixed annual base salary

The executive directors are entitled to a base salary. In this respect, the annual aggregate base salary of Hadley Dean and Jacek Bagiński in connection with them being a member of the board of directors and/or employed and/or providing services for affiliated companies can amount to a maximum of €500 000 gross and €300 000 gross, respectively. The non-executive independent directors are entitled to a fixed compensation related to chairmanship and membership in committees.

Annual variable remuneration

The executive directors might be entitled to a variable remuneration which will be settled in cash ("bonus"). The objective of the bonus is to ensure that the executive directors will be focused on realising their short-term operational objectives leading to longer term value creation. The bonus will be paid out when predefined targets are realized. Targets are related to the approved budget and consist of both financial and non-financial measures. The annual aggregate bonus of Hadley Dean and Jacek Bagiński in connection with them being a member of the board of directors and/or employed and/or providing services for affiliated companies can amount to a maximum of €500 000 gross and €300 000 gross respectively. On an annual basis, performance conditions will be set by the board of directors (or the relevant affiliated company, as the case may be) at or prior to the beginning of the relevant financial year. These performance conditions include the company's (and/or affiliated companies') financial performance and activity in growing and improving the business of the company (and/or its affiliated companies) and may also include qualitative criteria related to the company's, affiliated companies' and/or individual performance.

Long-term variable remuneration

On 8 December 2017 the company's annual general meeting resolved to implement the motivating programme to the members of key personnel in a form of a long-term incentive plan. It was introduced to create an economic motivation based on the measured business outcome and performance of the company and on individual loyalty of the members of key personnel in order to enhance their economic motivation.

Key conditions of the LTI plan are as follow:

- The company will grant and transfer, free of charge, shares to the members of key personnel.
- The annual maximum aggregate number of shares that may be granted to all members of the key personnel is 1 850 000 shares. The amount of shares in each tranche is specified for each employee, as well as total amount of shares in the whole programme (18 500 000 shares).
- LTI Plan will expire not later than on the first business day of July 2026.
- Within 30 months from the end of each period ("lock-up period") a member of key personnel, shall not sell, or otherwise transfer, or put any encumbrance on shares that were transferred to such member of key personnel. The lock-up period is shorter than five years, but taking into account a short history of the company, its development stage and additional safeguarding measures, the 30 months lock-up period is deemed to be more appropriate.

Directors' report (continued)

- The programme includes 10 tranches in total, the schedule of settlement dates, end of lock-up periods and reference periods are presented in below table. Vesting date in the table means the date in each calendar year on which the company shall transfer the shares to the members of key personnel.

Tranche	Reference period	Transfer date	End of lock-up period
First tranche	These shares are not linked with any reference period	2017	First business day of July 2019
Second tranche	1 January 2017 – 31 December 2017	First business day of July 2018	First business day of July 2020
Third tranche	1 January 2018 – 31 December 2018	First business day of July 2019	First business day of July 2021
Fourth tranche	1 January 2019 – 31 December 2019	First business day of July 2020	First business day of July 2022
Tranche (n)[1]	1 January 2015+n – 31 December 2015+n	First business day of July 2016+n year	First business day of July 2018+n

1. The programme includes 10 tranches in total.

1. The first tranche was transferred without any conditions. For each of the next tranches the Plan stipulates vesting conditions:
   a. 25% of maximum annual fixed number of shares for each employee will be granted for loyalty ("service condition").
   b. Up to 75% of maximum annual fixed number of shares for each employee will be granted depending on the achievement of economic targets specified for the respective reference period ("performance conditions").

2. Service condition is met for a particular tranche in case where a member of key personnel was engaged by the company or by any of the company's affiliates to provide work, duties and/or services, in particular upon an employment contract, service agreement or any other agreement or arrangement during the whole reference period applicable for the appropriate tranche.

3. Performance conditions are as follows:
   a. dividend per share growth of X% in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
   b. EBITDA growth of X% in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
   c. individual targets assigned for each member of key person by the board of directors ("individual performance") – delivery of this target will entitle to 15% of maximum annual fixed shares number.

4. The performance conditions will be proposed by the company and shall be agreed and set by the board of directors until 30 April of each respective reference period.

In the year ending 31 December 2017 the first tranche of 1 850 000 shares were granted to the members of key personnel, their fair value amounting to €1 810 000, out of which 800 000 shares remained as treasury shares on the company's trading account.

The details of the directors' emoluments accrued or paid for the year ended 31 December 2017 and period to 31 December 2016 are set out in the table below:

	Basic salaries €'000	Directors' fees €'000	Bonuses and other performance payments €'000	Share-based payment	Total €'000
Year ended 31 December 2017					
Executive directors					
Hadley Dean	475	–	500	2 567	3 542
Jacek Bagiński	243	–	300	1 444	1 987
Maciej Drozd*	87	–	–	–	87
Total	805	–	800	4 011	5 616
Non-executive directors					
Robert Weisz	–	90	–	–	90
Marc Wainer	–	35	–	–	35
Marek Belka	–	66	–	–	66
Andrew König	–	30	–	–	30
Maciej Dyjas	–	30	–	–	30
Przemysław Krych**	–	30	–	–	30
Nebil Senman	–	30	–	–	30
Dionne Ellerine	–	60	–	–	60
Andrea Steer	–	80	–	–	80
Peter Driessen	–	79	–	–	79
Total	–	530	–	–	530

* *Maciej Drozd retired from the Board of Directors on 19 May 2017.*
** *Przemysław Krych resigned from the Board of Directors on 20 December 2017.*

	Basic salaries €'000	Directors' fees €'000	Bonuses and other performance payments €'000	Total €'000
Period ended 31 December 2016				
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

Directors' report (continued)

OTHER

1. 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.

2. Corporate culture

Our corporate culture is inspired by our high quality tenants, being customer focused and always striving to deliver the highest quality output in all aspects of the business. We remain committed to adapting to the ever changing environments that we operate in and on delivering high quality experiences to the evolving needs of our shoppers.

We have an efficient organisation with a highly qualified and motivated workforce which drives our people to take ownership of their work. We believe this quality enhances our ability to constantly find ways to solve complex problems and deliver successful projects.

We believe that all employees are equally important and believe we have established an environment that promotes open communication between all levels of employees.

When building EPP as an organisation based on values we have established a set of behaviours that our management and all employees have acknowledged and committed to use in their everyday endeavours.

These include:

Responsibility: we take ownership of our actions and support others. We are responsible for decisions that we make and tasks that we complete. We are solution focused and learn from mistakes to constantly improve the performance of the business.

Honesty: we communicate honestly and openly to employees even if the message is negative and we promote constructive criticism, and always remind ourselves of the company's goals and vision.

Respect: we respect the time, competence and experience of others; we implement the promises we make, and if it is not possible, we explain the reasons and give a different alternative.

Freedom of speech: we have the right to express our opinions in face-to-face conversations or on the forum without negative consequences; differences of opinion are a normal thing that stimulates healthy discussions and creativity in the team.

The company has implemented a Code of Conduct, which obliges all employees to carry all business operations with honesty, integrity and openness with a goal to operate as an open, transparent company. Compliance with the Code of Conduct is monitored by supervision on all levels of business, including the management board. The newly implemented Code of Conduct was introduced with a significant training programme for all employees and it is assessed as a highly effective measure of incorporating the values into the day-to-day operations. Compliance with the Code is mandatory for all employees and any deviations are brought up to management for resolution.

3. 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. There are no specific material risks or uncertainties regarding future cash flows and operational results, which would impact the company's continuity for the period of 12 months after the preparation of the report.

4. 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 IV 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 provision 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.

5. Directors' dealings

In 2017 the company adopted a policy of Dealing in Securities and Insider Trading 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.

6. Communication

EPP meets regularly with institutional shareholders, private investors and investment analysts, and provides presentations on the company and its performance. It further promotes 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.

7. 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.

8. Anti-takeover measures

The company is in the development stage and no formal anti-takeover measures have been implemented yet.

Directors' report (continued)

9. Subsequent events

In December 2017, the group announced the acquisition of 12 major shopping centres and retail parks (M1 portfolio) from Chariot Top Group B.V., a consortium where Redefine Properties owns 25%. The assets' aggregated value is €692.1 million. The acquisition has been divided into three tranches. The first tranche was successfully concluded in January 2018 and tranche 2 and 3 are due to complete in June 2019 and June 2020, respectively.

Tranche 1, had a gross asset value ("GAV") of €358.7 million, comprises M1 Czeladz, M1 Kraków, M1 Łódź and M1 Zabrze totalling collectively 194 400 m² GLA and NOI of €25.1 million.

Tranche 2, at €222.5 million gross asset value ("GAV"), comprises M1Bytom, M1 Czestochowa, M1 Radom and Power Park Olsztyn, Power Park Opole and Power Park Kielce collectively 184 000 m² GLA and NOI of €16.3 million.

Tranche 3, at €110.9 million gross asset value ("GAV"), comprises M1 Poznań and Power Park Tychy totalling collectively 68 100 m² GLA and NOI of €7.6 million.

This transaction is in line with the group's strategy to acquire quality retail centres that are dominant in their catchment areas, have potential redevelopment opportunities and have stable and growing cash flows. The deal also significantly provides scale benefits for our tenants' increased exposure to the growing middle class of Poland.

We aim to diversify the shareholder and debt lender bases through the debt capital markets, traditional bank funding and equity funding. In doing so our target LTV is 45% to 55%.

10. Approval of the group's consolidated and stand-alone financial statements

The group's consolidated financial statements and the stand-alone financial statements were approved by the board of directors on 7 March 2018.

Amsterdam, 7 March 2018

Hadley Dean
Chief executive officer

Peter Driessen
Independent non-executive director

Nebil Senman
Non-executive director

Jacek Bagiński
Chief financial officer

Maciej Dyjas
Non-executive director

Andrea Philippa Steer
Independent non-executive director

Robert Weisz
Independent non-executive chairman

Dionne Ellerine
Independent non-executive director

Marc Wainer
Non-executive director

Marek Marian Belka
Independent non-executive director

Andrew König
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 Gustav Mahlerplein 28, 1082 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 2017 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 primary listings on both LuxSE and the Main Board of the JSE.

As of 31 December 2017 the composition of the company's board of directors was as follows:

Hadley Dean	(Chief executive officer)
Jacek Bagiński	(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 Ellerine	(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 year ended 31 December 2017

	Notes	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 Restated €'000
Rental income and recoveries	17	**151 706**	95 278
Straight-line rental income		**504**	1 233
Property operating expenses		**(48 955)**	(29 209)
Net property income		**103 255**	67 302
Other income	19	**713**	2 109
Other expenses	19	**(1 348)**	(2 610)
Administrative expenses	18	**(15 586)**	(12 532)
Net operating profit		**87 034**	54 269
Profit from investment properties		**75 305**	39 889
Profit from operations		**162 339**	94 158
Finance income	20	**7 419**	7 339
Finance costs	21	**(23 085)**	(18 582)
Cost of refinancing	21	**–**	(5 881)
Foreign exchange gains/(losses)		**(1 827)**	2 192
Participation in profits of joint ventures	4	**16 059**	12 526
Profit before taxation		**160 905**	91 752
Taxation			
Current income tax	23	**(4 873)**	(878)
Deferred tax	23	**(27 684)**	(18 546)
Profit for the period		**128 348**	72 328
Attributable to EPP shareholders		**128 348**	72 328
Earnings per share:			
Basic and diluted earnings, on profit for the period (€ cents)	24	**19.1**	19.7

The reconciliation between basic earnings, headline earnings and distributable earnings is disclosed in note 24.

Consolidated statement of other comprehensive income

for the year ended 31 December 2017

	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 Restated €'000
Profit for the period	**128 348**	72 328
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign currency translation reserve joint ventures	**3 553**	
Foreign currency translation reserve	**(3 403)**	(434)
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	**150**	(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	**128 498**	71 894
Total comprehensive income attributable to the parent for the period, net of tax	**128 498**	71 894

Consolidated statement of financial position

for the year ended 31 December 2017

	Notes	As at 31 December 2017 €'000	As at 31 December 2016 Restated €'000
ASSETS			
Non-current assets		**1 797 545**	1 423 834
Investment in joint ventures	4	**116 009**	54 285
Tangible assets		**47**	85
Investment property	5	**1 655 572**	1 359 432
Financial assets	8	**25 917**	10 032
Current assets		**154 569**	85 564
Inventory		**525**	74
Tax receivable	6	**209**	9
Trade and other receivables	7	**26 723**	32 658
Financial assets	8	**3 955**	9 057
Restricted cash	9	**23 613**	21 845
Cash and cash equivalents	10	**99 544**	21 921
Total assets		**1 952 114**	1 509 398
EQUITY AND LIABILITIES			
Equity		**833 821**	607 438
Share capital	11	**571 026**	474 702
Share premium	11	**147 534**	95 095
Treasury shares	13	**(783)**	–
Accumulated profit		**111 419**	38 075
Share-based payment reserve	13	**4 909**	–
Foreign currency translation reserve		**(284)**	(434)
Non-current liabilities		**941 710**	818 458
Bank borrowings	14	**831 183**	741 776
Related-party financial liabilities	27	**1 741**	5 885
Other liabilities	16	**15 033**	11 881
Deferred tax liability	23	**93 753**	58 916
Current liabilities		**176 583**	83 502
Bank borrowings	14	**117 155**	52 845
Related-party financial liabilities	27	**18 019**	16 577
Tax payables	15	**879**	175
Trade payables	16	**40 353**	13 819
Provisions		**177**	86
Total equity and liabilities		**1 952 114**	1 509 398

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Share capital €'000	Share premium/ capital reserves €'000	Treasury shares €'000	Accumulated profit/(loss) €'000	Foreign currency translation reserve €'000	Share-based payment reserve €'000	Total equity €'000
Balance as at 4 January 2016	20	–	–	–	–	–	20
Profit for the period	–	–	–	72 328	–	–	72 328
Other comprehensive income	–	–	–	–	(434)	–	(434)
Total comprehensive income	–	–	–	72 328	(434)	–	71 894
Issue of ordinary shares	474 682	110 157	–	–	–	–	584 839
Acquisition of subsidiary and transaction costs	–	(15 062)	–	–	–	–	(15 062)
Accrual for preference dividend on date of issuance	–	–	–	(11 920)	–	–	(11 920)
Dividend paid	–	–	–	(22 333)	–	–	(22 333)
Balance as at 31 December 2016 after restatement	474 702	95 095	–	38 075	(434)	–	607 438
Profit for the year	**–**	**–**	**–**	**128 348**	**–**	**–**	**128 348**
Other comprehensive income	**–**	**–**	**–**	**–**	**(3 403)**	**–**	**(3 403)**
Other comprehensive income from joint ventures	**–**	**–**	**–**	**–**	**3 553**	**–**	**3 553**
Total comprehensive income	**–**	**–**	**–**	**128 348**	**150**	**–**	**128 498**
Issue of ordinary shares	**96 324**	**56 650**	**–**	**–**	**–**	**–**	**152 974**
Transaction cost related to issuance of shares	**–**	**(4 211)**	**–**	**–**	**–**	**–**	**(4 211)**
Acquisition of own shares	**–**	**–**	**(1 810)**	**–**	**–**	**–**	**(1 810)**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**–**	**5 936**	**5 936**
Transfer of shares	**–**	**–**	**1 027**	**–**	**–**	**1 027**	**–**
Dividend paid	**–**	**–**	**–**	**(55 004)**	**–**	**–**	**(55 004)**
Balance as at 31 December 2017	**571 026**	**147 534**	**(783)**	**111 419**	**(284)**	**4 909**	**833 821**

Consolidated statement of cash flow

for the year ended 31 December 2017

	Notes	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 Restated €'000
Operating activities			
Cash generated from operations	26	**118 649**	26 363
Tax paid		**(4 167)**	(707)
Net cash generated from operating activities		**114 482**	25 656
Investing activities			
Acquisition of business net of cash acquired		**–**	(164 154)
Investments in joint ventures		**(19 317)**	(41 609)
Disposition of investment property		**155 551**	–
Purchase of investment property		**(321 849)**	(118 747)
Capital expenditure on completed investment property		**(44 724)**	(14 768)
Loans granted		**(46 174)**	(23 412)
Loans repaid		**7 596**	–
Interest received/(paid)		**188**	(131)
Purchase of fixed and intangible assets		**–**	(85)
Profit share		**5 795**	–
Net cash utilised in investing activities		**(262 934)**	(362 906)
Financing activities			
Proceeds from borrowings		**311 562**	832 687
Repayment of borrowings		**(144 778)**	(791 284)
Proceeds from issue of share capital		**152 975**	372 888
Transaction costs on issue of shares		**(4 211)**	(14 967)
Treasury shares		**(783)**	–
Dividends paid	12	**(66 923)**	(22 333)
Interest paid		**(18 571)**	(17 386)
Interest received		**198**	–
Net cash generated from financing activities		**229 469**	359 605
Net increase in cash and cash equivalents		**81 017**	22 355
Cash and cash equivalents at the beginning of the period		**21 921**	–
Effect of foreign exchange fluctuations		**(3 394)**	(434)
Cash and cash equivalents at the end of the period	10	**99 544**	21 921

Headline earnings and distributable income reconciliation

for the year ended 31 December 2017

	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 Restated €'000
Profit for the period attributable to EPP shareholders	128 348	72 328
Change in fair value of investment properties including joint ventures (net of tax)	(82 295)	(40 283)
Headline and diluted earnings attributable to EPP shareholders	46 053	32 045
Amortised cost valuation of long-term financial liabilities	2 621	(1 502)
Straight-line rental income accrual	(504)	(1 233)
Share-based payments	4 127	–
Deferred tax charge	14 057	7 937
Cost of refinancing	–	5 881
Foreign exchange gains	1 827	(2 192)
(Profits)/losses from joint ventures	5 380	(1 917)
Non-distributable capital gains	(3 971)	(5 255)
Other non-distributable items	3 328	243
Antecedent dividend	3 678	–
Distributable income	76 596	34 007
Actual number of shares in issue	704 970 211	586 051 293
Shares issued on 4 January 2018	88 582 677	–
Shares for which dividend right has been waived*	(88 582 677)	–
Shares in issue for distributable earnings	704 970 211	–
Weighted number of shares in issue	671 412 270	366 544 911
Basic and diluted earnings per share (€ cents)**	19.1	19.7
Headline earnings and diluted headline earnings per share (€ cents)***	6.9	8.7
Distributable income per share (€ cents)****	10.87	5.8

* *Shareholders that acquired newly issued shares in January 2018 waived the right to dividend for 2017.*

** *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 2017 and 31 December 2016 respectively. The detailed calculation is being included in note 24.*

Notes to the consolidated financial information

for the year ended 31 December 2017

1. BASIS OF PREPARATION

The consolidated financial statements were prepared by the management of the company on 7 March 2018 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the JSE Listings Requirements and 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 were prepared on a historical cost basis, except for investment properties measured at fair value and bank loans measured at amortised cost. The consolidated financial statements are presented in EUR (€) and all values are rounded to the nearest thousand (€000), except where otherwise indicated.

Restatement

Echo Polska Properties N.V. ("EPP") was incorporated with Echo Investment S.A. ("Echo") as its sole shareholder. Effective 1 June 2016 Echo Investment ("Echo") sold 75% Echo Polska Properties N.V. ("EPP") shares to Redefine Properties Limited. At the time two of the assets (out of 16 assets owned by Echo which were transferred) were undergoing an extension – these were Galaxy and Outlet Park shopping malls.

A term of the sale was that EPP contracted Echo to render development services in respect of extensions to the Galaxy Shopping Centre, Outlet Park Phase III and Outlet Park Phase IV. Echo's appointment commenced on 1 June 2016. In addition Echo was issued a preference share which entitled Echo to receive a distribution with priority over any other distributions to be made by EPP ("preferred distribution").

The preferred distribution was payable to Echo, if:

1. 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;
2. 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 development agreement; and
3. Echo has executed the master lease for a period of three (3) years in relation to the space which has not been leased or pre-leased (at a rate per square metre no less than the average rate concluded with third parties in (2) above).

All conditions for the payment of the preferred distribution to Echo in relation to each extension were met during 2017. In 2017, EPP paid out the Preferred Distribution to Echo of €1 527 000 in relation to the completion of Outlet IV extension and €3 424 000 and €11 897 000 were paid in relation to Outlet III and Galaxy extensions accordingly. The total preferred distribution paid during 2017 was €16 848 000. There is no further preference share dividend due under these extensions as at 31 December 2017 and hence no financial liability as at 31 December 2017.

The Group accounted for the transaction in its 31 December 2016 consolidated financial statements as an equity instrument and did not record a liability of €11 920 000 at the moment when preference share had been issued to Echo to reflect Echo's right to distribution with priority over any other distributions. The Group has also not recognised share in investment properties revaluation accreting to Echo in the amount of €4 436 000 in 2016. Accordingly no liability was recognised in 2016 consolidated financial statements.

1. BASIS OF PREPARATION *(continued)*

Restatement *(continued)*

As a result of the matter the following were restated in the 31 December 2016 consolidated financial statements:

Impact on consolidated statement of financial position:

	As at 31 December 2016 €'000	As at 31 December 2016 Restated €'000	Change €'000
ASSETS			
Total assets	1 509 398	1 509 398	–
EQUITY AND LIABILITIES			
Equity	623 794	607 438	(16 356)
Share capital	474 702	474 702	–
Share premium	95 095	95 095	–
Accumulated profit	54 431	38 075	(16 356)
Foreign currency translation reserve	(434)	(434)	–
Non-current liabilities	818 458	818 458	–
Current liabilities	67 146	83 502	16 356
Bank borrowings	52 845	52 845	–
Related-party financial liabilities	221	16 577	16 356
Tax payables	175	175	–
Trade payables	13 819	13 819	–
Provisions	86	86	–
Total equity and liabilities	1 509 398	1 509 398	–

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

1. BASIS OF PREPARATION *(continued)*

Restatement *(continued)*

Impact on consolidated statement of profit or loss:

	Period from 4 January 2016 until 31 December 2016 €'000	Period from 4 January 2016 until 31 December 2016 Restated €'000	Change €'000
Net operating profit	54 269	54 269	–
Profit from investment properties	44 325	39 889	(4 436)
Profit from operations	98 594	94 158	(4 436)
Finance income	7 339	7 339	–
Finance costs	(18 582)	(18 582)	–
Cost of refinancing	(5 881)	(5 881)	–
Foreign exchange gains/(losses)	2 192	2 192	–
Participation in profits of joint ventures	12 526	12 526	–
Profit before taxation	96 188	91 752	(4 436)
Taxation			
Current income tax	(878)	(878)	–
Deferred tax	(18 546)	(18 546)	–
Profit for the period	76 764	72 328	(4 436)
Attributable to EPP shareholders	76 764	72 328	(4 436)

Impact on basic and diluted earnings per share (EPS):

	Period from 4 January 2016 until 31 December 2016	Period from 4 January 2016 until 31 December 2016 Restated
Earnings per share:		
Basic and diluted earnings, on profit for the period (€ cents)	20.9	19.7

The change did not have any and impact on other comprehensive income for the period or on the consolidated statement of cash flow.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017.

The following new standards and amendments became effective as of 1 January 2017:

- Amendments to IAS 7: *Statement of Cash Flows: Disclosure Initiative*;
- Amendments to IFRS 12: *Disclosure of Interests in Other Entities*: Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle – 2014-2016; and
- Amendments to IAS 12: *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*.

Although these amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the group.

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. 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 (ie, 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 € are translated into € 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 the 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 year ended 31 December 2017

3. 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 year ended 31 December 2017.

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.

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.

(ii) 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 arise. Acquisition costs related to issuance of debt or equity securities are recognised in accordance with IAS 32 and IAS 39.

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

Basis of consolidation *(continued)*

(iii) Investments in joint ventures

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

The financial year of joint ventures and of the parent is the same. Prior to calculating the parent's share in the net assets of joint ventures, appropriate adjustments are made to bring the financial statements of those entities into line with the IFRSs applied by the group. Joint ventures are carried in the consolidated financial statements in accordance with the equity method. Pursuant to this method, investments in joint ventures are initially 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 result for the period in which the investment was made.

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

Combination of businesses under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory. This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interest method. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within equity. Comparative data is not adjusted.

Investment property

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

During 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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

Investment property *(continued)*

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. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

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.

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.

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

Financial assets *(continued)*

(ii) Cash and cash equivalents (continued)

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

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

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

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

Derivatives

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

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

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

Derivatives in the form of interest rate swaps ("IRS") directly related to the signed bank loan agreements and as a result converting loan variable interest rate into fixed interest rate ones for contracted loan volume are jointly measured with loan liabilities at amortised cost (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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

Financial liabilities *(continued)*

(ii) Received deposits and advances

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

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; and
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

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

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

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

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.

Cash dividend

The company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws of the Netherlands, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Share-based payments arrangements

The fair value of the employee services received in exchange for the grant of shares is recognised as an expense. The total amount to be expensed ratably over the vesting period is determined by reference to the fair value of the shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, EBITDA and dividend per share growth targets). Non-market vesting conditions are included in assumptions about the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to the profit or loss, with a corresponding adjustment to equity.

Details of the Long-Term Incentive Plan ("LTI Plan") approved at the extraordinary general meeting held on 8 December 2017 are disclosed in note 13.

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.

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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

Revenue recognition *(continued)*

(i) Rental income (continued)

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

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

(ii) Service charge and similar revenue

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

Property operating expenses

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

Other operating income and expenses

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

Finance income and cost

Finance income comprises income from interest on investing activities, profit on foreign exchange derivatives.

Finance cost comprises interest expense, commissions and other finance costs.

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.

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

Fair value measurements

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

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

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

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

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

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by 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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

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 include:

- Capital management – note 29
- Financial risk management objectives and policies – note 29
- Sensitivity analyses disclosures – note 29

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 (eg, maintenance, cleaning, security, bookkeeping, hotel services, etc). Acquisitions made in 2016 were in substance business acquisitions while the acquisitions completed in 2017 were in substance asset acquisitions.

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. Acquisitions made in 2017 were in substance asset acquisitions.

(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. All properties owned by the group are classified as investment properties.

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

Judgements *(continued)*

(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 two investments: Towarowa 22 and Młociny. The group has determined that it has joint control over the investees and the ownership is shared with the other owner. These investments are joint arrangements.

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

(iv) Operating lease contracts – the group as lessor

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

Estimates and assumptions

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

(i) Taxes

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

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

Estimates and assumptions *(continued)*

(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 5.

Standards and interpretations applicable, not yet effective

As required under IFRS, the impacts of standards and interpretations that have not been early adopted and that are expected to have a material effect on the entity are disclosed below:

IFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9: *Financial Instruments* that replaces IAS 39: **Financial Instruments: Recognition and Measurement** and all previous versions of IFRS 9. The standard has been endorsed by EU. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application for all comparable periods is required. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2017, the group performed an assessment of the expected impact of IFRS 9 on its consolidated financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the group in 2018 when the group will adopt IFRS 9. The group expects that two separate classes of financial assets, currently accounted for under amortised cost in line with IAS 39, will not pass SPPI ("solely payments of principal and interest") test and will be classified as FVTHPL ("fair value through P&L") under IFRS 9. The financial assets considered are:

- Other financial assets representing loans granted to Kalisz Retail sp. z o.o. and to Aradiana Ltd, a shareholder and a controlling party of Kalisz Retail sp. z o.o. ("Kalisz loans").
- Other financial assets in related entities representing advances to each of the right of first offer ("ROFO") entities in connection with the ROFO projects ("ROFO loans").

More details on the financial assets considered are presented in note 8.

In relation to Kalisz loans granted by EPP Group there are various repayment scenarios possible that includes a prepayment of the loan, repayment of the loan after a five-year period, refinancing of the loan after a five-year period, sale of the underlying asset and repayment of the loan. Options available are outside of EPP control, as such the group management decided to assume that the loan will be repaid after a five-year period. Under that assumption amortised cost valuation as of 31 December 2017 approximates the fair value of the loan granted.

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

IFRS 9: Financial Instruments *(continued)*

In relation to ROFO loans the fair value is calculated using present value technique, where the present value of expected net cash flows from the asset is discounted at a current market-based rate. The cash flows related to the selling price of the building and the final outcome of the ROFO transaction are impacted by a number of factors, which are very difficult to estimate. We concluded that the carrying amount of the ROFO loans approximates its fair value.

Standards and interpretations applicable, not yet effective, not expected to have a significant impact on the group's consolidated financial statements:

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB and the FASB issued their joint revenue-recognising standard, IFRS 15: *Revenue from Contracts with Customers*. IFRS 15 sets out the requirements for recognising revenue and providing disclosures that apply to all contracts with customers, except for contracts that are within the scope of the standards of leases, insurance contracts and financial instruments. The standard replaces IAS 18: *Revenue*, IAS 11: *Construction Contracts*, and a number of revenue-related interpretations and has been endorsed by EU. In April 2016, the IASB issued amendments to IFRS 15, clarifying some requirements and providing additional transitional relief. The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. IFRS 15 is effective from 1 January 2018 earlier application is permitted.

During 2017, the group performed an assessment of IFRS 15, and concluded that IFRS 15 is not expected to have a significant impact on the group's consolidated financial statements. note that IFRS 15 will not affect the recognition of lease income as this is still dealt with under IAS 17: *Leases.*

IFRS 16: Leases

The standard was issued in January 2016 and was endorsed by EU. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17: *Leases* and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted. During 2017, the group performed an assessment of IFRS 16, and concluded that IFRS 16 is not expected to have a significant impact on the group's consolidated financial statements.

Standards and interpretations applicable, not yet effective, not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 14: *Regulatory Deferral Accounts* (issued on 30 January 2014): The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- 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 endorsement process of these Amendments has been postponed by EU – 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 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;

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

IFRS 16: Leases *(continued)*

- 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;
- Amendments to IAS 28: **Investments in Associates and Joint Ventures** which are part of Annual Improvements to IFRS Standards 2014 – 2016 Cycle (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards* which are part of Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) – 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): not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: *Transfers of Investment Property* (issued on 8 December 2016): not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- IFRS 17: **Insurance Contracts** (issued on 18 May 2017): not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23: *Uncertainty over Income Tax Treatments* (issued on 7 June 2017): not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (issued on 12 October 2017): not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017): not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (issued on 12 December 2017): not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019,
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018): not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

4. INVESTMENT IN JOINT VENTURES

Towarowa 22

On 23 December 2016, EPP and Echo Investment S.A. ("Echo Investment") (collectively, "the purchasers") have concluded a final acquisition agreement in terms of which the purchasers acquired the 22 Towarowa Street property on which a retail development would be undertaken ("the property") from Griffin Real Estate ("Griffin"), Poland's real estate fund ("the purchase agreement").

In terms of the purchase agreement, EPP acquired an interest in a special purpose vehicle that owns the property, with the final equity share of 70%, with Echo Investment owning the remaining share. Currently, EPP's interest in the special purpose vehicle is 53.74%. 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, €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 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.

The group has the following capital commitments related to the Towarowa 22 joint venture resulting from the settlement of the acquisition price payable in instalments with two instalments due after 31 December 2017 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.

Galeria Młociny

On 31 May 2017, EPP has concluded an acquisition agreement to effectively acquire 70% of the Galeria Młociny Shopping Centre ("Galeria Młociny"). The investment was effected via EPP's acquisition of 70% of the equity in Rosehill Investments sp. z o. o. ("Rosehill") for an aggregate consideration of €29 million from Powell Real Estate International B.V, Elsoria Trading Limited, Tarbernacle Limited and Tarbernacle Investments Limited, including €13.7 million of repayment of loans granted to Rosehill. Rosehill indirectly owns the land on which Galeria Młociny is being developed (the "development"). Echo Investment S.A was appointed as the developer and leasing manager of Galeria Młociny and acquired the remaining 30% of the equity in Rosehill for an aggregate consideration of €12.4 million, out of which €5.8 million was repayment of loans granted to Rosehill. The transaction was in line with EPP's stated strategy of acquiring quality retail assets and developments in strategic locations.

Currently Galeria Młociny is financed by a mix of senior facility from a consortium of banks for the construction period and a five-year investment period, mezzanine liability in a form of issued bonds owned by an non-banking investment fund with maturity of three years and subordinated liabilities in the form of loans granted by both JV partners.

Galeria Młociny is a mixed use development of approximately 81 900 m^2 (of which approximately 71 050 m^2 will be retail space) situated in North Warsaw, Poland. Construction of the first phase of Galeria Młociny commenced in October 2016, and is on track for completion in the second quarter of 2019. The development is ca.50% preleased to strong anchor tenants including Inditex brands, Van Graaf, H&M and CCC.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

4. INVESTMENT IN JOINT VENTURES *(continued)*

Galeria Młociny *(continued)*

Galeria Młociny is a new generation shopping centre that will service a rapidly growing residential area in North Warsaw that lacks a modern fashionable retail offering. The development is complementary to EPP's other (previously announced) Warsaw mixed use project, Towarowa 22. Galeria Młociny is situated next to the Młociny transport hub, the main public transport hub for residents of North Warsaw and surrounds, which is used daily by c.40 000 people.

The total cost for the land on which Galeria Młociny is being developed is approximately €104.5 million. The balance of cost of the land on which Galeria Młociny is being developed was financed through mezzanine loans granted by reputable private equity funds to the value of €63.1 million. Galeria Młociny will be developed at an estimated development yield on cost of c. 7.1% and on completion is expected to be accretive to EPP. The combination of the Galeria Młociny and the Towarowa 22 project (scheduled for completion in 2021) will afford EPP an earlier foothold into the lucrative Warsaw retail market in 2019 and, combined with Towarowa 22, leverage its scale and influence with retailers across the whole of Poland.

The group's interest in joint ventures 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 2017		
	Galeria Młociny €'000	Towarowa 22 €'000	Total €'000
Summarised statement of financial position			
Current assets	7 117	753	7 870
Non-current assets – investment property	186 600	102 000	288 600
Other non-current assets	–	–	–
Total assets	193 717	102 753	296 470
Current liabilities	(8 388)	(3 421)	(11 809)
Non-current liabilities	(161 093)	(195)	(161 288)
Total liabilities	(169 481)	(3 616)	(173 097)
Equity	24 236	99 137	123 373
Group's share in %	70.00%	53.74%	
Group's share in euro	16 965	53 276	70 241

4. INVESTMENT IN JOINT VENTURES *(continued)*

	31 December 2016 Towarowa 22 €'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

	Year from 1 January 2017 until 31 December 2017 Galeria Młociny €'000	Year from 1 January 2017 until 31 December 2017 Towarowa 22 €'000	Year from 1 January 2017 until 31 December 2017 Total €'000
Extract from statements of comprehensive income			
Rental income	–	3 143	3 143
Property expenses	–	(1 546)	(1 546)
Other expenses	(88)	7	(81)
Gain on valuation of investment property	39 385	(3 939)	35 446
Finance income	225	–	225
Finance expense	(3 518)	(5 330)	(8 848)
Profit before income tax	36 004	(7 665)	28 339
Income tax expense	(7 934)	–	(7 934)
Profit for the year/period	28 070	(7 665)	20 405
Other comprehensive income	520	5 676	6 196
Total comprehensive income for the year/period	28 590	(1 989)	26 601
Proportion of the group's interest	70.00%	53.74%	–
	20 012	(1 012)	19 000
Foreign exchange reserve	(364)	(3 189)	(3 553)
Inter-company interest eliminated	515	46	561
Interest eliminated	51	–	51
Group's share of profit for the year	20 214	(4 155)	16 059

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

4. INVESTMENT IN JOINT VENTURES *(continued)*

	Period from 4 January 2016 until 31 December 2016 Towarowa 22 €'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 year/period	23 846
Other comprehensive income	(259)
Total comprehensive income for the year/period	23 587
Group's share of profit for the period	12 526

	Galeria Młociny €'000	Towarowa 22 €'000	Total €'000
Summarised statement of financial position			
Aggregate carrying amount of the investment in joint venture as at 31 December 2016	–	54 284	54 284
Increase related to purchase of shares in Młociny	15 378	–	15 378
Increase related to share in profit from operations	19 649	(4 201)	15 448
Increase/(decrease) related to foreign currency translation	364	3 189	3 553
Long-term loans to joint ventures granted in 2017	21 780	1 577	23 357
Acquisition costs	3 989	–	3 989
Investment in joint ventures as at 31 December 2017	**61 160**	**54 849**	**116 009**

5. 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	(4 125)	44 325
Balance as at 31 December 2016	972 392	387 040	1 359 432
Acquisitions	**263 166**	**71 084**	**334 250**
Capital expenditure on owned properties	**32 905**	**10 535**	**43 440**
Disposals	**–**	**(155 551)**	**(155 551)**
Capitalised letting fees	**1 090**	**1 222**	**2 312**
Amortisation of letting fees	**(845)**	**(184)**	**(1 029)**
Straight-line rental income	**180**	**324**	**504**
Net gain/(loss) from fair value adjustment	**78 184**	**(5 970)**	**72 214**
Balance as at 31 December 2017	**1 347 072**	**308 500**	**1 655 572**

	31 December 2017 €'000	31 December 2016 €'000
Market value as estimated by the external valuer	**1 655 572**	1 359 432
Add: Finance lease obligation recognised separately	**–**	–
Less: Lease incentive balance included in prepayments	**–**	–
Fair value for financial reporting purposes	**1 655 572**	1 359 432

EPP Group is a real estate group that owns a portfolio of 15 retail and seven 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 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 for retail portfolio and four years for office portfolio.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

5. INVESTMENT PROPERTIES *(continued)*

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

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

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

	Level 1* €'000	Level 2** €'000	Level 3*** €'000	Total fair value €'000
31 December 2017				
Retail	–	–	1 347 072	1 347 072
Office	–	–	308 500	308 500
Total	–	–	1 655 572	1 655 572
31 December 2016				
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.*

5. INVESTMENT PROPERTIES *(continued)*

Valuation techniques *(continued)*

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:

	Valuation €'000	Valuation technique	Net initial yield %	Discount rate %	Exit cap rate %
31 December 2017					
Retail	**1 347 072**	**Discounted cash flow**	**5.3% – 8.7%**	**6.75% – 9%**	**5.50% – 8.25%**
Office	**308 500**	**Discounted cash flow**	**6.7% – 8.4%**	**7.25% – 9.25%**	**6.75% – 8%**
Total	**1 655 572**				
31 December 2016					
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**				

The portfolio had the following vacancy rates and duration:

	31 December 2017		31 December 2016	
	Retail	**Office**	Retail	Office
Vacancy (%)	**1.4%**	**4.0%**	1.7%*	4.3%
WAULT (years)	**5.2**	**3.8**	5.9	4.1

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

Inter-relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase/(decrease) if:

- Expected market rental growth was higher/(lower);
- Expected expense growth was lower/(higher);
- Vacant periods were shorter/(longer);
- Occupancy rate was higher/(lower);
- Rent-free periods were shorter/(higher);
- Discount rate was lower/(higher);
- Exit capitalisation rate was lower/(higher);
- Capitalisation rate was lower/(higher); or
- Bulk rate was higher/(lower).

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 note 14.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

5. INVESTMENT PROPERTIES *(continued)*

Inter-relationship between key unobservable inputs and fair value measurements *(continued)*

On 27 November 2017 the amendment of Poland's Corporate Income Tax Law has been introduced, effective from 1 January 2018. One of the changes refers to implementation of a so-called "minimum levy" on the owners of shopping malls, large shops, office buildings (worth more than PLN 10 million), at the level of 0.035% per month (ca. 0.42% per year) of the excess of the initial tax value of the building over PLN 10 million. The abovementioned change is new and has no precedence in Polish taxation regime.

Acquisitions

A4 Business Park Phase III

Subsidiary of EPP concluded on agreements for the acquisition of, *inter alia*, the A4 Business Park Phase III. All outstanding conditions precedent relating to A4 Business Park Phase III were fulfilled on 28 April 2017 and the acquisition was accordingly successfully completed.

Zakopianka Shopping Centre

On 25 April 2017, EPP concluded an agreement relating to the acquisition of 100% of the equity in EPP Retail – Zakopianka sp. z o.o. (formerly EPISO 3 Zakopianka sp. z o.o.) ("Zakopianka") for an acquisition consideration of €53.3 million. Zakopianka is the holder of leasehold rights that entitle it to all rental income derived from leases concluded with tenants occupying premises within the Zakopianka Retail Park other than those portions of the Zakopianka Shopping Centre leased to owner occupied Carrefour and Castorama stores.

Blackstone Retail Property Portfolio

On 14 June 2017, EPP completed, on an unconditional basis, the acquisition of 100% of the equity of Kłodzko Retail LLC, Zamość Retail LLC and Włocławek Retail LLC, which own Galeria Twierdza in Klodzo, Galeria Twierdza in Zamość and Galeria Wzorcownia in Włocławek, respectively. The aggregate purchase consideration for these three properties is €141.60 million.

Galeria Solna

EPP concluded an agreement relating to the acquisition of another retail asset – Galeria Solna in Inowrocław, North West Poland. The purchase consideration was €22.4 million, based on asset value of €55.4 million. In line with EPP strategy, the 24 000 m^2 centre is located in a regionally growing Polish city with a large catchment area and a proven track record since opening in 2013.

O3 Business Campus Phase II

On 28 December 2017, upon fulfilment of all outstanding conditions precedent to the acquisition of Phase II of O3 Business Campus located in Kraków, Poland, the EPP subsidiary completed acquisition of the property of 19 000 m^2 GLA.

Disposals

On 22 December 2017 (pursuant to the preliminary agreement concluded on 3 October 2017) the company and Echo Polska Properties (Cyprus) PLC (the company's fully owned subsidiary) concluded a final share transfer agreement with Griffin Premium RE N.V. ("the Purchaser") for the shares in the entities (being wholly owned by the company) which control the portfolio of the following office properties: Tryton Business House in Gdansk, A4 Business Park in Katowice and West Gate in Wrocław (the "Office Portfolio"). The agreed estimated transaction price for the shares in the companies controlling the Office Portfolio amounted to €160 million (the "Price"), (jointly the "Transaction").

5. INVESTMENT PROPERTIES *(continued)*

Disposals *(continued)*

On the completion of the Transaction the group executed the rental guarantee agreements (the "RGAs") pursuant to which the rent for the vacancies in some of the buildings as well as certain parameters of the currently existing rental agreements were secured. The term of the RGAs are from three to five years commencing on the day of the completion of the Transaction.

	31 December 2017 €'000	31 December 2016 €'000
6. TAX RECEIVABLES		
Corporate income tax	**209**	9
Total	**209**	9
7. TRADE AND OTHER RECEIVABLES		
Rent and service charge receivables	**6 120**	3 843
Prepayments and deferred costs	**5 005**	1 372
Value added tax	**15 031**	26 901
Other receivables	**567**	542
Total	**26 723**	32 658

Rent and service charge receivables are non-Interest-bearing and are typically due within 14 days.

As at 31 December 2017, receivables with nominal value of €1 602 000 were impaired (€420 000 as at 31 December 2016, respectively).

The analysis of rent receivables that were past due but not impaired is set out below:

	31 December 2017 €'000	31 December 2016 €'000
Rent and service charge receivables		
Neither past due nor impaired	**2 125**	679
Past due but not impaired		
Less than 30 days overdue	**2 730**	2 367
30 to 90 days overdue	**1 134**	797
Individually determined to be impaired (gross)		
90 to 180 days overdue	**381**	221
180 days to 1 year overdue	**422**	88
More than 1 year overdue	**930**	111
Less: Impairment	**(1 602)**	(420)
Total rent and service charge receivables, net of impairment	**6 120**	3 843

See note 29 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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

	31 December 2017 €'000	31 December 2016 €'000
8. FINANCIAL ASSETS		
Other financial assets in related entities	**25 917**	4 110
Other financial assets	**–**	5 922
Long-term financial assets	**25 917**	10 032
Other financial assets in related entities	**3 955**	9 057
Other financial assets	**–**	–
Short-term financial assets	**3 955**	9 057
Total	**29 872**	19 089

Other financial assets in related entities represent:

- Loans granted to Kalisz Retail sp. z o.o. and to Aradiana Ltd, a shareholder and a controlling party of Kalisz Retail sp z o.o. in the nominal amount of €21 800 000 and €1 500 000 respectively and accrued interest. Both loans are to be repaid after five years, with an extension option for another five years. Loans to related parties are denominated in € with a variable interest rate of EURIBOR 3M plus margin ranging from 7.3% to 7.6%.
- Advances by EPP subsidiaries to each of the right of first offer ("ROFO") entities in connection with the ROFO projects. The advances represent 25% of the aggregate amount of the equity so far invested in the specified ROFO project at an agreed return. The contribution does not entitle EPP to any voting rights nor the share in the profit or loss other than 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 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.

	31 December 2017 €'000	31 December 2016 €'000
9. RESTRICTED CASH		
Tenants' deposits	**8 487**	14 227
Debt service	**1 970**	769
Capital expenditures	**10 005**	3 127
Fit-out	**767**	2 406
Guarantee	**295**	278
Other	**2 089**	1 038
Total	**23 613**	21 845

	31 December 2017 €'000	31 December 2016 €'000
10. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**98 580**	16 539
Short-term deposits	**964**	5 382
Total	**99 544**	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 2017	31 December 2016
11. SHARE CAPITAL		
Authorised shares (number)		
Ordinary share of €0.81 each	**2 572 645 659**	2 572 645 659
Preference share of €0.81 each	**1**	1

	31 December 2017 €'000	31 December 2016 €'000
Ordinary shares issued and fully paid		
At the beginning of the period	**474 702**	20
Issued in the period	**96 324**	474 682
At the end of the period	**571 026**	474 702
Share premium		
At the beginning of the period	**95 095**	–
Issued in the period	**56 650**	110 157
Transaction costs for issued share capital	**(4 211)**	(15 062)
At the end of the period	**147 534**	95 095

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 2017 and 31 December 2016, respectively. Where these are associates of directors of the company, this has been indicated.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

	Number of shares 31 December 2017	% of issued capital 31 December 2017	Number of shares 31 December 2016	% of issued capital 31 December 2016
11. SHARE CAPITAL *(continued)*				
Shareholder type				
Non-public shareholders	**347 054 712**	**49.23**	355 921 894	60.73
Directors and associates (direct and indirect)	**67 950 787**	**9.64**	30 857 220	5.27
Redefine Properties Ltd (holders > 10%)	**278 303 925**	**39.48**	235 147 077	40.12
Echo Prime Assets BV (holders > 10%)*	**–**	**–**	89 917 597	15.34
Treasury	**800 000**	**0.11**	–	–
Public shareholders	**357 915 498**	**50.77**	230 129 398	39.27
Total	**704 970 210**	**100.00**	586 051 292	100.00
Distribution of shareholders				
Public companies	**312 902 157**	**44.39**	294 374 796	50.23
Private companies	**111 440 904**	**15.81**	131 843 394	22.50
Collective investment schemes	**95 746 945**	**13.58**	37 649 079	6.42
Retail shareholders	**45 948 544**	**6.51**	59 188 540	10.10
Other	**138 931 660**	**19.71**	62 995 483	10.75
Total	**704 970 210**	**100.00**	586 051 292	100.00

* *Echo Prime Assets BV holds less than 10% as of 31 December 2017.*

On 17 February 2016, the company acquired a property portfolio from Echo Investment SA in the value of €211 970 000 in exchange for newly issued ordinary shares.

On 1 June 2016, the company issued new ordinary shares with a nominal value of €202 910 000, which were acquired and paid up by Redefine Properties Limited ("Redefine") and Echo Investment SA.

On 12 August 2016, the company issued 500 000 new ordinary shares with a nominal value of €405 000 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 (the "private placement shares") issuing new ordinary shares with the value of €103 707 000.

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 1 preference share of €0.81 and the issued share capital of the company comprised 514 529 131 ordinary shares of €0.81 each and 1 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 one 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 13 April 2017, the company issued 118 918 918 new ordinary shares at a price of €1.27 per share (at a price of ZAR 18.50 per share) following successful equity raise. Immediately post the issue of new shares the ordinary share capital of the company comprises 704 970 210 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).

11. SHARE CAPITAL *(continued)*

In 2017 The Company repurchased 1 850 000 shares at the average price of €0.98 per share. Out of this number, 1 050 000 shares were transferred to the Company's Directors in relation to the First Tranche of the Share based payment programme. 800 000 shares remained on the Company's account to be transferred to the Directors in relation to First Tranche at a later date, shares were disclosed as treasury shares.

	31 December 2017 €'000	31 December 2016 €'000
12. DISTRIBUTIONS MADE AND PROPOSED		
Cash dividends on ordinary shares declared and paid:		
Special dividend – Outlet/Galaxy extension[1]	**16 849**	9 775
Interim dividend	**36 602**	12 558
Proposed interim dividend	**40 491**	18 356
Total cash dividend	**93 942**	40 689

1. Outlet III, Outlet IV and Galaxy extensions in 2017 and Outlet II in 2016, respectively.
2. The €18 356 000 of dividend declared in 2016 was paid in 2017 in addition to special and interim dividends described above.

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;

(b) at least sixty percent (60%) of the extended space of a given extension has been leased or pre-leased to third parties on arm's length terms pursuant to the applicable DA; and

(c) Echo has executed the master lease for a period of three (3) years in relation to the space which has not been leased or pre-leased (at a rate per square metre no less than the average rate concluded with third parties in (b) above).

In 2017, the company paid out the preferred distribution to Echo Investment of €1 527 000 in relation to Outlet IV extension completion and €3 424 000 and €11 897 000 were paid in relation to Outlet III and Galaxy extensions accordingly (€9 775 000 in relation to Outlet II in 2016, respectively).

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 2017 and 31 December 2016, respectively.

13. SHARE-BASED PAYMENTS

On 8 December 2017, at the company's extraordinary general meetings shareholders resolved to implement the motivating programme to the members of key personnel in the form of a long-term incentive plan ("the LTI Plan"). The LTI Plan was introduced to create an economic motivation based on the measured business outcome and performance of the company and on individual loyalty of the members of key personnel in order to enhance their economic motivation. The program will be equity settled.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

13. SHARE-BASED PAYMENTS *(continued)*

Key conditions of the LTI Plan are as follows:

- The company will grant and transfer, free of charge, shares to the members of key personnel.
- The annual maximum aggregate number of shares that may be granted to all members of key personnel is 1 850 000 shares. The amount of shares in each tranche is specified for each member of key personnel. The whole programme will consist of 18 500 000 shares with a fair value of €16 000 000.
- The LTI Plan will expire not later than on the first business day of July 2026.
- Within 30 months from the end of each period ("lock-up period") a member of key personnel, shall not sell, or otherwise transfer, or put any encumbrance on shares that were transferred to such member of key personnel.
- The programme includes 10 tranches in total, the schedule of settlement dates, end of lock-up periods and reference periods are presented in the below table. Transfer date in the table means the date in each calendar year on which the company shall transfer the shares to the members of key personnel.

Tranche	Reference period	Transfer date	End of lock-up period
First tranche	These shares are not linked with any reference period	2017	First business day of July 2019
Second tranche	1 January 2017 – 31 December 2017	First business day of July 2018	First business day of July 2020
Third tranche	1 January 2018 – 31 December 2018	First business day of July 2019	First business day of July 2021
Fourth tranche	1 January 2019 – 31 December 2019	First business day of July 2020	First business day of July 2022
Tranche (n)[1]	1 January 2015+n – 31 December 2015+n	First business day of July 2016+n year	First business day of July 2018+n

1. The programme includes 10 tranches in total.

1. The first tranche was transferred without any conditions. For each of the next tranches the LTI Plan stipulates vesting conditions:
   a. 25% of maximum annual fixed number of shares for each employee will be granted for loyalty ("service condition").
   b. Up to 75% of maximum annual fixed number of shares for each employee will be granted depending on the achievement of economic targets specified for the respective reference period ("performance conditions").

2. Service condition is met for a particular tranche where a member of key personnel was engaged by the company or by any of the company's affiliates to provide work, duties and/or services, in particular upon an employment contract, service agreement or any other agreement or arrangement during the whole reference period applicable for the appropriate tranche.

13. SHARE-BASED PAYMENTS *(continued)*

3. Performance conditions are as follow:
   a. dividend per share growth of X% in the reference period – achievement of this target will entitle the member of key personnel to 30% of maximum annual fixed shares number;
   b. EBITDA growth of X% in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number; and
   c. individual targets assigned for each the member of key personnel by the board of directors ("individual performance") – delivery of this target will entitle to 15% of maximum annual fixed shares number.

4. The performance conditions will be proposed by the company and shall be agreed and set by the board of directors until 30 April of each respective reference period.

In the year ending 31 December 2017 the first tranche of 1 850 000 shares were transferred to the members of key personnel their fair value amounting to €1 810 000 (€0.98 per share), out of which 800 000 shares remained as treasury shares on the company's trading account.

The Share-Based Payments Plan has been valued-based on the market share price growth, taking into account the risk-free rate (interest rate), dividend rate and the share growth adjustment. Key parameters used at the grant date (8 December 2017) for calculation of tranches I and II were:

Dividend rate	Interest rate	Exchange rate	Share growth adjustment	Initial share price
8%	9.28%	0.06	–	18.17

The table below summarises the reference date (31 December 2017) financial parameters for Tranches III to X:

Dividend rate	Interest rate	Exchange rate	Share growth adjustment	Initial Share price
8%	8.61%	0.07	–	17.00

Expenses arising from share-based payment transactions recognised during the current period amounted to €5 936 000.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

14. BANK BORROWINGS

Borrowers	Type	Lender	Interest
Echo Pasaż Grunwaldzki – Magellan West spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Pasaż Grunwaldzki, Wrocław	BZ WBK SA/Erste Bank/Helaba	3M EURIBOR, IRS
Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością – Spółka komandytowa	Investment loan – Galaxy, Szczecin	BZ WBK SA/Erste Bank/Helaba	3M EURIBOR, IRS
Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością – Spółka komandytowa	VAT loan – Galaxy, Szczecin, PLN	BZ WBK SA/Erste Bank/Helaba	1M WIBOR
Galeria Kielce – Projekt Echo – 109 spółka z ograniczoną odpowiedzialnością – spółka komandytowa	Investment loan – Galeria Echo, Kielce	HSBC Bank plc	3M EURIBOR, IRS
Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Opolska I and Opolska II phase, Kraków	HSBC Bank plc	3M EURIBOR, IRS
Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością – Spółka komandytowa	Investment loan – Galeria Amber, Kalisz	Helaba/Erste Group	3M EURIBOR, IRS
Galeria Sudecka – "Projekt Echo – 43" Spółka z ograniczoną odpowiedzialnością – spółka komandytowa	Investment loan – Galeria Sudecka, Jelenia Góra	Helaba/Erste Group	3M EURIBOR, IRS
Galeria Olimpia – "Projekt Echo – 98 " Spółka z ograniczoną odpowiedzialnością – spółka komandytowa	Investment loan – Galeria Olimpia, Bełchatów	Helaba/Erste Group	3M EURIBOR, IRS
Veneda – "Projekt Echo – 97" Spółka z ograniczoną odpowiedzialnością – spółka komandytowa	Investment loan – Veneda, Łomża	Helaba/Erste Group	3M EURIBOR, IRS
Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Outlet Park, Szczecin	Helaba/Erste Group	3M EURIBOR, IRS
"Centrum Przemyśl – Projekt Echo 118 Spółka z ograniczoną odpowiedzialnością" spółka komandytowa	Investment loan – CH Przemyśl	Helaba/Erste Group	3M EURIBOR, IRS
"Vousoka Polska" spółka z ograniczoną odpowiedzialnością – spółka komandytowa	Investment loan – CH Bełchatów	Helaba/Erste Group	3M EURIBOR, IRS
Farrina Investments – Projekt Echo – 124 spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Malta Office Park, Poznań	Berlin Hyp/ING	3M EURIBOR, IRS

Maturity	Liability amortised cost 2017 Non-current	Liability amortised cost 2017 Current	Liability amortised cost 2016	Fixed rate (IRS)	Termination date of IRS	% of loan secured with IRS
2022	**153 319**	**3 304**	159 686	0.471% (IRS 1) 0.000% (IRS 2)	2022/12/05 (IRS 1) 2022/12/05 (IRS 2)	100%
2022	**144 694**	**3 129**	128 444	0.56% (IRS 1) 0.000% (IRS 2)	2022/12/05 (IRS 1) 2022/12/05 (IRS 2)	100%
2018	**–**	**398**				0%
2019	**91 905**	**1 930**	95 933	0.24% (IRS 1) (0.2650%) (IRS 2)	2019/12/30 (IRS 1) 2019/12/30 (IRS 2)	100%
2019	**55 267**	**1 154**	39 569	0.20%	2019/12/30	51%
2023	**49 342**	**1 054**	51 356	0.21% (IRS 1) 0.01% (IRS 2)	2023/05/15 (IRS 1) 2023/05/15 (IRS 2)	100%
2023	**31 391**	**671**	32 675	0.21% (IRS 1) 0.01% (IRS 2)	2023/05/15	100%
2023	**25 734**	**550**	26 803	0.21% (IRS 1) 0.01% (IRS 2)	2023/05/15	100%
2023	**20 669**	**442**	21 506	0.21% (IRS 1) 0.01% (IRS 2)	2023/05/15	100%
2023	**37 009**	**792**	38 581	0.21% (IRS 1) 0.01% (IRS 2)	2023/05/15	100%
2023	**2 939**	**63**	3 054	0.21% (IRS 1) 0.01% (IRS 2)	2023/05/15	100%
2023	**5 965**	**128**	6 206	0.21% (IRS 1) 0.01% (IRS 2)	2023/05/15	100%
2021	**29 211**	**684**	33 546	(0.112%) (IRS 1) (0.114%) (IRS 2) (0.166%) (IRS 3)	2021/06/01	100%

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

14. BANK BORROWINGS *(continued)*

Borrowers	Type	Lender	Interest
"Echo – Park Rozwoju" spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Park Rozwoju phase I and II, Warsaw	Berlin Hyp/ING	3M EURIBOR, IRS
Oxygen – Projekt Echo – 125 spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Oxygen, Szczecin	PKO BP SA	3M EURIBOR, IRS
Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Symetris I phase, Łódź	BGŻ BNP Paribas	3M EURIBOR, IRS
Astra Park – "Projekt Echo – 69" spółka z ograniczoną odpowiedzialnością spółka komandytowa	Investment loan – Astra Park	Raiffeisen Bank Polska S.A.	3M EURIBOR, IRS
EPP Retail –Twierdza Zamość Sp. z o.o.	Investment loan – Twierdza Zamość	Helaba/Erste Group	3M EURIBOR, IRS
EPP Retail – Twierdza Kłodzko Sp. z o.o.	Investment loan – Twierdza Kłodzko	Helaba/Erste Group	3M EURIBOR, IRS
EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Investment loan – Wzorcownia Włocławek	Helaba/Erste Group	3M EURIBOR, IRS
EPP Retail – Galeria Solna Sp. z o.o.	Investment loan	Pekao S.A.	3M EURIBOR, IRS
Echo Polska Properties N.V.	Investment loan	HSBC Bank plc	3M EURIBOR
Echo – West Gate Spółka z ograniczoną odpowiedzialnością Spółka komandytowa1	Investment loan – West Gate	Berlin Hyp AG	3M EURIBOR, IRS
A4 – Business Park – "Iris Capital" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa1	Investment loan – A4 Business Park phase I–II, Katowice	Berlin Hyp AG /ING Bank Śląski S.A.	3M EURIBOR, IRS
Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa1	Investment loan – Tryton, Gdańsk	HSBC BANK PLC	3M EURIBOR, IRS
Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa1	VAT loan – Tryton, Gdańsk	HSBC BANK PLC	1M WIBOR
Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa	VAT loan – Symetris I, Łódź	BGŻ BNP Paribas	1M WIBOR
Total			

1. *On 22 December 2017 the shares in the respective entities were sold as described in note 5.*

Maturity	Liability amortised cost 2017 Non-current	Liability amortised cost 2017 Current	Liability amortised cost 2016	Fixed rate (IRS)	Termination date of IRS	% of loan secured with IRS
2021	**36 067**	**844**	41 391	(0.112%) (IRS 1) (0.114%) (IRS 2) (0.166%) (IRS 3)	2021/06/01	100%
2020	**10 522**	**278**	11 109	(0.030%)	2020/03/27	100%
2021	**13 264**	**640**	14 129	0.055%	2021/12/20	50%
2022	**13 716**	**53**	–	0.330%	2022/03/20	100%
2022	**26 966**	**276**	–	0.215%	2022/06/07	100%
2022	**24 445**	**250**	–	0.215%	2022/06/07	100%
2022	**26 824**	**274**	–	0.215%	2022/06/07	100%
2022	**31 934**	**584**	–	0.98% (IRS 1) 0.65% (IRS 2)	2019/06/28	76%
2018	**–**	**99 657**	–	–	–	0%
2021	**–**	**–**	20 602	–	–	–
2021	**–**	**–**	21 037	–	–	–
2019	**–**	**–**	33 406	–	–	–
2017	**–**	**–**	10 918	–	–	–
2017	**–**	**–**	4 670	–	–	–
	831 183	**117 155**	794 621			

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

14. BANK BORROWINGS *(continued)*

As at 31 December 2017 all bank loan covenants have been met.

	€'000
Change in liabilities arising from financing activities	
Bank borrowings as at 4 January 2016	–
Changes in a group	770 604
Proceeds from borrowings	832 687
Repayment of borrowings and interest	(808 670)
Bank borrowings as at 31 December 2016	794 621
Changes in a group	**112 559**
Proceeds from borrowings	**183 712**
Repayment of borrowings and interest	**(142 554)**
Bank borrowings as at 31 December 2017	**948 338**

	31 December 2017 €'000	31 December 2016 €'000
15. TAX PAYABLES		
Corporate income tax	**879**	172
Other	**–**	3
Total	**879**	175
16. TRADE PAYABLES AND OTHER LIABILITIES		
Current		
Trade payables	**28 754**	8 260
Wages and salaries payable	**8**	8
Deferred income	**428**	863
Accruals	**4 028**	2 008
Deposits received	**1 845**	1 147
Prepayments received	**2 166**	908
Value added tax	**755**	616
Other	**2 369**	9
Total current	**40 353**	13 819
Non-current		
Deposits received from tenants	**7 810**	5 960
Advances received	**3 000**	1 657
Rent paid in advance	**4 223**	4 264
Total non-current	**15 033**	11 881

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

For explanations on the group's liquidity risk management processes, refer to note 29.

	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 €'000
17. REVENUE		
Rental income (excluding straight-lining of lease incentives)	**102 681**	66 458
Service charge and recoveries income	**39 033**	25 239
Turnover rent	**1 641**	771
Parking income	**2 678**	1 167
Advertising	**835**	186
Guarantees	**–**	286
Fit-outs	**878**	158
Property management	**1 570**	–
Other	**2 390**	1 013
Total revenues	**151 706**	95 278

	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 €'000
18. ADMINISTRATIVE EXPENSES		
Depreciation of fixed assets	**(7)**	(40)
Taxes and fees	**(162)**	(3 236)
Wages and salaries	**(1 248)**	(954)
Share-based payment	**(5 936)**	–
External services	**(6 350)**	(7 910)
Energy	**(2)**	(42)
Other administrative expenses	**(841)**	(349)
Selling costs	**(1 040)**	–
Total administrative expenses	**(15 586)**	(12 532)

The audit fees comprised in the external services line amount to €250 000 (2016: €324 000).

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 €'000
19. OTHER INCOME AND EXPENSES		
Gains on disposal of tangible assets	**25**	10
Bad debt recovered	**484**	1 375
Gains on contract penalties	**6**	39
Other miscellaneous operating income	**198**	685
Total other income	**713**	2 109
Value of disposed tangible assets	**(14)**	(36)
Bad debt	**(840)**	(1 494)
Subsidies	**(61)**	(6)
Consolidation adjustment on acquisition	**–**	(494)
Value of sold trade receivables	**–**	(458)
Other miscellaneous operating expenses	**(433)**	(122)
Total other expenses	**(1 348)**	(2 610)
20. FINANCE INCOME		
Interest on loans granted	**7 221**	5 616
Profit on IRS realisation	**–**	213
Amortised cost valuation	**–**	1 501
Bank interest	**198**	–
Other	**–**	9
Total finance income	**7 419**	7 339
21. FINANCE COST		
Interest on bank loans granted	**(18 961)**	(15 761)
Amortised cost valuation	**(1 796)**	
Other interest expense (including not eliminated interest expense from related-party)	**(147)**	(1 891)
Cost of bank debt refinancing	**–**	(5 881)
Other financial costs	**(2 181)**	(931)
Total finance cost	**(23 085)**	(24 464)

In 2016 cost of bank debt refinancing comprised debt prepayment fees and IRS break cost associated with bank loans reorganisation.

22. 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.

22. SEGMENT INFORMATION *(continued)*

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

- Retail: acquires, develops and leases shopping malls; and
- 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	Unallocated €'000	Total €'000
Year ended 31 December 2017				
Segment profit				
Rental and recoveries income	**105 733**	**44 278**	**1 695**	**151 706**
Straight-line rental income	**180**	**324**	**–**	**504**
Property operating expenses	**34 116**	**14 287**	**552**	**48 955**
31 December 2017				
Segment assets				
Investment in joint ventures	**116 009**	**–**	**–**	**116 009**
Investment property	**1 347 072**	**308 500**	**–**	**1 655 572**
Total segment assets	**1 463 081**	**308 500**	**–**	**1 771 581**
Bank borrowings	**686 982**	**161 699**	**99 657**	**948 338**
Total segment liabilities	**686 982**	**161 699**	**99 657**	**948 338**
Period ended 31 December 2016				
Segment profit				
Rental 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)
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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

23. INCOME TAX

The major components of income tax expense are:

	Year-ended 31 December 2017 €'000	Period ended 31 December 2016 €'000
Statement of profit or loss		
Current income tax:		
Current income tax charge	**4 873**	878
Deferred income tax:		
Relating to origination and reversal of temporary differences	**27 684**	18 546
Income tax expense reported in the statement of profit or loss	**32 557**	19 424

The table below presents reconciliation of tax expense and the accounting profit multiplied by Poland's corporate tax rate:

	Year-ended 31 December 2017 €'000	Period ended 31 December 2016 Restated €'000
Accounting profit before tax	**160 905**	91 752
Income tax at Poland's statutory tax rate of 19%	**30 572**	17 433
Permanent differences (net)	**(22)**	844
Profits from joint ventures (19% of €16 059 000)	**(3 051)**	–
Withholding tax charge presented in current tax line	**1 008**	715
Tax losses due to which no deferred income tax was recognised	**908**	450
Adjustments attributable to prior year tax	**3 142**	–
Income tax expense reported in the statement of profit or loss	**32 557**	19 442
Deferred tax liabilities		
Deferred income tax liability		
Revaluation of investment property to fair value	**83 321**	66 532
Loans and borrowings (measurement, foreign exchange differences etc)	**10 240**	(4 157)
Losses available for offsetting against future taxable income	**–**	(3 653)
Other	**192**	194
Deferred tax liabilities net	**93 753**	58 916

The deferred tax liability movement does not correspond to deferred tax charge presented in consolidated statement of profit and loss due to the sale of investment properties during the year.

The deferred tax liability of €72 717 000 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 the entity owning the assets, which would result in a different taxation regime are being ignored from the perspective of IFRS.

24. EARNINGS PER SHARE AND HEADLINE 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. Due to the nature of EPP's business, EPP has adopted distributable income per share as a key performance measure.

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

	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 Restated €'000
Profit for the period attributable to EPP shareholders	**128 348**	72 328
Change in fair value of investment properties including joint ventures (net of tax)	**(82 295)**	(40 283)
Headline and diluted earnings attributable to EPP shareholders	**46 053**	32 045
Amortised cost valuation of long-term financial liabilities	**2 621**	(1 502)
Straight-line rental income accrual	**(504)**	(1 233)
Share-based payments	**4 127**	–
Deferred tax charge	**14 057**	7 937
Cost of refinancing	**–**	5 881
Foreign exchange gains	**1 827**	(2 192)
(Profits)/losses from joint ventures	**5 380**	(1 917)
Non-distributable capital gains	**(3 971)**	(5 255)
Other non-distributable items	**3 328**	243
Antecedent dividend	**3 678**	–
Distributable income	**76 596**	34 007
Actual number of shares in issue	**704 970 211**	586 051 293
Shares issued on 4 January 2018	**88 582 677**	–
Shares for which dividend right has been waived*	**(88 582 677)**	–
Shares in issue for distributable earnings	**704 970 211**	–
Weighted number of shares in issue	**671 412 270**	366 544 911
Basic and diluted earnings per share (€ cents)**	**19.1**	19.7
Headline earnings and diluted headline earnings per share (€ cents)***	**6.9**	8.7
Distributable income per share (€ cents)****	**10.87**	5.8

* *Shareholders that acquired newly issued shares in January 2018 waived the right to dividend for 2017.*
** *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 2017 and 31 December 2016, respectively.*

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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

25. 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 2017 €'000	31 December 2016 Restated €'000
NAV attributable to ordinary equity holders of the parent (excluding deferred tax)	**927 574**	666 354
Net tangible asset value (excluding deferred tax)	**927 574**	666 354
Number of ordinary shares at the reporting date (thousands)	**704 970**	586 051
NAV per share (excluding deferred tax) (€)	**1.32**	1.14
Net tangible asset value per share (€)	**1.32**	1.14

26. RECONCILIATION OF PROFIT BEFORE TAX TO OPERATING CASH FLOW

	Year from 1 January 2017 until 31 December 2017 €'000	Period from 4 January 2016 until 31 December 2016 Restated €'000
Profit before tax	**160 905**	91 752
Adjustments:		
Amortisation/depreciation of fixed assets	**39**	–
Straight-line adjustment	**(504)**	–
Share-base payment reserve	**4 909**	–
Valuation gain on investment property	**(71 721)**	(40 283)
Share of profit in joint ventures	**(16 059)**	(12 676)
Finance income	**(7 419)**	(7 339)
Finance expense	**23 085**	24 464
Working capital adjustments:		
Increase in rent and other receivables	**10 043**	(31 970)
Increase in prepayments and accrued income	**(3 634)**	(1 372)
Increase in inventory and other assets	**(451)**	(83)
Increase of restricted cash	**(1 768)**	(21 845)
Increase in trade, other payables and accruals	**18 677**	18 856
Movements in tenants' deposits	**2 547**	6 859
Cash flows from operating activities	**118 649**	26 363

27. RELATED-PARTY DISCLOSURES

Information about subsidiaries and joint ventures

The consolidated financial statements of the group include the financial statements of the company, the subsidiaries and the joint ventures listed in the following table:

Name	Country of incorporation	Principal activities	Date of control	Share
1. Echo Polska Properties N.V.	Netherlands	Parent		
2. GP Office S.à r.l.[1]	Luxemburg	Holding company	22 February 2016	100%
3. GP Retail S.à r.l.[1]	Luxemburg	Holding company	22 February 2016	100%
4. Echo Polska Properties (Cyprus) PLC	Cyprus	Holding company	14 December 2016	100%
5. EPP (Cyprus) – 2 Limited (previously: Verinaco Holding)	Cyprus	Holding company	14 December 2016	100%
6. EPP (Cyprus) – 3 Limited	Cyprus	Holding company	3 February 2017	100%
7. Echo – Galeria Amber Sp. z o.o.	Poland	Holding company	23 May 2016	100%
8. Echo – Park Rozwoju Sp. z o.o.	Poland	Holding company	23 May 2016	100%
9. Echo – West Gate Sp. z o.o.[2]	Poland	Holding company	23 May 2016	100%
10. Echo Polska Properties Sp. z o.o.	Poland	Holding company	10 May 2016	100%
11. Echo Polska Properties Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Holding company	10 May 2016	100%
12. Emfold Investments Sp. z o.o.[2]	Poland	Holding company	1 July 2016	100%
13. EPP Retail – Veneda Sp.z o.o. (previously: Epiphet Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
14. EPP Galeria Sudecka Sp. zo.o. (previously: Ravenshaw Sp. z.o.o.)	Poland	Holding company	25 November 2016	100%
15. EPP Office – Astra Park Sp. zo.o. (previously: Sackville Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
16. EPP Retail – Centrum Przemyśl Sp. z o.o. (previously: Macintyre Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
17. EPP Retail – Galaxy Sp. z o.o. (previously: Dorsetshire Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
18. EPP Retail – Galeria Amber Sp. z o.o. (previously: Mackinnon Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
19. EPP Retail – Galeria Olimpia Sp. z o.o. (previously: Allwell Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
20. EPP Retail – Outlet Park Sp.z o.o. (previously: Dauphine Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
21. EPP Retail – Pasaż Grunwaldzki Sp. zo.o. (previously: Rundle Holdings Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
22. Flaxton Investments Sp. z o.o.	Poland	Holding company	1 July 2016	100%
23. EPP Retail – Centrum Bełchatów (previously: Friedland Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
24. Iris Capital Sp. z o.o.[2]	Poland	Holding company	23 May 2016	100%
25. EPP Retail – Galeria Echo Sp. z o.o. (previously: Leuthen Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
26. Magellan West Sp. z o.o.	Poland	Holding company	23 May 2016	100%
27. Grupa EPP Sp.zo.o. (previously: Minster Investments Sp. z o.o.)	Poland	Holding company	12 May 2016	100%

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

Name	Country of incorporation	Principal activities	Date of control	Share
27. RELATED-PARTY DISCLOSURES *(continued)*				
28. Grupa EPP Sp.zo.o. S.K. (previously: Minster Investments Sp. z o.o. S.K.)	Poland	Holding company	12 May 2016	100%
29. Norcross Sp. z o.o.	Poland	Holding company	25 November 2016	100%
30. Orkney Sp. z o.o.	Poland	Holding company	25 November 2016	100%
31. Ormonde Sp. z o.o.[2]	Poland	Holding company	25 November 2016	100%
32. Otway Holdings Sp. z o.o.	Poland	Holding company	25 November 2016	100%
33. EPP Office – Malta Office Park Sp. z o.o. (previously: Oughton Tranding Sp. z o.o.	Poland	Holding company	25 November 2016	100%
34. EPP Office – Park Rozwoju Sp. z o.o. (previously: Oxland Trading Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
35. Pebworth Sp. z o.o.	Poland	Holding company	25 November 2016	100%
36. Projekt Echo – 106 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
37. Projekt Echo – 109 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
38. Projekt Echo – 118 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
39. Projekt Echo – 124 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
40. Projekt Echo – 125 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
41. Projekt Echo – 126 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
42. Projekt Echo – 43 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
43. Projekt Echo – 69 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
44. Projekt Echo – 97 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
45. Projekt Echo – 98 Sp. z o.o.	Poland	Holding company	30 May 2016	100%
46. Projekt Echo 138 Sp. z o.o.	Poland	Holding company	22 December 2016	70%
47. Trappaud Sp. z o.o.	Poland	Holding company	25 November 2016	100%
48. Ventry Investments Sp. z o.o.	Poland	Holding company	1 July 2016	100%
49. Verwood Investments Sp. z o.o.	Poland	Holding company	21 October 2016	100%
50. Vousoka Polska Sp. z o.o.	Poland	Holding company	23 May 2016	100%
51. Wagstaff Investments Sp. z o.o.[2]	Poland	Holding company	25 November 2016	100%
52. Wetherall Investments Sp. z o.o.[2]	Poland	Holding company	25 November 2016	100%
53. Wisbech Sp. z o.o.	Poland	Holding company	25 November 2016	100%
54. EPP Office – Oxygen Sp. zo.o. (previously: Wylde Holdings Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
55. EPP Retail – Galeria Solna HoldCo Sp. z o.o. (previously: ACE SPV 1 Sp. z o.o.)	Poland	Holding company	12 July 2017	100%
56. Rosehill Sp. z o.o.	Poland	Holding company	31 May 2017	70%
57. A4 Business Park – Iris Capital Spółka z ograniczoną odpowiedzialnością S.K.[2]	Poland	Property investment	17 February 2016	100%
58. Astra Park – Projekt Echo – 69 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
59. Centrum Przemyśl – Projekt Echo – 118 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%

27. RELATED-PARTY DISCLOSURES

(continued)

Name	Country of incorporation	Principal activities	Date of control	Share
60. Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
61. Echo – Park Rozwoju Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
62. Echo – West Gate Spółka z ograniczoną odpowiedzialnością S.K.[2]	Poland	Property investment	17 February 2016	100%
63. Echo Pasaż Grunwaldzki Magellan West Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
64. Emfold Investments Spółka z ograniczoną odpowiedzialnością S.K.[2]	Poland	Property investment	1 July 2016	100%
65. EPP Retail – Galeria Solna Sp. z o.o. (previously: ACE 1 Sp. z o.o.)	Poland	Property investment	12 July 2017	100%
66. Farrina Investments – Projekt Echo – 124 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
67. Flaxton Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	1 July 2016	100%
68. Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
69. Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
70. Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
71. Galeria Sudecka – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
72. Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
73. Oxygen – Projekt Echo – 125 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
74. Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K.[3]	Poland	Property investment	22 December 2016	53.74%
75. Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
76. Ventry Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	1 July 2016	100%
77. Vousoka Polska Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
78. Berea Sp. z o.o.[4]	Poland	Property investment	31 May 2017	70%
79. EPP Retail – Zakopianka Sp.z o.o.	Poland	Property investment	25 April 2017	100%

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

Name	Country of incorporation	Principal activities	Date of control	Share
27. RELATED-PARTY DISCLOSURES *(continued)*				
80. EPP Retail – Twierdza Kłodzko Sp. z o.o.	Poland	Property investment	14 June 2017	100%
81. EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Poland	Property investment	14 June 2017	100%
82. EPP Retail – Twierdza Zamość Sp. zo.o.	Poland	Property investment	14 June 2017	100%
83. EPP Facility Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property management	1 July 2016	100%
84. EPP Property Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property management	1 July 2016	100%
85. EPP Development 5 Sp. z o.o.	Poland	Holding	14 November 2017	100%
86. EPP Development 6 Sp. z o.o.	Poland	Holding	24 November 2017	100%
87. EPP Development 7 Sp. z o.o.	Poland	Holding	20 December 2017	100%

1. *Liquidated as of 29 December 2017.*
2. *The entities were disposed as of 22 December 2017 as described in note 5.*
3. *Based on the shareholders' agreement dated on 22 December 2016 the company and Echo Investment S.A. agreed to have joint control over Projekt Echo 138 Sp. z o.o. and Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. therefore equity consolidation method is applied.*
4. *The group has 70% share in Rosehill Investments Sp. z o.o., a holding entity related to Galeria Młociny 22 project, which under shareholders' agreement is a joint venture with Echo Investment group with the equity consolidation method applied.*

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

	Sales to related parties €'000	Purchases from related parties €'000	Amounts due to related parties* €'000	Amounts due from related parties* €'000
Echo Investment Group				
2017	**10 109**	**75 703**	**11 965**	**712**
2016	–	–	2 723	2 232
Griffin RE Group				
2017	**–**	**500**	**31**	**–**
2016	–	150	185	–

* *The amounts are classified as trade receivables and trade payables, respectively (see note 16).*

27. RELATED-PARTY DISCLOSURES *(continued)*

	Interest €'000	Amounts due from related parties €'000	Amounts due to related parties €'000
Loans from related parties			
Echo Investment Group			
2017	**(146)**	**–**	**(19 760)**
2016	(57)	13 167	(6 106)
Loans to related parties			
Echo Investment Group			
2017	**6 024**	**5 614**	**–**
2016	–	–	–
Griffin RE Group			
2017	**950**	**24 258**	**–**
2016	–	–	–
Other financial liabilities			
Echo Investment Group			
2017	**–**	**–**	**–**
2016 restated	–	–	(16 356)

Loans to related parties are described in the note 8.

Loans from related parties are denominated in PLN and EUR. For the loans denominated in PLN there are two types of interest rates used – a fixed rate of 2% and a variable rate of WIBOR 3M plus margin 1.9%. For the loans denominated in euro is at a variable interest rate of EURIBOR 3M plus margin ranging from 1.64% to 2.7%.

The loans are granted for one or five years depending on the purpose of the loan.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. For the year ended 31 December 2017, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: €Nil). This assessment is undertaken each financial year through examining the financial position of the related-party and the market in which the related-party operates.

Guarantees

In April 2017 the company has been provided an undertaking by Redefine Properties Ltd, where Redefine Properties Ltd has undertaken to subscribe for shares in the share capital of the company or provide a shareholder loan in case the company requires additional financing to manage its liquidity position. In consideration for the undertaking the company is paying a fee of 1.22% p.a.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

27. RELATED-PARTY DISCLOSURES *(continued)*

Directors' interests

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 2017 and 31 December 2016, respectively:

Director	Directly	Indirectly	Total	Percentage
31 December 2017				
Beneficially held				
Hadley Dean	84 000[1]	500 000	584 000	0.1%
Marc Wainer	10 290 584	25 977 720[2]	36 268 304	5.1%
Andrew König	4 888 027	25 726 456[3]	30 614 483	4.3%
Robert Weisz	34 000	–	34 000	0.0%
Jacek Bagiński	450 000	–	450 000	0.1%
Total	15 746 611	52 204 176	67 950 787	9.6%

1. *As of 31 December 2017 the 800 000 shares to be granted from the LTI Plan to Hadley Dean were kept as treasury shares on the company's trading account.*
2. *Marc Wainer holds 40% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares and additionally he owns 50% of shares of Ellwain Investments Proprietary Limited, which holds 251 264 shares of EPP.*
3. *Andrew König holds 15% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares.*

Director	Directly	Indirectly	Total	Percentage
31 December 2016				
Beneficially held				
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	51 452 912	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.*

There were no changes to the direct and indirect beneficial interests of the company's directors and their associates in EPP ordinary shares between 31 December 2017 and the date of these financial statements.

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
Maciej Dyjas	Griffin advisory agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Griffin advisory agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	ROFO project acquisition agreements	Maciej Dyjas is an indirect beneficial shareholder of Echo (vendor).
Nebil Senman	ROFO project acquisition agreements	Nebil Senman is an indirect beneficial shareholder of Echo (vendor).

27. RELATED-PARTY DISCLOSURES *(continued)*

Directors' interests in transactions *(continued)*

Name of director	Particulars of contract	Nature/extent of interest
Maciej Dyjas	Warsaw retail development site acquisition agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Warsaw retail development site acquisition agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	Loans granted to Aradiana Ltd. and Kalisz Retail Sp z o.o.	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Loans granted to Aradiana Ltd. and Kalisz Retail Sp z o.o.	Nebil Senman is an indirect beneficial shareholder of Griffin.

Until the date of his resignation on 20 December 2017 Przemysław Krych had also a beneficial interest in: Griffin Advisory Agreement, ROFO project acquisition agreement, Warsaw retail development site acquisition agreement, Loans granted to Aradiana Ltd and Kalisz Retail Sp. z o.o.

Directors' remuneration

The details of the directors' emoluments accrued or paid for the year ended 31 December 2017 and period to 31 December 2016 are set out in the table below:

	Basic salaries €'000	Directors' fees €'000	Bonuses and other performance payments €'000	Share-based payment €'000	Total €'000
Year ended 31 December 2017					
Executive directors					
Hadley Dean	475	–	500	2 567	3 542
Jacek Bagiński	243	–	300	1 444	1 987
Maciej Drozd*	87	–	–	–	87
Total	805	–	800	4 011	5 616
Non-executive directors					
Robert Weisz	–	90	–	–	90
Marc Wainer	–	35	–	–	35
Marek Belka	–	66	–	–	66
Andrew König	–	30	–	–	30
Maciej Dyjas	–	30	–	–	30
Przemysław Krych**	–	30	–	–	30
Nebil Senman	–	30	–	–	30
Dionne Ellerine	–	60	–	–	60
Andrea Steer	–	80	–	–	80
Peter Driessen	–	79	–	–	79
Total	–	530	–	–	530

* *Maciej Drozd retired from the board of directors on 19 May 2017.*
** *Przemysław Krych resigned from the board of directors on 20 December 2017.*

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

27. RELATED-PARTY DISCLOSURES *(continued)*

Directors' remuneration *(continued)*

	Basic salaries** €'000	Directors' fees*** €'000	Bonuses and other performance payments*** €'000	Total €'000
Period ended 31 December 2016				
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 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.

The details of the long-term incentive scheme are disclosed in the note 13.

28. FUTURE OPERATING LEASE REVENUE

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

	Retail €'000	Office €'000	Total €'000
2017			
Within one year	**106 964**	**2 469**	**109 433**
Between two and five years	**299 994**	**7 056**	**307 050**
Beyond five years	**241 399**	**1 916**	**243 315**
Total	**648 357**	**11 441**	**659 798**

28. FUTURE OPERATING LEASE REVENUE *(continued)*

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

29. 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 2017, after taking into account the effect of interest rate swaps, 83% of the group's borrowings are economically hedged (90% as at 31 December 2016, respectively).

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.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

Interest rate risk *(continued)*

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

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

	Increase/ (decrease) in basic points	Effect on equity €'000	Effect on profit before tax €'000
2017			
EURIBOR	**1%**	**–**	**–**
EURIBOR	**(1%)**	**–**	**–**
WIBOR	**1%**	**–**	**–**
WIBOR	**(1%)**	**–**	**–**
2016			
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 euro 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 equivalents
- Trade receivables
- Trade payables

	31 December 2017 €'000	31 December 2016 €'000
Consolidated statement of comprehensive income		
Polish Zloty strengthens by 10%	**2 960**	1 000
Polish Zloty weakens by 10%	**(1 465)**	(818)

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

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. Additionally the group granted loans to related parties, which are described in note 8, which exposes EPP to credit risk of Kalisz Retail Sp. z o.o. and its shareholders.

Tenant receivables

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

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by 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 2017 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:

	Up to one year €'000	One to three years €'000	Three to five years €'000	>Five years €'000	Total €'000
Year ended 31 December 2017					
Bank borrowings	**101 661**	**161 881**	**515 130**	**178 525**	**957 197**
Related-party financial liabilities	**18 019**	**1 741**	**–**	**–**	**19 760**
Deposits from tenants	**1 845**	**2 410**	**2 332**	**3 068**	**9 655**
Trade and other payables	**39 096**	**–**	**–**	**–**	**39 096**
Period ended 31 December 2016					
Restated					
Bank borrowings	52 845	15 924	311 316	423 226	803 311
Related-party financial liabilities	16 577	–	3 742	2 143	22 462
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 (included in bank borrowings) in the above table are the undiscounted cash flows.

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

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

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 €'000	Fair value €'000
31 December 2017		
Financial assets		
Rent and other receivables	**6 120**	**6 120**
Cash and short-term deposits	**99 544**	**99544**
Financial assets	**29 872**	**29 872**
Financial liabilities		
Interest-bearing loans and borrowings	**968 098**	**968 098**
Deposits from tenants	**9 655**	**9 655**
Trade and other payables	**39 598**	**39 598**
31 December 2016		
Financial assets		
Rent and other receivables	3 843	3 843
Cash and short-term deposits	21 921	21 921
Financial assets	19 089	19 089
Financial liabilities		
Interest-bearing loans and borrowings	803 311	803 311
Deposits from tenants	7 107	7 107
Trade and other payables	13 203	13 203

Fair value hierarchy

Quantitative disclosures of the group's financial instruments in the fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
31 December 2017				
Interest-bearing loans and borrowings	**–**	**968 151**	**–**	**968 151**
Investment property	**–**	**–**	**1 655 572**	**1 655 572**
Deposits from tenants	**–**	**9 655**	**–**	**9 655**
Trade and other payables	**–**	**39 096**	**–**	**39 096**
31 December 2016				
Interest-bearing loans and borrowings	–	803 311	–	803 311
Investment property	–	–	1 359 432	1 359 432
Deposits from tenants	–	7 107	–	7 107
Trade and other payables	–	13 203	–	13 203

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

Fair value hierarchy *(continued)*

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 2017 and 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.
- 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 2017 and as at 31 December 2016.

Capital management

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

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

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

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

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

	31 December 2017	31 December 2016
Interest-bearing loans	**968 334**	777 328
Cash without tenants' deposits	**(114 670)**	(29 539)
Net indebtedness	**853 664**	747 789
Investment property	**1 655 572**	1 359 432
Investment in joint venture	**116 009**	54 285
Other financial assets	**29 872**	5 247
Total investment assets	**1 801 453**	1 418 964
Loan to value ratio	**47.4%**	52.7%

Notes to the consolidated financial information (continued)

for the year ended 31 December 2017

30. EMPLOYEES

The average number of employees, expressed in full-time equivalents, in 2017 was 153 (2016: 88 respectively) and can be detailed as follows:

	Number of employees 2017	Number of employees 2016
Department		
Retail	**85**	47
Office	**11**	9
Other	**57**	32
Total	**153**	88

31. COMMITMENTS AND CONTINGENCIES

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

Bank	Amount €'000	Maturity	Description
Bank Zachodni WBK S.A.	**23 870**	30 June 2020	Guarantee of borrower obligations related to project Młociny (Berea Sp. z o.o.) resulting from agreement dated 17 October 2017.
Echo Polska Properties N.V.	**96 500**	30 December 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 14).
Echo Polska Properties N.V.	**42 000**	23 May 2029	Suretyship granted for the payment of the purchase price resulting from Towarowa acquisition agreement upon occurrence of the prerequisites envisaged in the agreement.

Our bank borrowings presented in note 14 are secured on pledges on the respective investment properties.

Additionally, the group gave typical warranties under the sale agreement described in note 5, which are limited in time and amount.

On the completion of the sales of Office Portfolio described in Note 5 the Group executed the rental guarantee agreements (the "RGAs") pursuant to which the rent for the vacancies in some of the buildings as well as certain parameters of the currently existing rental agreements were secured. The term of the RGAs are from three to five years commencing on the day of the completion of the transaction.

32. EVENTS AFTER THE REPORTING PERIOD

In December 2017, the group announced the acquisition of 12 major shopping centres and retail parks ("M1 portfolio") from Chariot Top Group B.V., a consortium where Redefine Properties owns 25%. The asset aggregated value is €692.1 million. The acquisition has been divided into three tranches, the first of which was successfully completed on 4 January 2018, and the remaining two will be finalised over the next three years.

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

Tranche 1, at gross asset value ("GAV") of €358.7 million, comprises M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze totalling collectively 194 400 m² GLA and NOI of €25.1 million.

Tranche 2, at €222.5 million GAV, comprises M1 Bytom, M1 Czestochowa, M1 Radom and Power Park Olsztyn, Power Park Opole and Power Park Kielce collectively 184 000 m² GLA and NOI of €16.3 million.

Tranche 3, at €110.9 million GAV, comprises M1 Poznań and Power Park Tychy totalling collectively 68 100 m² GLA and NOI of €7.6 million.

The first tranche was successfully concluded on 4 January 2018 and tranche 2 and 3 are due to complete in June 2019 and June 2020, respectively.

On 4 January 2018, 88 582 677 shares have been allotted, issued and listed on both the Euro MTF market of the LuxSE and the Main Board of the JSE following the completion of tranche 1 (the "acquisition shares"). The acquisition shares will rank *pari passu* with the existing listed shares of EPP. Following the issue of the Acquisition Shares, the total issued and listed share capital of EPP has increased to 793 552 887 ordinary shares.

Signatures of members of board of directors:

Hadley Dean
Chief executive officer

Peter Driessen
Independent non-executive director

Nebil Senman
Non-executive director

Jacek Bagiński
Chief financial officer

Maciej Dyjas
Non-executive director

Andrea Philippa Steer
Independent non-executive director

Robert Weisz
Independent non-executive chairman

Dionne Ellerine
Independent non-executive director

Marc Wainer
Non-executive director

Marek Marian Belka
Independent non-executive director

Andrew König
Non-executive director

Amsterdam, 7 March 2018

08

SHAREHOLDER INFORMATION

Kalisz

EPP properties:

- Galeria Amber

Key attractions:

- The St Nicholas Cathedral
- The Main Square
- The Franciscan Church and Monastery (1257)
- Kalisz – "Venice of North" has 40 bridges

102 249
CITY POPULATION

167 781
AGGLOMERATION POPULATION

€7 043
ANNUAL PURCHASING POWER PER CAPITA

€6 527
AGGLOMERATION ANNUAL PURCHASING POWER PER CAPITA

PLN 3 648.00
AVERAGE MONTHLY WAGE

Analysis of ordinary shareholders

as at 29 December 2017

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	1 010	18.12	468 557	0.07
1 001 – 10 000	3 340	59.91	13 008 554	1.85
10 001 – 100 000	931	16.70	26 475 698	3.76
100 001 – 1 000 000	230	4.12	67 878 883	9.63
Over 1 000 000	64	1.15	597 138 518	84.70
Total	5 575	100.01	704 970 210	100.01
Distribution of shareholders				
Assurance companies	26	0.47	6 722 172	0.95
BEE entities	1	0.02	2 298	0.00
Close corporations	59	1.06	844 316	0.12
Collective investment schemes	206	3.70	95 746 945	13.58
Control accounts	4	0.07	39 352	0.01
Custodians	11	0.20	15 394 110	2.18
Foundations and charitable funds	91	1.63	3 988 504	0.57
Hedge funds	12	0.22	1 543 474	0.22
Insurance companies	2	0.04	8 559	0.00
Investment partnerships	37	0.66	1 112 509	0.16
Managed funds	39	0.70	11 301 506	1.60
Medical aid funds	12	0.22	1 209 138	0.17
Organs of state	6	0.11	31 265 743	4.44
Private companies	246	4.41	111 440 904	15.81
Public companies	11	0.20	312 902 157	44.39
Public entities	5	0.09	205 249	0.03
Register imbalance	1	0.02	(1 700)	-0.00
Retail shareholders	3 730	66.91	45 948 544	6.52
Retirement benefit funds	147	2.64	44 200 735	6.27
Scrip lending	12	0.22	2 415 286	0.34
Stockbrokers and nominees	19	0.34	4 615 614	0.65
Treasury	1	0.02	800 000	0.11
Trusts	896	16.07	13 264 790	1.88
Unclaimed scrip	1	0.02	5	–
Total	5 575	100.00	704 970 210	100.00
Shareholder type				
Non-public shareholders	8	0.15	348 104 712	49.38
Directors and associates (direct and indirect)	5	0.08	67 950 787	9.64
Redefine Properties Ltd (holders > 10%)	1	0.02	278 303 925	39.48
Echo Polska Properties N.V.*	1	0.02	1 050 000	0.15
Treasury	1	0.02	800 000	0.11
Public shareholders	5 567	99.86	356 865 498	50.62
Total	5 575	100.01	704 970 210	100.00

* *Echo Polska Properties N.V. less treasury shares.*

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares				
Public Investment Corporation			26 357 652	3.74
Sesfikile Capital			25 020 383	3.55
Total			51 378 035	7.29
Beneficial shareholders with a holding greater than 3% of the issued shares				
Redefine Properties Ltd			282 564 107	40.08
Echo Prime Assets BV			50 674 354	7.19
The Big Five International Ltd			25 726 456	3.65
Government Employees Pension Fund			25 623 906	3.63
Oxiana Ltd			21 417 881	3.04
Total			406 006 704	57.59
Total number of shareholdings	5 575			
Total number of shares in issue	704 970 210			

Share price performance

Opening price 30 December 2016	**R19.50**
Closing price 29 December 2017	**R17.00**
Closing high for period	**R21.90**
Closing low for period	**R13.95**
Number of shares in issue	**704 970 210**
Volume traded during period	**214 979 283**
Ratio of volume traded to shares issued (%)	**30.49%**
Rand value traded during the period	**4 180 079 371**
Price/earnings ratio as at 29 December 2017	**(15.42)**
Earnings yield as at 29 December 2017	**(6.49)**
Dividend yield as at 29 December 2017	**3.85**
Market capitalisation at 29 December 2017	**R11 984 493 570**

Shareholders' diary

Financial year-end	**31 December**
Preliminary annual results announcement	**8 March 2018**
Annual report posted	**April 2018**
Annual general meeting	**TBC**
Interim results announcement	**September 2018**

Distribution details

	2017 (€ cents per share)	2016 (€ cents per share)
Six months ended		
30 June	**5.192**	n/a
31 December	**5.678**	3.14 (four months)
12 months ended 31 December	**10.87**	3.14 (four months)

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
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 IV Report	King Report on Corporate Governance for South Africa 2016
LuxSE	Luxembourg Stock Exchange on which EPP is listed on the Euro MTF market
NOI	Net operating income
OCR	Occupancy cost ratio
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
The year	The year ended 31 December 2017
WALT	Weighted average lease term
WAULT	Weighted average unexpired lease term

Notes

Notes

Contact details

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Registration number: 64965945
Incorporated on 4 January 2016 in The Netherlands

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