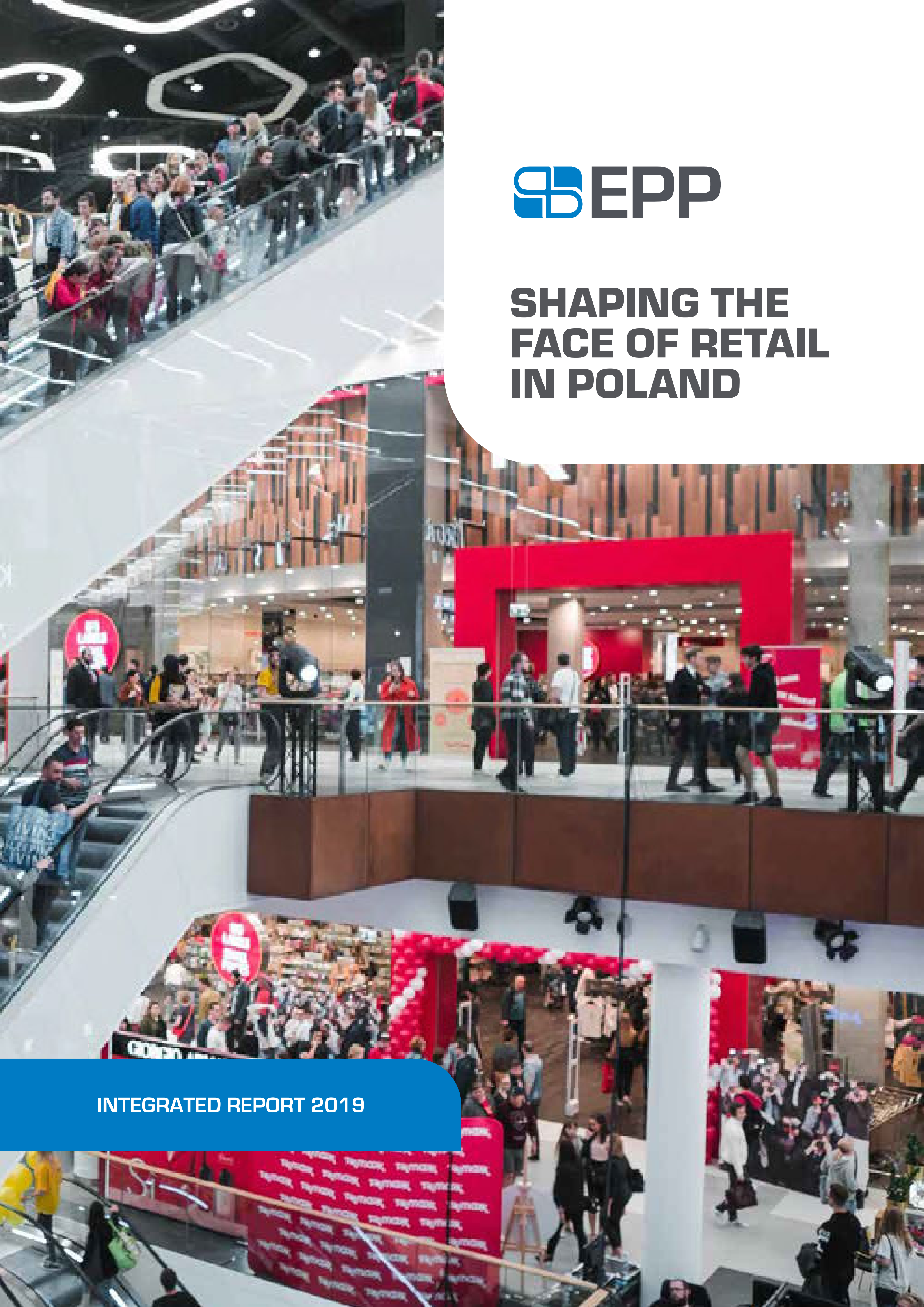


SHAPING THE FACE OF RETAIL IN POLAND

INTEGRATED REPORT 2019

EPP N.V.
(Incorporated in The Netherlands)
(Company number 64965945)
JSE share code: EPP
ISIN: NL0011983374
LEI code: 7245003P7O9N5BN8C098
Common code: 148164843
(”EPP” or “the company”)
Date listed on LuxSE: 30 August 2016
Date listed on JSE: 13 September 2016
(Real Estate and Development Sector)
Closing price on the JSE at
31 December 2019: R17.15

CONTENTS

Pages 2–78 constitute a directors' report as mentioned by part 9 of Book 2 of the Dutch Civil Code.

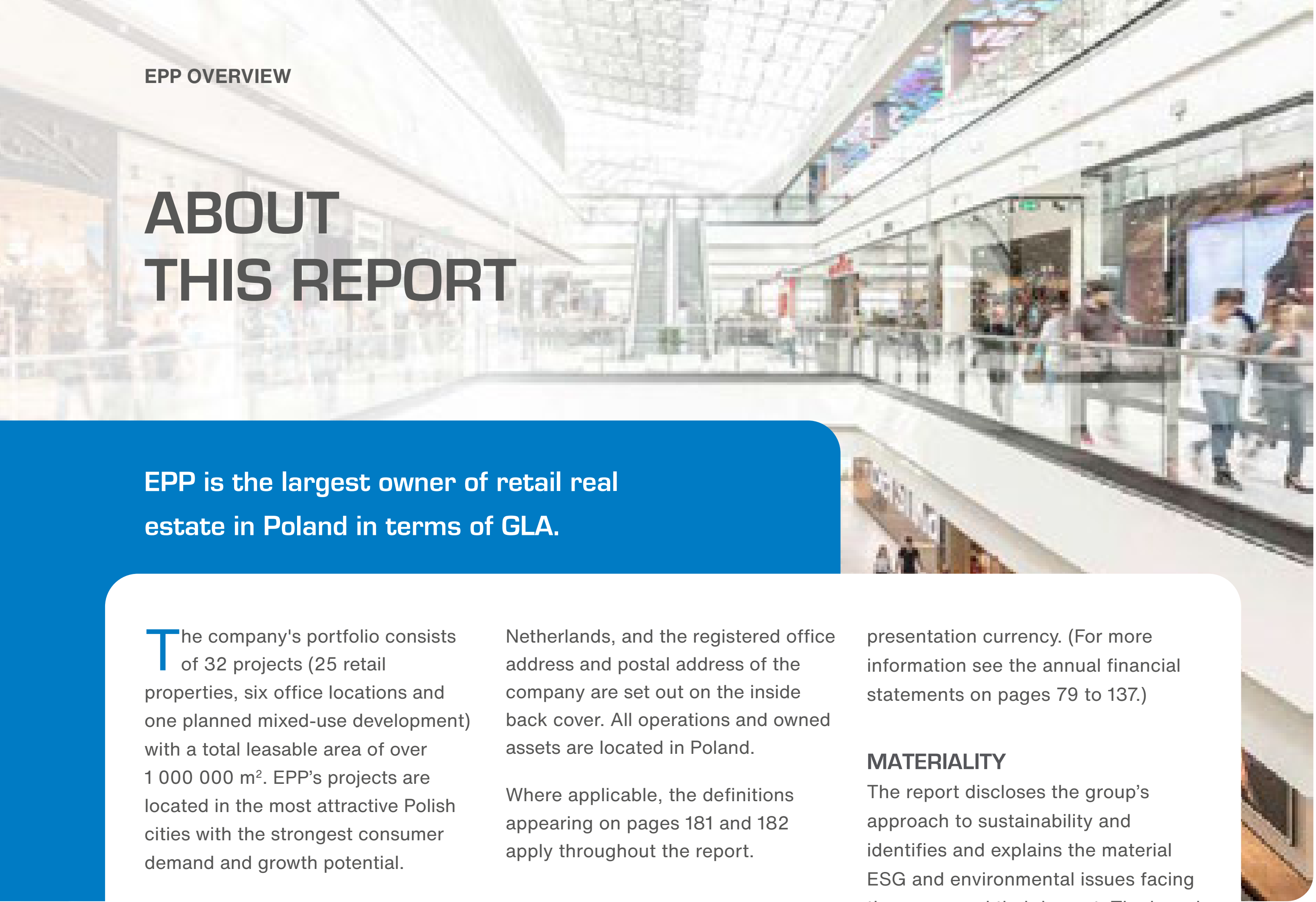
Trends driving our business
Page 23

Chief executive officer's report
Page 28

This year we successfully acquired Tranche 2 of the M1 transaction, and unveiled the first of its kind development project, Towarowa 22

HADLEY DEAN
Chief executive officer

M1 Radom



ABOUT THIS REPORT

EPP is the largest owner of retail real estate in Poland in terms of GLA.

The company's portfolio consists of 32 projects (25 retail properties, six office locations and one planned mixed-use development) with a total leasable area of over 1 000 000 m^2. EPP's projects are located in the most attractive Polish cities with the strongest consumer demand and growth potential.

EPP is committed to delivering the best possible rates of return to its shareholders by providing consumers with a unique shopping experience and tenants with attractive space and innovative solutions to help them develop their business. The company, which operates like a REIT, is listed on the stock exchanges in Johannesburg (JSE Limited) in the Republic of South Africa and Luxembourg (LuxSE Euro MTF).

This is EPP's fourth integrated report and presents the financial results and the ESG performance of the group for the year ended 31 December 2019 and follows our report for the previous year published in March 2019. 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.

Where applicable, the definitions appearing on pages 181 and 182 apply throughout the report.

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 MTF 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 standards.

The financial statements are presented in euro, which is considered to be the group's presentation currency. (For more information see the annual financial statements on pages 79 to 137.)

MATERIALITY

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 the 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
- 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 approach should enable stakeholders to accurately evaluate EPP's ability to create and sustain value over the short, medium and long term.

SIX CAPITALS

In line with the International Integrated Reporting Council concept of reporting in terms of the six capitals which impact value creation and contraction in a business, the group's activities and performance relating to the capitals below are covered throughout the report, as indicated.

Capital	Description	Reference in report
Financial capital *(Funding capital)*	Financial resources deployed by a company	Key performance metrics Business model and strategy Chief financial officer's report Annual financial statements
Manufactured capital *(Portfolio capital)*	Physical infrastructure used	Portfolio Section 13 disclosures
Intellectual capital *(People and platform capital)*	Organisational knowledge, systems, protocols, expertise	Business model and strategy Trends driving our business Chief executive officer's report Our report
Human capital *(People and platform capital)*	Competency, capability and experience of the board, management and employees	Chief executive officer's report Our people
Social and relationship capital *(Stakeholder capital)*	Relationship and engagement with broader society and communities impacted by the company	Chair's letter to stakeholders Chief executive officer's report Ethical leadership Our impacts Social and ethics committee report
Natural capital *(Environment capital)*	Company's use of natural resources	Our impacts

ASSURANCE

To comply with the Dutch Law and the JSE Listings Requirements, the company's financial statements (comprising the consolidated financial statements and the standalone financial statements) were audited by a Dutch independent auditor – Ernst & Young Accountants LLP and by the South African independent auditor – Ernst & Young Inc. Their unqualified independent auditor's reports are set out on pages 158 to 169. The scope of their audit is limited to the information set out in the annual financial statements on pages 79 to 137.

The combined assurance model is set out below:

Business process	Nature of assurance	Assurance provider
Annual financial statements	External audit	Ernst & Young Accountants LLP; Ernst & Young Inc.
Property valuations	Valuation report	Savills
Green buildings	Certification	BREEAM

Galeria Echo

ABOUT THIS REPORT
(CONTINUED)

FORWARD-LOOKING STATEMENTS

This integrated report contains forward-looking statements that, unless otherwise, indicated reflect the company's expectations as at 31 December 2019. 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 independent auditors.

The directors are responsible for the preparation and fair presentation of the group annual financial statements of EPP N.V. comprising the consolidated and standalone statement of financial position at 31 December 2019, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 1 January 2019 to 31 December 2019 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 the 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.

Hadley Dean
Chief executive officer

Jacek Bagiński
Chief financial officer

Taco de Groot
Chairman audit and risk committee

FEEDBACK

A hard copy of this integrated report is available on request as well as online at www.epp-poland.com.

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

Galeria Amber

INVESTMENT CASE AND SNAPSHOT

INVESTMENT CASE

- Leading retail landlord in Poland in terms of retail GLA
- Predictable cash flows
- Platform for organic growth
- Secured pipeline
- Active balance sheet management
- Diversified tenant base geared towards growth

SNAPSHOT

EPP is a retail-focused real estate investment company and the largest owner of retail real estate in Poland with properties located in regional cities across the country characterised by their strong economy, purchasing power and ability to attract international investment interests.

The portfolio spans 25 retail properties, six offices and one development project in Warsaw. By the end of 2020 EPP expects to own 29 shopping centres post the conclusion of tranche 3 of the M1 transaction.

EPP is the only JSE-listed property company with a retail and regional focus on Poland.

> €2.5 billion income generating portfolio

1 million m² total GLA

LFL NRI growth 3.3%

220 employees

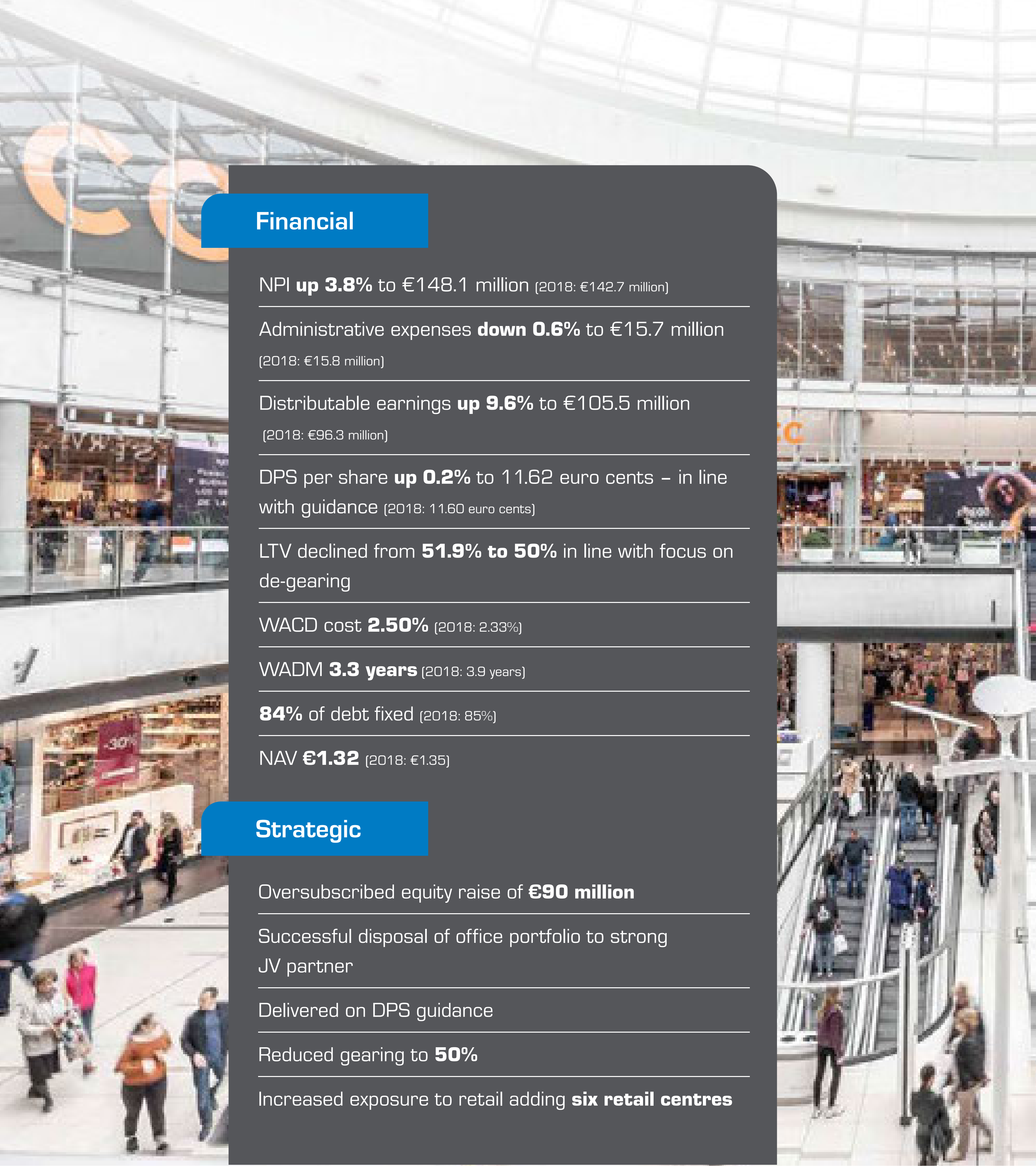
By 2020 set to own 29 retail centres within 30-minute drive of 40% of Poland's wealthiest population

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.

- **Focus on portfolio integration**
- **Asset management and extensions**
- **Continuation of asset recycling**
- **Focus on diversifying debt resources**
- **Governance**
- **Continue to focus on LTV reduction**

FY19 HIGHLIGHTS

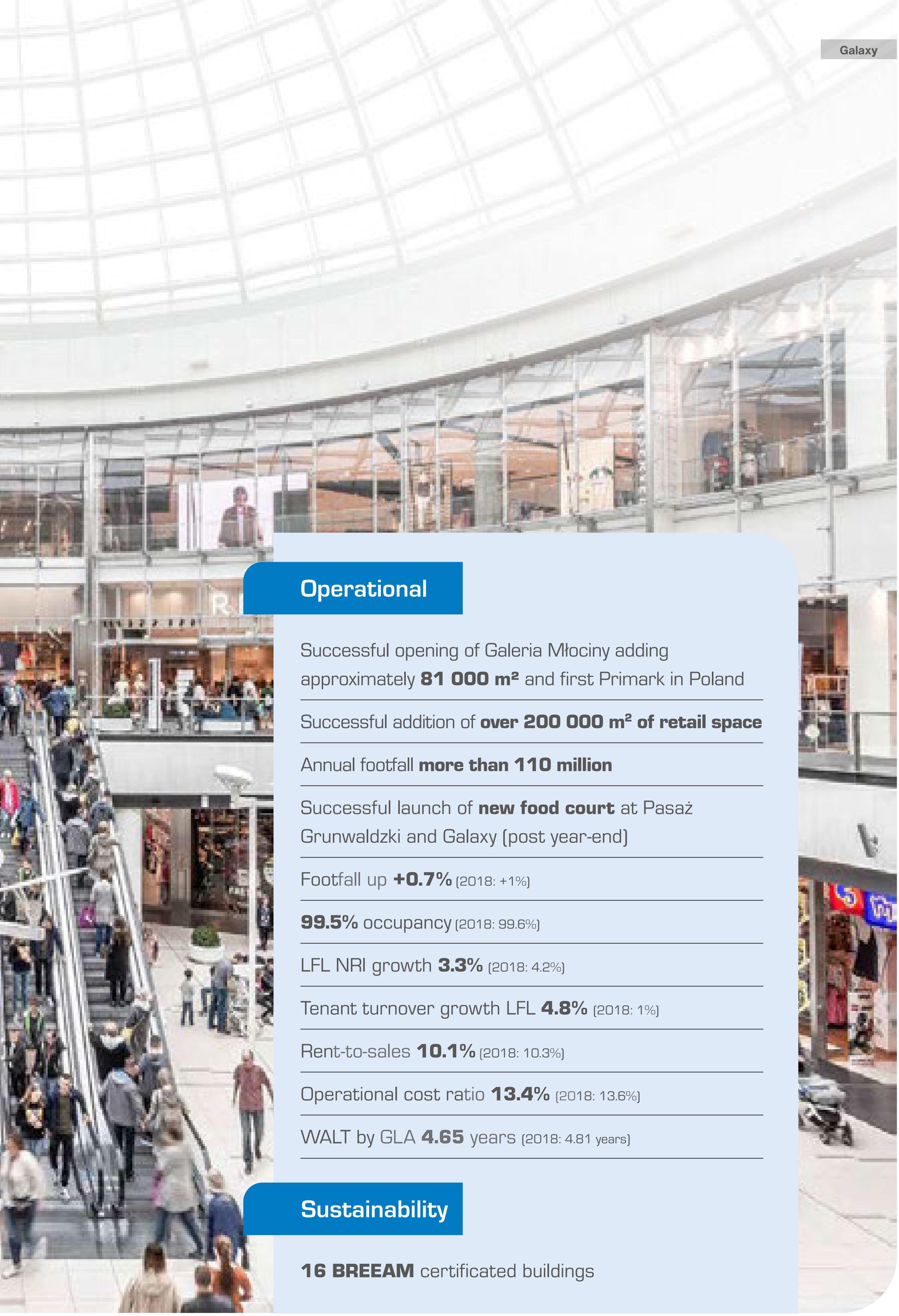


Financial

- NPI **up 3.8%** to €148.1 million (2018: €142.7 million)
- Administrative expenses **down 0.6%** to €15.7 million (2018: €15.8 million)
- Distributable earnings **up 9.6%** to €105.5 million (2018: €96.3 million)
- DPS per share **up 0.2%** to 11.62 euro cents – in line with guidance (2018: 11.60 euro cents)
- LTV declined from **51.9% to 50%** in line with focus on de-gearing
- WACD cost **2.50%** (2018: 2.33%)
- WADM **3.3 years** (2018: 3.9 years)
- **84%** of debt fixed (2018: 85%)
- NAV **€1.32** (2018: €1.35)

Strategic

- Oversubscribed equity raise of **€90 million**
- Successful disposal of office portfolio to strong JV partner
- Delivered on DPS guidance
- Reduced gearing to **50%**
- Increased exposure to retail adding **six retail centres**



Operational

Successful opening of Galeria Młociny adding approximately **81 000 m²** and first Primark in Poland

Successful addition of **over 200 000 m² of retail space**

Annual footfall **more than 110 million**

Successful launch of **new food court** at Pasaż Grunwaldzki and Galaxy (post year-end)

Footfall up **+0.7%** (2018: +1%)

99.5% occupancy (2018: 99.6%)

LFL NRI growth **3.3%** (2018: 4.2%)

Tenant turnover growth LFL **4.8%** (2018: 1%)

Rent-to-sales **10.1%** (2018: 10.3%)

Operational cost ratio **13.4%** (2018: 13.6%)

WALT by GLA **4.65** years (2018: 4.81 years)

Sustainability

16 BREEAM certificated buildings

CHAIR'S LETTER TO STAKEHOLDERS

It has been yet another busy and successful year for EPP and we are pleased to have made significant progress in advancing our strategy of being the largest retail landlord in Poland.

In this regard one of the main achievements was the successful execution of our asset recycling strategy with the sale of our office property to Henderson Park, in line with the strategy of having a greater focus on retail. This formed part of our focus on recapitalising EPP by forming a joint venture with Henderson Park. EPP maintained the asset management of the portfolio while selling a majority share in the office portfolio, further advancing our significant structural change to a focus on regional retail.

We continue to focus on deleveraging the company to lower the LTV in line with the expectations of the institutional investors. This will continue into 2020 and we as a board view it as critical and have directed great effort in delivering on this objective. One of our means of achieving this is by recycling the office portfolio through similar joint venture transactions, as mentioned above.

> Our highlight retail event during the year was the opening of Galeria Młociny. This large flagship shopping centre will feature as one of the main assets of the company in coming years.

We successfully executed tranche 2 of the M1 transaction which led to a substantial increase in our assets (see chief executive officer report page 28 for further detail).

Our highlight retail event during the year was the opening of Galeria Młociny which is a major strategic investment for EPP in Warsaw. This large flagship shopping centre will feature as one of the main assets of the company in coming years. Most of Europe's large retail tenants are represented in this centre.

We are pleased to have realised our efforts of broadening the investor base by introducing a new large investor and pleased that a number of our current shareholders were also present in the oversubscribed equity raise in April.

THE EXTERNAL ENVIRONMENT

The two main non-company issues impacting our performance are the capital environment and the retail environment.

The capital market environment remains very challenging both in Europe and South Africa. Capital markets are under pressure and there is more uncertainty in markets than a year ago. We are cognisant of this in our strategy and are focusing on ensuring a steady cash flow throughout our retail operations.

We are also keeping a close eye on the ever-changing retail environment. The retail environment has changed significantly in Western Europe and the US through e-commerce and this will have its impact on Central Europe, even if it is not yet at the same level. We continue to work on innovative solutions to assist tenants in this regard and hope to make further progress in the coming year.

CHANGES TO THE BOARD

As already announced to the market Hadley Dean's term of office expires at the upcoming AGM and the board has nominated Tomasz Trzósło for appointment as new chief executive officer which is expected to become effective after the next AGM subject to shareholder approval. We believe he is a very capable high calibre executive with extensive experience in the Polish property and investment market.

ROBERT WEISZ
Chairman

We wish to thank Hadley for his contribution to the company and the creative and entrepreneurial approach with which he acted as chief executive officer for nearly four years growing the company from zero to one of the largest retail property companies in Poland. We wish him well in his future endeavours.

During the year we welcomed non-executive directors James Templeton and Pieter Prinsloo and independent non-executive director Taco de Groot to the board. This added further seasoned property professionals with extensive experience in the investment community in South Africa, the UK and Europe, and contributed to our aim of increasing the knowledge base of our non-executive directors.

GOVERNANCE

Operating as a good corporate citizen and ensuring good corporate governance remain critical factors for a sustainable business. Our board committees comprised of our non-executive directors are tasked with overseeing governance within the group (see Governance on page 52).

In particular this year I would like to highlight and thank the remuneration committee which undertook an extensive review of the remuneration policy to ensure it aligned and was compliant with all the various jurisdictions within which we operate and in line with best practice. The process of drafting the policy, collating feedback from executives and the market extended over six months. I wish to commend the committee for the thorough process they conducted and the resultant document.

OUTLOOK

In 2020 we will continue to focus on delivering a quality shopping experience as we have been doing over the past three years. As one of the largest shopping centre investment companies in Poland we will remain focused on providing our shoppers with a constant level of high service. Work on integrating the newly acquired M1 assets and recently opened Galeria Młociny into the business and asset management system in order to optimise the investment will continue.

Our second Warsaw development Towarowa 22 is poised to be one of the main property investments for EPP in the coming years. This high-quality mixed-use project which encompasses office, residential and retail is a long-term project and will also be one of the main project developments in Warsaw over the next few years.

We will continue with our recapitalisation strategy by establishing joint ventures and bringing in strong investors as joint venture partners to invest in specific properties. This strategy is not limited to the office portfolio and may include regional malls where we would remain as asset managers and co-owners should the opportunity be beneficial for EPP. Our main focus remains on lowering LTV.

We are pleased to welcome Tomasz as our new chief executive officer and believe he is the right candidate to take EPP to the next phase of growth.

APPRECIATION

My thanks to our strong management team for their hard work and dedication in ensuring consistent growth. My appreciation to Hadley and Jacek and their management teams in achieving this and consistently realising our strategy of being the largest retail property player in Poland.

Robert Weisz
Chairman

10 March 2020

OUR TOP PROPERTIES

Galeria Młociny

- **More than 220 shops and over 40 restaurants and cafes**
- **The mall includes a medical centre and the first multi-screen cinema in Bielany**

The mall features over 75 000 m² of retail space with 220 shops and over 40 restaurants and cafes. The complex also provides 5 500 m² for offices. The mall includes a medical centre and the first multi-screen cinema in Bielany. Tenants include the first Primark in Poland, Inditex group (Zara, Zara Home, Oysho, Massimo Dutti, Bershka, Stradivarius, Pull&Bear), H&M, Van Graff, TK Maxx, C&A, CCC, Media Markt, RTV Euro AGD, Gagliardi, Sloggi and also features new gastronomic concepts such as Buenavista Food by Ann Sobramesa and Zushi Sushi.

Galeria Młociny is distinguished by its innovative approach to designing meeting places entertainment and gastronomy. The restaurant and entertainment space – occupying the entire level +2 and combined with a green garden on the roof – has been divided into various functional zones. The architects from the renowned Broadway Malyan studio introduced an atmosphere of cozy pubs, street food and casual outdoor dining among the greenery.

01

EPP AT A GLANCE

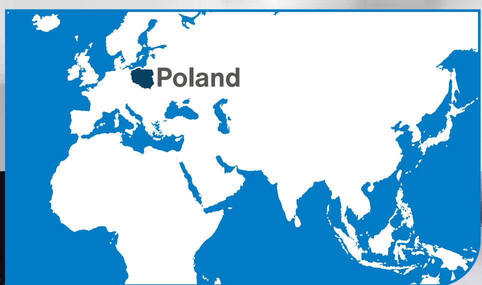
GLA	80 828 m^2
Value	€423 million
Occupancy	99%

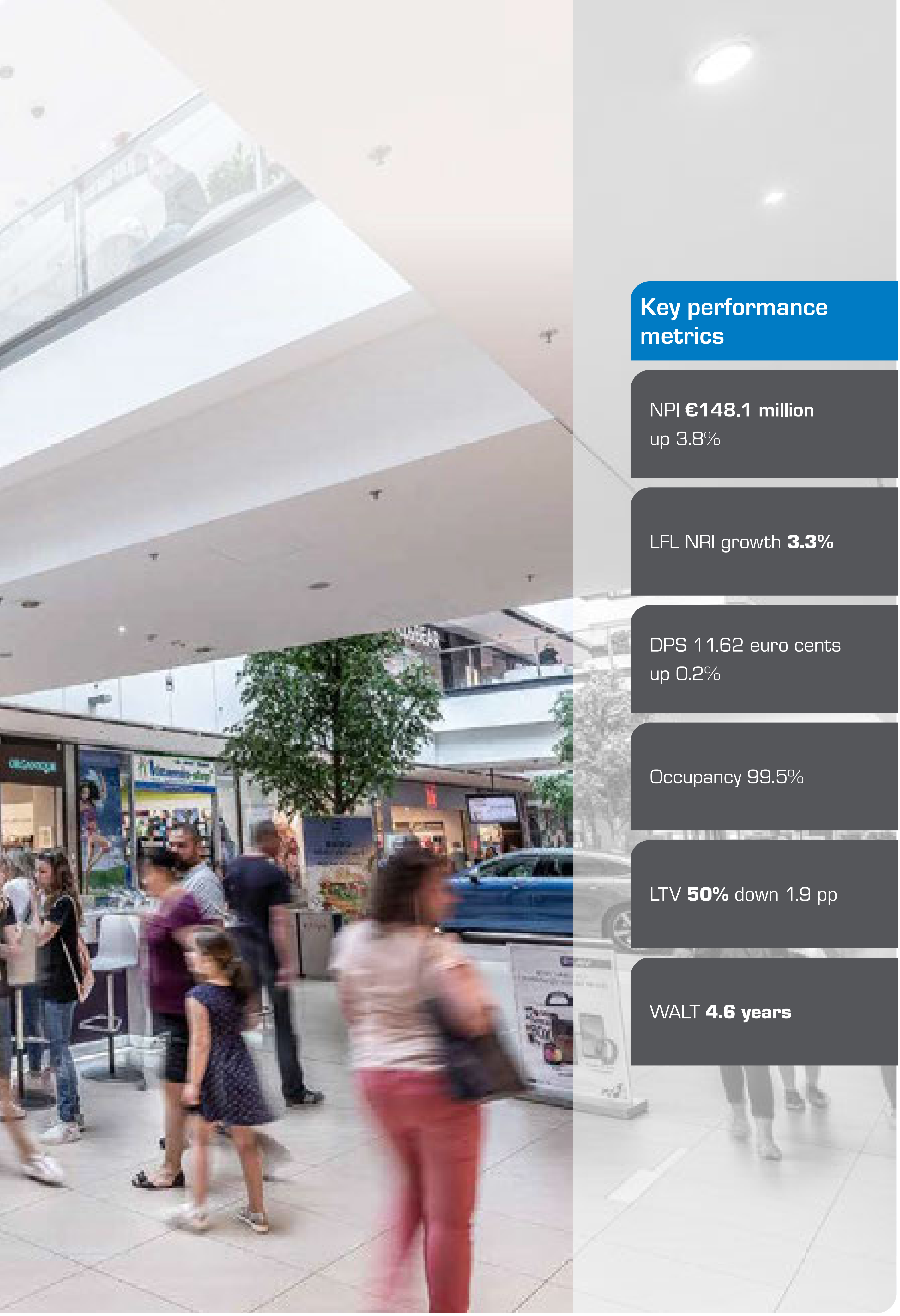
EPP AT A GLANCE

Portfolio

25 retail assets	**6** offices	**1** retail development	**21** cities across Poland	Over **1 million m²** GLA

Our footprint





Key performance metrics

NPI **€148.1 million** up 3.8%

LFL NRI growth **3.3%**

DPS 11.62 euro cents up 0.2%

Occupancy 99.5%

LTV **50%** down 1.9 pp

WALT **4.6 years**

BUSINESS MODEL AND STRATEGY

WHAT WE AIM TO DO

This is our business strategy over the long term

OWN a portfolio comprising > 70% of quality shopping centres situated in Poland, with the remainder being office blocks which will generate stable and growing cash flows and be positioned to attract new quality concepts and flagship stores to become preferred locations for local and international brands; complemented by high-quality offices.

ACQUIRE AND GROW through yield-enhancing acquisitions of shopping centres in Poland situated in a dominant location within a catchment area of >100 000 people, located in a modern high-quality property and offering a diverse tenant mix.

MANAGE AND GROW through strategic refurbishments and extensions, with a focus on food and beverage (F&B) and entertainment to increase shopper dwell-time and achieve satisfied tenants, aspirant centres, well-maintained properties assisting with cost control, capital allocation and optimal efficiencies, and increased property values.

EMPOWER AND GROW by enhancing and developing our internal property and asset management expertise, recognising and rewarding innovation, achievement and commitment to motivate and incentivise our teams, leading by example in governance and ethics in a "top-down" approach, and empowering our people in order to become an employer of choice and industry benchmark.

DELIVER capital and income growth and sustainable growth in distributions for long-term value creation.

CAPITALS @ EPP

These are the key drivers of our business strategy

FUNDING CAPITAL

- Oversubscribed equity raise of €90 million to new shareholders and to existing shareholders
- Equity released from the sale of offices to Henderson Park
- Raised €150 million in debt

PORTFOLIO CAPITAL

- Largest retail landlord in Poland by GLA (900 000 m²)
- 25 dominant shopping centres
- Towarowa development, Warsaw (230 000 m²) mixed-use; world-renowned architects; zoning is ongoing
- Acquired five shopping centres adding 150 000 m² GLA during the year
- Opened Galeria Młociny approximately 81 000 m² mixed-used project during May 2019 marking the first entry to Warsaw
- Disposed of office portfolio to JV partner in line with book values disposing of 86 000 m² GLA
- Food court refurbishments at Pasaż Grunwaldzki increasing the seating area in the food court from 680 to 1000 seats

PEOPLE AND PLATFORM CAPITAL

- 220 employees across Poland
- €111 000 invested in skills development
- Hours skills – average training was 50 hours for both women and men
- Development per head 331 (largely driven by the increased number of employees)

STAKEHOLDER CAPITAL

- EPP University to advise tenants on driving additional income
- Access to retail for developed and developing communities
- CSI

ENVIRONMENT CAPITAL

- BREEAM and green building certification

POLAND

Polish GDP growth rate for 2019 4% with growth into 2020 of 3.1%	Retail sales growth rate for 2019 of 4.5% *(Oxford Economics)*	70% of retail spend occurs in shopping centres (lack of high streets)	Prime shopping centre yields 4.90% *(JLL estimate)*	Trend shifts e.g. non-trading Sundays, ecommerce, omni channel

HOW WE DID IN FY19

This is the tracking of our progress in achieving our long-term strategic objectives

LOOKING AHEAD

These are the long-term strategic objectives of our business strategy

How we did in FY19	Looking ahead
◗ Distributable earnings up 9.6% to €105.5 million (2018: €96.3 million) ◗ DPS up 0.2% to 11.62 euro cents – in line with revised guidance (2018: 11.60 euro cents) ◗ LTV declined from 51.9% to 50%, in line with focus on de-leveraging goals	**LTV of 45%**
◗ Increased portfolio value by €150 million. ◗ > 80% retail focused ◗ Onboarding of new brands – Primark opening in H1 2020 ◗ Focus on F&B and entertainment and on continuation of the shopping centre activation programme (cultural, sport, educational events) ◗ Over 560 000 people attended events hosted by our shopping centres ◗ Food station in Pasaż Grunwaldzki – new food hall concept introduced in Q2 2019. F&B tenants sales up 13% for the seven months	**Increase retail to > 90% of portfolio** **Ongoing geographic diversification within Poland** **Increase to 29 shopping centres and 1 million+ m² GLA** **EPP shopping centres accessible by 40% of population within a 30-minute drive**
◗ Increase in the diversification of the board – appointment of three new directors bringing significant experience to the board	**Retain and attract best talent** **Low staff turnover**
◗ Site visit to select properties with SA investors, highest ever number of attendees at nearly 40 visitors ◗ Bi-annual investor presentations and roadshows ◗ Participation in CEE conference in SA in March ◗ EPP University trained 2 500 people, representing 200 brands and visual merchandising work in over 210 stores ◗ Benefits of CSI projects – benefiting the local communities, local charities and sports clubs enhanced by the shopping centre activation programme that hosted 56 social and cultural events	**Long-term value creation for all stakeholders**
◗ Increasing BREEM and green building certification	**All properties BREEAM and green building certification**

DIRECTORATE

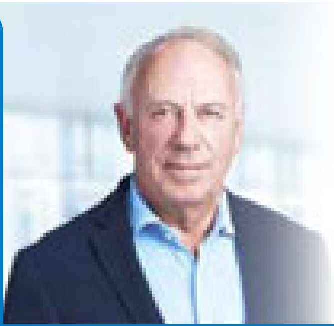
Please see pages **183** to **186** for a detailed CV of each director.

EXECUTIVE

Hadley Dean
(48)
Chief executive officer

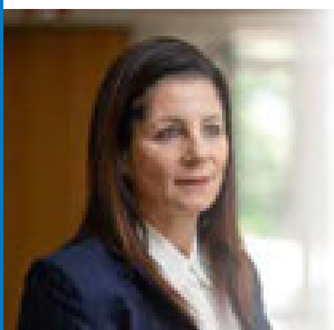
Jacek Bagiński
(50)
Chief financial officer

INDEPENDENT NON-EXECUTIVE



Robert Weisz
(70) Dutch
Chairman

Andrea Steer
(48) South African/Irish



Dionne Ellerine
(53) South African

Marek Belka
(68) Polish

Taco de Groot
(56) Dutch

James Templeton
(46) South African

NON-EXECUTIVE

Maciej Dyjas
(57) German

✚

Marc Wainer
(71) South African

✚ _

Pieter Prinsloo
(54) South African

✱ ■ ✚

EXECUTIVE TEAM

Hadley Dean
Chief executive officer

Jacek Bagiński
Chief financial officer

Wojciech Knawa
Property Management

Michał Świerczyński
Asset Management

Rafał Kwiatkowski
Chief operations officer and company secretary

Key to committees

- ✱ Audit and risk committee
- ● Nomination and remuneration committee
- ■ Social and ethics committee
- ✚ Investment committee
- _ Committee chairperson

OUR TOP PROPERTIES

Galeria Echo

- **The largest shopping centre in the Świętokrzyskie region**
- **Over 250 different types of shops**

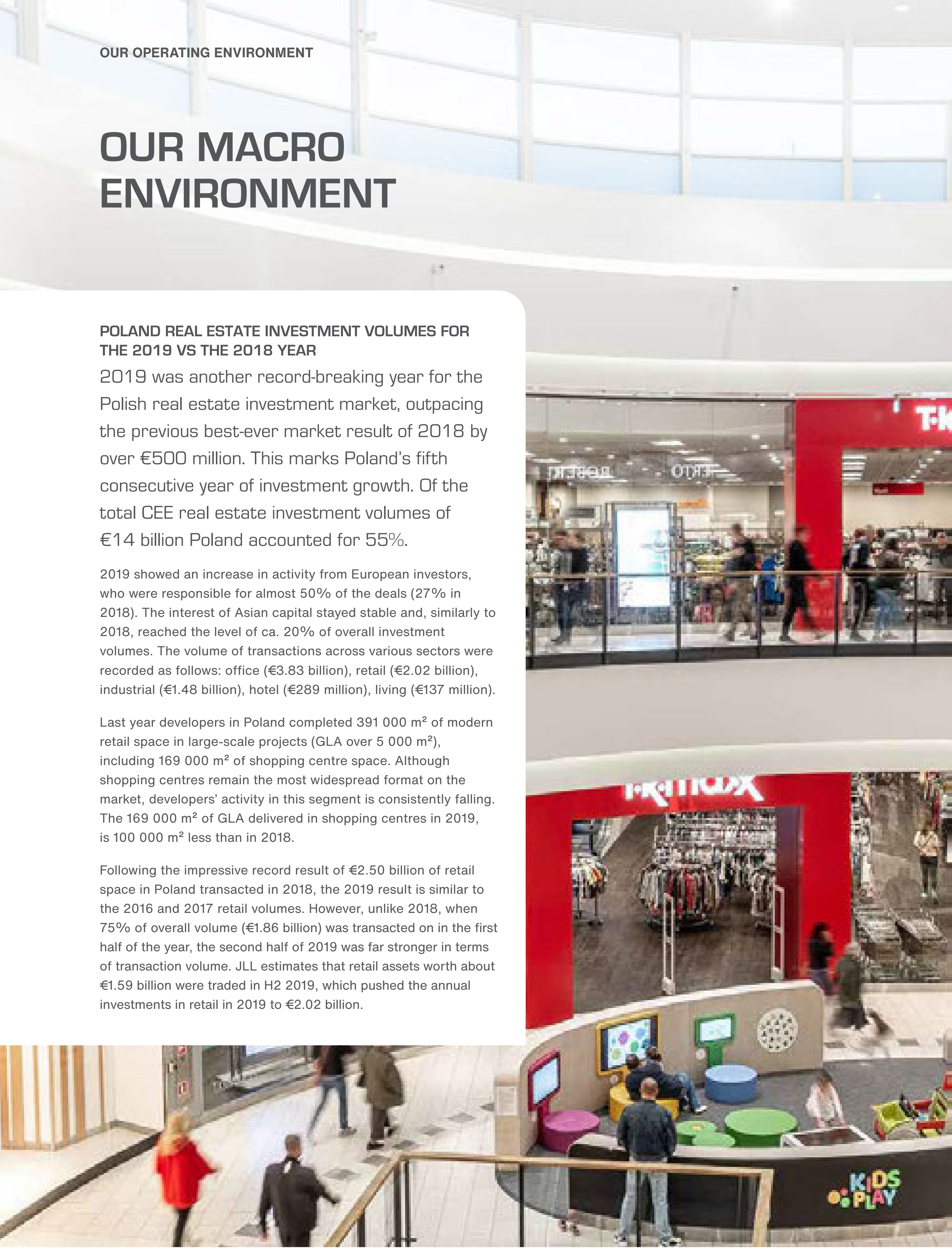
Galeria Echo has over 71 500 m² of GLA with over 250 different types of shops with international and Polish brands as well as service outlets, a modern cinema, a fitness studio and a bowling alley. Its convenient location near the city centre, close to numerous housing estates and university campuses, guarantees customers on foot as well as by public transport, bicycle or by car. The building's showcase is also a multi-storey car park with 2 100 spaces, which has an automated system reminding shoppers where they parked.

02

OUR OPERATING ENVIRONMENT

GLA	71 929 m²
Value	€234 million
Occupancy	99.4%
Annual footfall	9.9 million

OUR MACRO ENVIRONMENT



POLAND REAL ESTATE INVESTMENT VOLUMES FOR THE 2019 VS THE 2018 YEAR

2019 was another record-breaking year for the Polish real estate investment market, outpacing the previous best-ever market result of 2018 by over €500 million. This marks Poland's fifth consecutive year of investment growth. Of the total CEE real estate investment volumes of €14 billion Poland accounted for 55%.

2019 showed an increase in activity from European investors, who were responsible for almost 50% of the deals (27% in 2018). The interest of Asian capital stayed stable and, similarly to 2018, reached the level of ca. 20% of overall investment volumes. The volume of transactions across various sectors were recorded as follows: office (€3.83 billion), retail (€2.02 billion), industrial (€1.48 billion), hotel (€289 million), living (€137 million).

Last year developers in Poland completed 391 000 m² of modern retail space in large-scale projects (GLA over 5 000 m²), including 169 000 m² of shopping centre space. Although shopping centres remain the most widespread format on the market, developers' activity in this segment is consistently falling. The 169 000 m² of GLA delivered in shopping centres in 2019, is 100 000 m² less than in 2018.

Following the impressive record result of €2.50 billion of retail space in Poland transacted in 2018, the 2019 result is similar to the 2016 and 2017 retail volumes. However, unlike 2018, when 75% of overall volume (€1.86 billion) was transacted on in the first half of the year, the second half of 2019 was far stronger in terms of transaction volume. JLL estimates that retail assets worth about €1.59 billion were traded in H2 2019, which pushed the annual investments in retail in 2019 to €2.02 billion.

Galeria Echo

Galeria Olimpia

OUR OPERATING ENVIRONMENT

Poland has had an uninterrupted pace of economic growth averaging 4.2% per annum between 1992 and 2019. With a current population of 38 million, Poland is steadily catching up with Western Europe and has become the seventh largest economy in the EU with a total GDP of €524 billion.

One of the most important features of the Polish economy is its large domestic consumer market. Fuelled by increases in budgetary expenditures, a tight labour market, and rising wages, household consumption continues to grow.

Family 500+, a government programme introduced in 2016 which was received for the second child and above, has added about 2% to 3% to disposable income per year and in 2019, a new wave of social payments was announced, including an extension of the Family 500+ programme (which will include the first child as well), amounting to 1.7% of GDP which is expected to boost consumption by over 3% in 2020. By extending the Family 500+ programme, a family with two children and below a certain net salary will see their incomes rise an additional 7% per month. An additional pension payment was also instituted for pensioners during the year.

In terms of infrastructure investments, Poland has been the biggest beneficiary of EU funds from 2007 to 2013 receiving €102 billion, and from 2014 to 2020 receiving €106 billion. It is expected that Poland will receive net EU funds at a pace of around 0.8% of GDP per year beyond 2020.

In December 2019, the government presented a balanced 2020 budget, which, among other measures includes a 10% excise tax hike on alcoholic drinks and tobacco, which could result in higher inflation. Additionally, a sizeable minimum wage hike with effect from 1 January 2020 is set to benefit private consumption.

OUR MACRO ENVIRONMENT
(CONTINUED)

THE RETAIL MARKET

The defining trends of 2019 were the slowing construction of shopping centre space in parallel with the strong and increasing activity on mixed-use and convenience centre segments, as well as growing customer expectations forcing the rapid advance of technology and development of new retail concepts.

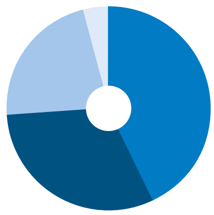
Demand for modern retail space in Poland is generated primarily by the largest retail chains looking for attractive locations, whereas smaller chains are more cautious and focus on optimisation. However, the number of new shopping centres delivered to the market has declined significantly with a limited amount expected in the next three years. Galeria Młociny was the largest retail scheme delivered to the market during the 2019 year and very few are expected going forward.

Four hundred and twenty-two shopping centres account for 10.2 million m² which represents a total shopping centre density of 266 m²/1 000 inhabitants, slightly below the West-European average of 279 m².

The attractiveness of the Polish market is confirmed by rapidly growing retail sales (€134 billion in 2019: 61% growth over the last 10 years), supported by governmental welfare programmes, such as Family 500+, and rising minimum wages. It is also confirmed by the stable number of new chains entering Poland in the last two years such as Kiehls, Xiomi and Hamleys.

Prime shopping centre yields achievable for best-in-class major schemes in Poland stood at 4.9% in 2019, while prime retail parks traded at around 6.8%.

RETAIL STOCK DELIVERED TO THE MARKET IN 2019 (m² OF GLA)



- 43% **Shopping centres**
- 31% **Stand-alone retail centres**
- 22% **Retail parks**
- 4% **Outlet centres**

Source: JLL

THE OFFICE MARKET

Office investment volumes increased by 37% compared to 2018 (€2.79 billion), marking the best result ever in the history of the Polish office investment market. Overall, there were ca. 147 office deals closed throughout 2019 with over 49% of total investment volumes made in the office sector.

Furthermore, 64% of the office investments were made on the Warsaw market, and the remaining 36% in the regional cities, with Kraków and Wrocław being traditionally the regional leaders as well as Poznań, ranked third amongst regional cities with investment volumes exceeding €300 million in 2019.

Source: JLL, January 2020 The World Bank, FocusEconomics, Euronew, JLL

Food and beverage ("F&B") continues to be a strategic focus area for us in attracting customers to our malls and encouraging longer dwell time.

TRENDS DRIVING OUR BUSINESS

The retail space is constantly changing in Poland and Europe as a whole. EPP continues to monitor and respond to trends that impact its operations. These also influence EPP's strategy as they are critical in footfall catchment and enhancing our diverse tenant mix.

E-commerce and omnichannel

Although e-commerce's overall growth is expected to slow down, it is still a hot topic in the property industry as a whole. Shopping centres are becoming e-commerce players via increasingly sophisticated websites, onsite digital interfaces, and mobile communications to customers within the mall and beyond its boundaries. M-commerce (mobile phone purchases) is also poking holes in e-commerce and is bringing a new dynamic. In Poland, 60% of online shoppers declared that they shop on their smartphones with only 40% of shopping taking place through computers. Mobile devices account for almost one in every four zlotys spent on online shopping. The Polish e-commerce market topped €11.6 billion in 2018. This represents 9% of the total retail market which is in line with market forecasts. As e-commerce growth subsides, and it is expected to continue to subside, big online retailers are looking at building their presence with physical stores to take advantage of the omnichannel trend. In 2025, e-commerce is expected to reach a point of maturity across Europe.

In Poland about 70% of shopping is done via click and collect. This is due to a number of reasons including that people are not at home to collect goods and shopping centres remain open at more convenient times. Click and collect appears to be the bridge between online and bricks and mortar and has proven to positively impact the retail sector.

The benefits of click and collect include a no cost convenient collection option for consumers, a physical interaction with brands, increased loyalty and additional in-store sales. Omnichannel strategies are increasing as retailers look at growing store footprint. Opening stores increases online traffic thus creating a halo effect and generally sees an increase in sales.

Sources: Savills; Colliers; PRM Market Experts; JLL

How EPP is responding:

We continue to look for innovative ways to support our tenants especially those with a limited online presence, and intend making further progress in 2020 by looking at ways to assist tenants with online and securing the right tenants. The omnichannel approach has been proven not only a great defence mechanism to minimise the impact of e-commerce but also a way to enhance the performance of retailers.

Demand for new retail space comes from new retailers, some international, as well as online giants, who are opening brick and mortar stores. Online only retailers are starting to see the benefits of bricks and mortar and the halo effect that stores have on online traffic. This is no different in Poland where online only retailers are opening physical stores. An example of this is the online retailer eobuwie.pl, which is owned by CCC, Central Europe's largest footwear retailer and the largest footwear manufacturer on the continent. It debuted its physical store concept in 2018 which seamlessly blends the digital and physical, offering a very different footwear-shopping experience compared to traditional shoe stores.

eobuwie.pl's physical debut introduces a unique purchase journey: the store has no physical product on the shop floor and is supported by a vast stockroom for a free-flowing experience mirroring its online service and "size me" application to measure the perfect size of your feet. eobuwie.pl will open its store in Galeria Młociny in the first half of 2020. We continue to expect such innovative solutions from retailers in the future.

In addition, during our conversations with tenants we often hear that e-commerce clearly improves their performance offline. When we analyse consumers, we see how important the experience and physical contact with the product or salesperson is for them which is more difficult to find online. This connection is therefore crucial. We hope to further progress our initiatives to support our tenants during the year.

TRENDS DRIVING OUR BUSINESS
(CONTINUED)

Consumers are demanding more experience

The unstoppable growth of gastronomy as a draw factor has seen 25% of space in the UK high streets dedicated to food and beverage offering. This trend is expected to continue throughout Europe. In a recent study by Mintel, it was noted that 67% of millennials are interested more in experience than things and this has driven the need for more diverse food offerings and experiences. Similar trends are expected in Poland, as people become more wealthy they want to spend more on diverse food and beverage concepts. Currently the F&B spend in Poland is around 2.6%, which is below the European average and is expected to grow to over 6% by 2023. According to JLL F&B and entertainment historically constituted 5% to 7% of the mall space and this is now between 10% and 15%. They expect it to increase to around 20% in the future. EPP has embraced this trend and F&B and entertainment constitutes around 15% of GLA space.

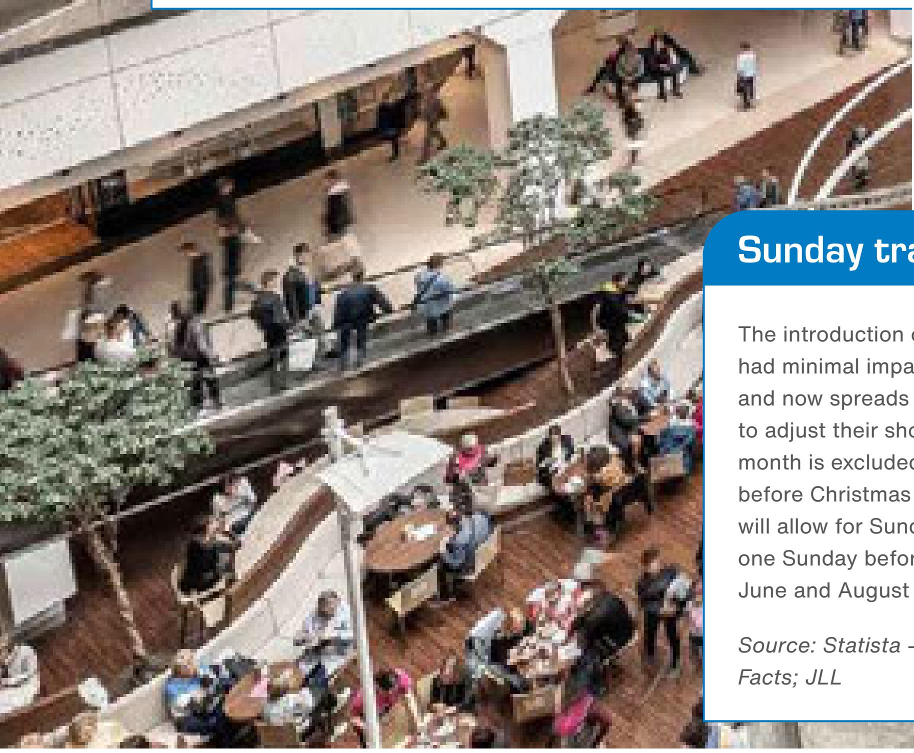
Experience concepts can drive the value of a retail space mall or location. However it requires an understanding of the target market in order to assemble a relevant tenant mix that will fulfil customer needs.

Sources: Savills; Colliers, JLL, Mintel

How EPP is responding:

FOCUS ON F&B AS A CORE PILLAR OF EXPERIENCE

EPP's ultimate goal is to create another destination pillar for shopping centres which differentiate the company from competitors by offering more experience and building footfall. In a recent study by JLL, it was noted 40% of visitors based their shopping centre choice primarily on dining option. It was also shown that the F&B shopper spends 15% more on retail. Focusing on this F&B strategy further provides additional flexibility in the tenant mix and is expected to benefit the performance of the shopping centre. Food halls traditionally offer experience, a wide range of food and beverages, unique ambience and a great location thus creating a destination pillar. The aim of this is to create a place where people can relax, socialise and have a good quality meal with friends and family. This additional pillar of destination is expected to not only benefit our food and beverage tenants but also increase dwell time in the shopping centre which will benefit all other tenants.



Sunday trading ban

The introduction of the Sunday trading ban in March 2018 has had minimal impact on operations. Footfall has been stabilised and now spreads over other trading days as customers continue to adjust their shopping habits. In 2019, the last Sunday of each month is excluded from the ban as well as selected Sundays, before Christmas and before Easter. From 2020 onward the law will allow for Sunday shopping on Sundays preceding Christmas, one Sunday before Easter and the last Sunday of January, April, June and August of each calendar year.

Source: Statista – Sunday trading ban in Poland – Statistics and Facts; JLL

Zakopianka

Galeria Solna

In 2019 EPP opened the Galeria Młociny shopping centre in Warsaw which *inter alia* features the F&B and entertainment space Spotkania i Dania, designed by the well-known Broadway Malyan architectural studio. The 6 000 m² food hall occupies almost the entire second floor of the centre and includes an additional 2 300 m² outdoor garden and terrace area. Spotkania i Dania, which can seat up to 1 500 people, is split into several different functional zones and includes 40 different food outlets, vintage food trucks as well as a co-working space, and is linked to a cinema and dance school on the same floor.

Pasaż Grunwaldzki, a leading retail destination in Wrocław, had upgrades of common areas and F&B completed in Q2 of 2019. FOODSTACJA is the first multifunctional food and entertainment space in Wrocław and the aim was to master the art of getting the food hall right by developing something that is both cosmopolitan and local and that captures the essence of the community as opposed to the traditional food courts which are static and lack any sort of ambience. The new design, inspired by the city's architecture, has seven thematic zones: a beach bar theme, a 90s urban area, a library and a dedicated student space, an arcade zone, and a circus-style kids' play zone all encapsulating a truly different feel with various atmospheres. These zones can collectively accommodate 1 000 guests, up from 680 and are accessible to everyone – students, local businesses and families. FOODSTACJA not only serves as a food hall but also an area for other activities which foster interactions as demonstrated by the library available there. The reinvention of centres is about creating recreational expectations that are relevant to local communities. Our food and beverage tenants have seen significant benefits with sales increasing 13% between June and December 2019.

Galaxy's new food hall foodport opened in January 2020 offering a new gastronomic space inspired by Szczecin and referencing the iconic places in the city. These include the Pasztecik Zone, the Grzybek Cafe Zone, as well as a basketball court. It is a multifunctional structure with a unique design, more seats and a wide range of food and entertainment options. This mark's EPP's third food hall concept and we look forward to rolling out this concept throughout the rest of the portfolio.

How EPP is responding: Shopping centre activation programme

EPP thrives through its tenant mix which continues to be a main driver of footfall making its centres the preferred destination for recreation and general family time. EPP did not expect the Sunday trading ban to have a negative impact on sales and this has been evidenced by increase in footfall by 0.7% and sales up 4.8%. As a response to the Sunday trading ban we initiated the shopping centre activation programme that included hosting social, educational, cultural and sporting events in the shopping centres.

During 2019 the shopping centre activation events attracted over 560 000 people who participated in 54 social and cultural activities conducted in EPP's shopping centres on non-trade Sundays. These included presentations, workshops and initiatives related to sport, culture and the activities of non-governmental organisations, enthusiasts and local societies. We look forward to continuing to support local communities through this programme in 2020.

OUR TOP PROPERTIES

Galaxy

- **#1 shopping destination in north-western Poland**
- **Located at one of Szczecin's main transport hubs**

Galaxy is the most popular and the largest shopping and entertainment destination in the West Pomeranian region. Located at one of Szczecin's main transport hubs it is part of the city centre. Customers also have access to the region's most modern cinema bowling alley and fitness space. foodport a new food hall inspired by Szczecin referencing the iconic places in the city launched in January 2020. Offering 600 seats 15 restaurants and unique relaxation zones from europallets the centre’s restaurant space has been expanded by 750 m² including well-known and debutante brands. foodport's tenants include Marché Cuisine Express Oriental Papa Diego and the Cake and Stuffing Pierogarnia with Pasibus restaurant and Cafe Grzybek opening in spring. The centre also features a five-storey car park for 1 500 cars.

03

PERFORMANCE

GLA	56 332 m²
Value	€289 million
Occupancy	100%
Annual footfall	13.4 million

CHIEF EXECUTIVE OFFICER'S REPORT

THE YEAR IN REVIEW

It has been another positive year for EPP and most notably the fourth year that we have met our dividends per share guidance. In our pursuit of becoming the leading retail landlord in Poland we added six new retail assets to our portfolio taking the total portfolio to over 900 000 m^2 and on track to meet our target of 1 million m^2 by 2020.

Galaxy

This year we successfully acquired Tranche 2 of the M1 transaction, and unveiled the first of its kind development project, Towarowa 22. We are excited to have appointed leading Danish architects BIG for this multi-use project. The city has been extremely responsive and we are progressing well.

The opening of Galeria Młociny, our first entry into Warsaw, was very well received by the market and continues to grow from strength to strength with the first Polish Primark expected to open in the first half of the year.

We successfully executed our capital recycling strategy with the sale of an office portfolio to joint venture partners Henderson Park. We retained a 30% stake and continued the asset management of the portfolio. We look to further deepen our relationship with our JV partners in the future.

We continued to adapt to the changing retail environment which has seen shoppers' demand for entertainment and experiences increase. Food courts at both Pasaż Grunwaldzki in Wrocław and Galaxy in Szczecin (January 2020) have been transformed into food halls which has revolutionised how customers interact with food services, entertainment and shopping. Our intention was to create a place where people can relax, socialise and have a good quality meal with friends and family. The new entertainment area in Galaxy even includes a basketball court, creating a meeting point for young people. Pasaż has had significant success with food and beverage tenants experiencing a 13% increase in sales in the last seven months since opening. This additional pillar of destination is expected to not only benefit our food and beverage tenants but also increase dwell time in the shopping malls. We expect the same positive impact for Galaxy.

Feedback from shareholders prompted us to diversify our shareholder base. This year we introduced a significant new shareholder and saw support from existing shareholders in an oversubscribed bookbuild which resulted in €90 million being raised, one of the highest by any listed property company in South Africa during 2019. It was great to introduce a significant new shareholder in the register along with other new and current investors, showing the trust the market has in the EPP story.

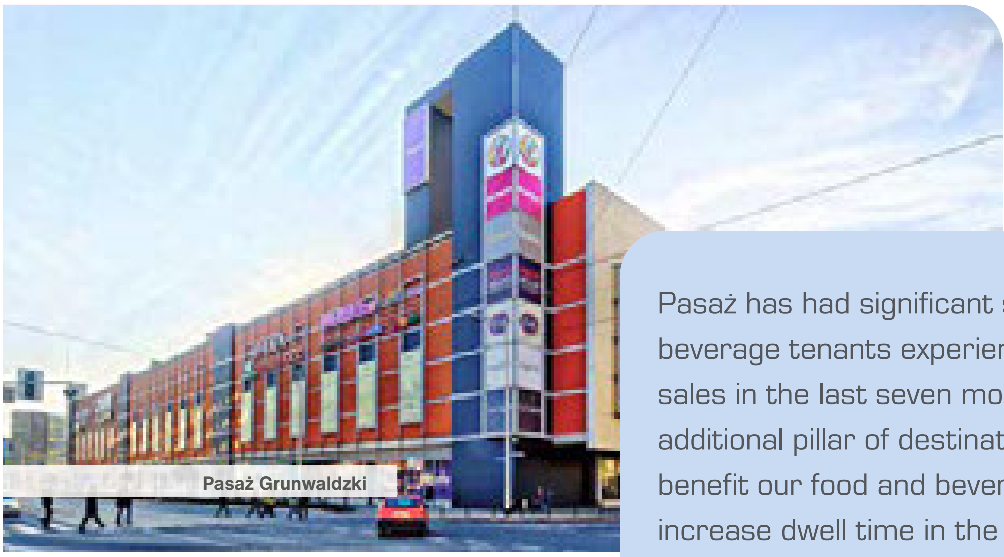
HADLEY DEAN
Chief executive officer

Another key focus this year was the capital structure of the business and successfully reducing our leverage from the prior year.

MARKET INFLUENCES AND HOW EPP IS ADDRESSING THESE

The capital markets environment in both South Africa and Europe have been challenging. However transactional volumes in Polish real estate continues. Following the impressive, record result of €2.50 billion of retail space in Poland transacted in 2018, the 2019 result is similar to that of 2016 and 2017 retail volumes. Consumers have become even more demanding in terms of what they want from a shopping experience. Our challenge has been to create an attractive environment where people can come together in each of our malls.

E-commerce is expected to reach a point of maturity across Europe in 2025. Online shopping has somewhat impacted trading but with the use of click and collect and a good online presence we are able to use this to draw customers to our malls and somewhat amplify their sales. Click and collect has also been useful in combating the Sunday trading ban, by allowing customers to buy on Sunday and collect on Monday.



Pasaż Grunwaldzki

> Pasaż has had significant success with food and beverage tenants experiencing a 13% increase in sales in the last seven months since opening. This additional pillar of destination is expected to not only benefit our food and beverage tenants but also increase dwell time in the shopping malls. We expect the same positive impact for Galaxy.

CHIEF EXECUTIVE OFFICER'S REPORT
(CONTINUED)

As we had predicted the Sunday trading ban has not impacted growth in sales and footfall in our malls. During the non-trading Sundays, we have increased our efforts of our shopping centre programme where we have hosted events for the local communities – education, sports, cultural. Our shopping centres remain resilient and have grown despite the changes in the market.

OUR PEOPLE

Our skills remain a critical element of our success. The business has reached a level where it does not require any further increase in head count so the focus this year has been on further development of our staff and leadership. Mid-level management went through a series of 12 workshops with the EPP Academy to grow and become better leaders which yielded positive results.

POLISH ECONOMY AND DRIVERS FOR GROWTH

Our strategy of becoming the market leader in shopping centre ownership in Poland is supported by the strong economic fundamentals in Poland. Poland is one of the largest and best performing retail markets in Europe with retail sales of c 4.5% for the 2019 year.

Poland has experienced an increase in consumer confidence in the last year. There has been strong GDP growth, more than Poland's Western European peers and low unemployment which has contributed to stronger wage growth. The second phase of the Family 500+ programme, a social grant that provides PLN 500 for each child under the age of 18, has increased consumer demand and has positively impacted retail sales. Additionally, a sizeable minimum wage hike with effect from 1 January 2020 is set to benefit private consumption.

In the retail sector, investors' activity surged in Q4 where 56% of the total retail volumes of 2019 was transacted. The real estate market had a great year with increased activity from European investors, who were responsible for almost 50% of the deals (27% in 2018). Poland remains the first point for investors entering the CEE region, exploring the Polish market and has also attracted investors from new regions such as Asia who look to increase their exposure in the region.

OUTLOOK

Our focus in the year ahead will be on the positive prospects of the region. Being retail focused in the most

Galeria Młociny

attractive retail market in the region makes sense.

From an asset management perspective, we will continue to focus on improving and expanding our entertainment offerings as well as our F&B focus through upgraded food halls across the portfolio to attract more customers and encourage further dwell time.

Reducing our LTV will also remain a focus. We remain positive of achieving growth in sales and increased footfall for 2020.

THANKS

My thanks to our dedicated and hard-working team which have yet again excelled and contributed to another successful year. I also extend my appreciation to our board for their support and guidance during the year and particularly during my tenure as chief executive officer of EPP for the last four years. It has been a privilege to lead this business and I have been honoured to be part of a team that has delivered on all its objectives since listing.

I also wish to thank all our South African investors that have supported the growth of the company and it was a pleasure to get to know you over these years.

I trust the company will continue to deliver on its promises and I look forward to tracking its performance.

Hadley Dean
Chief executive officer

10 March 2020

** For detailed operational data please see page 170 for the JSE Listings Requirements Section 13 disclosures*

Galeria Młociny

CHIEF FINANCIAL OFFICER'S REPORT

OVERVIEW

We are pleased to present the annual financial statements of EPP for the year ended 31 December 2019.The distribution per share amounted to 11.62 euro cents which is in line with the guidance of flat or better. This is the third consecutive year that the full year guidance has been met. At the same time LTV decreased from 51.9% to 50%.

SUCCESSFUL ACQUISITIONS AND TRANSACTIONS

On 24 June 2019, EPP acquired four shopping centres (M1 Poznań, M1 Radom, M1 Częstochowa and M1 Bytom) being tranche 2 of the M1 transaction with a gross asset value of €224 million, GLA of 141 000 m² and NOI of €16 million. Tranche 3 comprising a further four properties is due to complete in 2020.

In November 2019 we also completed the acquisition of Tęcza Kalisz shopping centre with 15 933 m² GLA and NOI of €1.65 million.

On 27 June 2019, EPP disposed of 70% of its interest in three office properties (Malta Office Park Symetris Business Park and O3 Business Campus) entering into a joint venture agreement with Henderson Park.

The company has successfully raised new equity from an oversubscribed equity raise of €90 million. The equity was used for the funding of acquisitions during the year.

Net property income increased by 4% (€142.7 million) as a result of the transition mentioned above and like-for-like growth.

DISTRIBUTABLE EARNINGS

Distributable earnings per share increased slightly to 11.62 euro cents per share in line with the full year guidance of flat or better.

M1 Poznań

Key financial statistics (m €):

	2019	2018
Net property income	**148.1**	142.7
Other income and expense	**0.2**	(1.0)
Administrative expenses	**(15.7)**	(15.8)
Profit from investment properties	**(0.7)**	17.5
Participation in profits of joint ventures	**3.4**	23.4
Finance income/(expense)	**(37.4)**	(32.3)
Current and deferred income taxes	**(21.6)**	(13.4)
Foreign exchange gain/(loss)	**(10.0)**	5.8
Net profit after taxes	**66.2**	124.2
Exclusions for earnings	**36.5**	(30.0)
Antecedent dividend	**2.8**	2.1
Distributable earnings	**105.5**	96.3

PROPERTY PORTFOLIO

As at 31 December 2019 EPP owned an income-generating property portfolio valued at €2.32 billion, consisting of 24 retail projects and three offices owned outright. The company also owns shares in three joint ventures (comprising of one retail income-generating asset and three office assets):

- Galeria Młociny – shopping mall with GLA of approximately 81 000 m² opened in May 2019, which marked the company's first entry into the lucrative Warsaw market. The modern shopping centre features a number of new brands, amongst these the first Primark in Poland. This shopping centre is the most valuable shopping centre in EPP's portfolio at €423 million.
- Towarowa 22 – mixed-use scheme with an estimated GLA of 230 000 m². The scheme is expected to comprise of retail, office, hotels, residential for sale and rent. The project is still undergoing zoning.
- Portfolio of three offices with Henderson Park (Malta Office Park, Symetris Business Park and O3 Business Campus) with GLA of 105 000 m².

CHIEF FINANCIAL OFFICER'S REPORT
(CONTINUED)

Headline earnings and distributable income reconciliation	2019 €'000	2018 €'000
Profit for the period attributable to EPP shareholders	**66 165**	124 165
Change in fair value of investment properties including joint ventures (net of tax)	**(5 045)**	(36 711)
Headline and diluted earnings attributable to EPP shareholders	**61 120**	87 454
Change in deferred tax (other than the deferred tax change related to fair value of investment properties)	**11 949**	1 194
Fair value losses/(gains) in joint ventures (other than the change in fair value of investment properties in JV)	**6 631**	(92)
Cost of refinancing	**–**	2 598
Amortised cost valuation of long term financial liabilities and other	**4 977**	3 405
Provision for LTI	**2 802**	4 106
Distribution of shares to the board	**(2 142)**	(2 349)
Unrealised foreign exchange losses/(gains)	**10 042**	(5 814)
Amortisation of selling fees	**1 600**	1 294
Rental lease straight lining, IFRS 9 remeasurements, other items	**5 698**	2 362
Antecedent dividend	**2 848**	2 121
Distributable income	**105 525**	96 278
Actual number of shares in issue	**907 946 793**	829 989 804
Shares in issue for distributable earnings	**907 946 792**	829 989 803
Weighted number of shares in issue	**883 598 583**	808 554 466
Basic and diluted earnings per share (euro cents)*	**7.5**	15.4
Headline earnings and diluted headline earnings per share (euro cents)**	**6.92**	10.82
Distributable income per share (euro cents)**	**11.62**	11.60

** 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 2019 and 31 December 2018, respectively.*

BORROWINGS

In line with the company's strategy to reduce leverage, as of 31 December 2019 the LTV net of cash was 50% compared to 51.9% in the prior year. The decline was a result of transactions that occurred during the year namely the new equity raised in the market, the sale of office assets and purchase and the completion of new retail assets.

The average debt maturity is 3.3 years (2018: 3.9 years). The average cost of debt is 2.50% (2017: 2.33%) with a hedging level of 84% (2017: 85%).

CASH FLOW

The net cash generated from operating activities amounted to €136 million (2018: €122 million) with €202 million used in investing activities (asset acquisitions, capital expenditure on the existing investment properties and investments in joint ventures) and €76 million generated from financing activities resulting in a cash and cash equivalents balance of €67 million (2018: €60 million) providing sufficient liquidity for the group to meet its current obligations and dividend payment. Future acquisitions and the development project will be financed from a mix of external debt and equity keeping the LTV ratio on a comparable level.

NET ASSET VALUE ("NAV")

The equity (excluding deferred tax) as at 31 December 2019 amounted to €1 196 million (2018: €1 118 million) with equity per share of 1.32 euro cents (2018: €1.35 euro cents per share) representing a 2.2% decrease since December 2018. The NAV decline was mainly due to the dilutive effect of issuance of new equity in April 2019.

Jacek Bagiński
Chief financial officer
10 March 2020

> On 24 June 2019 EPP acquired four shopping centres (M1 Poznań, M1 Radom, M1 Częstochowa and M1 Bytom) from tranche 2 of the M1 portfolio with a gross asset value of €224 million.

M1 Częstochowa

OUR PEOPLE

People are the lifeblood of our business and critical to our success. A highly skilled and motivated workforce is therefore a key strategic focus area. The HR director is responsible for our HR strategy and ensuring it aligns with the overall group strategy. Key in ensuring this is our focus on personal development.

The employer market in Poland remains competitive in terms of benefits and we continually strive to improve and adapt the packages we offer. During 2019 this included the introduction of a new medical care supplier, which provides employees with a wider range of services. We further introduced a "stay fit, be fit" programme for employees.

We place great emphasis on corporate culture and ensuring EPP is regarded as an employer of choice. In doing so we seek to attract highly skilled and talented individuals who are the leaders in their field but also subscribe to our values. We are therefore proud of being voted "Friendly Workplace" during the year where our commitment to a partnership approach in employee relations, work-life balance and fostering women's professional development were particularly highlighted.

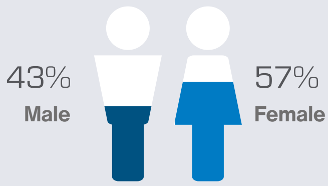
Our HR priorities are:
- To be the best cooperation partner
- To be the best support for managers and all employees
- To understand the business challenges of all employees
- To provide good data that facilitates management decisions
- To focus on the personal development of each employee
- To share knowledge

EPP's priorities, achievements and challenges are communicated to all employees at an annual employee event. The annual employee award which was introduced to foster excellence is presented at this function. The HR team serves as support to managers and regularly visits each location to ensure all employees' needs are addressed timeously.

In everything we do, we promote the EPP values of **responsibility, honesty, respect and free speech.**

We employ 220 people (2018: 198) of which 127 are women and 88 men. Of these 17 women and 29 men (including five from the management board) are in managerial positions. During the year we recruited a net number of 22 new employees with all employees encouraged to recommend candidates.

EMPLOYEES BY GENDER



There is no room for discrimination at EPP 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,

Voted "Friendly Workplace" by MarkaPracodawcy.pl.

Added 22 new employees

Introduced new medical care supplier

Outsourced payroll, reducing costs and improving controls

ethnicity religion or sexual orientation is outlined in the Work Regulations. The remuneration policy in place ensures gender pay parity.

There are rules in place for reporting irregularities and every employee is 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 any discrimination-related issues. We are in the process of introducing an internet-based ethics line which provides employees with an easy-to-use and anonymous reporting platform.

No cases of discrimination were reported during the year.

SKILLS DEVELOPMENT AND TRAINING

We continue to focus on developing our managerial staff and the development of subject-related competence for all employees.

Upskilling our management is a priority and the EPP Manager's Campus provides different development tools for managers. This enables manager development, a new managerial culture, knowledge exchange and increased commitment and work satisfaction. Our competence model serves as a great source of information about employee competence, supports our organisational culture and values by promoting specific behaviour; supports EPP in recruiting better candidates and leads to improved work performance.

During the year we spent €111 000 (2018: €67 000) on training. The increased spend was due to a greater number of employees and development needs. The average training hours per employee was 50 hours/year for both men and women.

Internal training as part of the EPP Manager's Campus included coaching for top management and directors; Grow with EPP – training for new managers; EPP Academy; managerial competencies; 360° process for first line managers and training on effective communication.

Training for shopping centre managers and property managers covered areas such as mastering difficult conversations; time management; crisis management; legal; computer software; digital marketing and lease negotiations.

The training courses and attendance for the year are set out below:

Title of training	Number of women	Number of men	Total
EPP Academy	6	11	17
Grow with EPP – new manager's programme	10	1	11
Leader's meeting	15	25	40
Negotiations	7	4	11
Difficult talks situations	39	19	58
Be safe – health and safety	6	15	21
Workshop – teambuilding	3	6	9
How to communicate effectively	12	10	22
Work time planning and accounting	1	–	1
Labour law	3	–	3
Law – new rules	–	1	1
Lease agreements in the retail industry	3	1	4
Digital in marketing	9	2	11
Time management	14	3	17
Property manager	1		1
Crisis management	3	1	4
Advanced Excel	19	5	24
The investment process – the latest and planned amendments to the Building Law	–	1	1
Autocad	1	4	5
Building law	7	23	30
Debt collection	30	9	39
Advanced reporting models in Power BI	–	–	1
Total	**189**	**141**	**331**

OUR IMPACTS

Health and safety

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.

EPP continues to maintain the implemented environmental management system compliant with ISO 14001: 2015, which is audited annually by TUV Rheiland Polska Sp. z o.o. Focus areas are the continued implementation of the latest standards and continuing regular audits to confirm the successful implementation of environmental management in accordance with this standard. The certificate is valid until 22 March 2021.

During the year safety audits were conducted at our various properties with the aim of controlling the quality of safety. This included technical audits; environmental audits which certified that EPP complies with ISO procedures; fire safety audits; safety and health audits; and security audits.

Each time, safety areas were verified, primarily with regards to the building's safety in terms of external and internal threats, knowledge of procedures such as evacuation scenarios, fire safety, security department equipment, and principles of cooperation between security and the police, intervention groups and other administrative units. Dedicated equipment for these scenarios was also assessed and checked for quality and completeness. The status, training, knowledge and ability to perform the service by employees were also verified. A report is prepared which is discussed in detail with the facility director and the security officer. The report included the following recommendations, which have subsequently been addressed:

- additional training on tasks and procedures during the evacuation of the building;
- the security officer's tasks described in the security instructions;
- instructions on how the security guards should cooperate with the police, municipal services, intervention groups and other administrative units; and
- instructions in the event of a terrorist attack.

Galeria Młociny

Environment

EPP is committed to reducing our impact on the environment and we strive to ensure our properties support the environment as well as create wellness activities for communities.

EPP is aware of ongoing environmental changes and the impact of climate change on our society. We ensure the use of new technologies, devices and installations as well as management systems in minimising our environmental impact. These include:

- Water use optimisation programmes, including additional water meters that clear water from evaporation towers and air humidifiers, in order to avoid the costs of sewerage;
- Replacement of lighting with LED inside and outside of buildings;
- Extension and modernisation of BMS systems to enable additional device controls to optimise energy consumption.
- Initialising CO_2 sensors integrated with BMS; and
- Installation of evolution energy monitoring systems in our buildings.

Within the EPP portfolio 16 buildings have BREEAM or EU Green Building certifications. Notably our flagship Galeria Młociny received a green building award from Propertynew.pl.

In terms of our recycling targets, the containers and segregation system in our properties have been adapted to the profile of the business and relate to paper and cardboard packaging, plastic packaging, glass packaging, multi-material packaging, municipal waste and biodegradable kitchen waste. Separate containers in storage areas are provided to minimise mixed municipal waste. In addition, pre-segregation containers were set up in publicly accessible places such as shopping centre corridors in order to create a habit of separation. During the year chief executive officer Hadley Dean issued a challenge to the retail industry to reduce plastics.

Electronic waste collection was conducted for tenants and employees at Park Rozoju Malt Office Park, Symetris Business Park, Oxygen and O3 Business Campus.

EPP develops and submits specific reports to the relevant authorities including KOBIZE (National Centre for Emissions Management and Balancing) and CRO (Central Register of Operators) as well as reports on emissions to Voivodship Marshals. The reports contain all necessary information about emissions in the EPP managed facilities.

Five of EPP's shopping centres use EU ecolabel certified cleaning services which guarantee that cleaning products do not have a negative impact on the environment. We intend rolling this out across the portfolio going forward.

As the scope of emissions and environmental impact caused by EPP's activities is not particularly burdensome no assessment of the carbon footprint of the service is currently required.

EPP is committed to supporting bees and educating the public about the important role of apiaries in maintaining nature's balance. This year some beehives were discovered on the roof of Pasaż Grunwaldski. The bees were moved by an expert to the nearby Szczytnicki Park and educational events were held at the shopping centre so that children could learn about the bees and environmental protection from the new owner of the beehive.

At Galeria Solna, EPP has opened a "green corner" adjacent to the property with butterflies, bees and a sensory garden. Employees of EPP's tenants are able to plant herbs and cultivate their own garden beds and there will be classes for school children as well as seniors.

A herb garden was opened at Park Rozwoju and a planting initiative is in place whereby one tree is planted for every 1 000 m² of leased office space.

EPP is proud to have the first shopping centres in Poland to receive Green Velo certificates for being bike friendly. Our malls in Kielce, Łomża and Zamość all feature free bike parking and access to a tool station.

EPP received no fines for non-compliance with environmental laws and regulations.

We are committed to minimising our environmental impact and due to dynamic changes in legal requirements and expectations, EPP continually assesses and adapts to customer requirements and environmental law.

OUR IMPACTS
(CONTINUED)

Corporate social responsibility

One of our four company values is *responsibility* which we not only apply in our business dealings but also in helping others. As a company we support local foundations and institutions by donating money, items or volunteering in the local community. Many charity events take place in our shopping centres ranging from smaller local events to nationwide campaigns.

Integrating employees by helping others

At our annual company event we gather not only to celebrate our success but also to work with our company values: *freedom of speech, honesty, responsibility, respect*. This year our event was dedicated to helping the local community of a quiet Masurian town benefiting the educational centre for children and the dog shelter. Employees made toys for dogs, supported the city library by building outdoor libraries, created small vegetable gardens for the orphanage and 12 sensory boards – to help children explore and learn about different objects.

Industry charity sport events

Each year EPP takes part in several business sport events. This year we took part in the JLL Volleyball Charity Tournament. In order to enter the tournament each company has to make a donation to a JLL selected beneficiary. This year the chosen charity was "Rescue Children with Cancer Foundation".

EPP also annually participates in the 5km relay Business Run. Entry fees are donated to the Poland Business Run Foundation for people with mobility disabilities. The race takes part in several Polish cities.

Children's Wing Associations

EPP donates money for each kilometre run by an association which benefits the Second Paediatrics Clinic particularly the Paediatric Oncology and Chematology Department in Kielce.

The Great Orchestra of Christmas Charity

Every year our shopping centres actively support the Great Orchestra of Christmas Charity by organising concerts, fireworks displays, medical emergency displays, dance performances and many other events. Volunteers collect money inside our shopping centres.

The Great Orchestra of Christmas Charity is the largest, non-governmental, non-profit charity organisation in Poland. Since inception the Great Orchestra of Christmas Charity has raised over €240 million. The foundation supports children's hospitals by providing medical equipment as well as healthcare for the elderly.

We care for people with autism

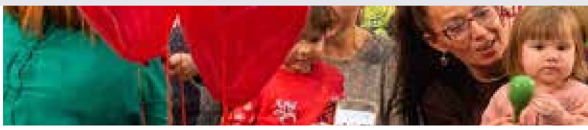
EPP supports a number of initiatives in support of autism. During the year Galeria Echo in Kielce, Galeria Solna in Inowrocław, Wzorcownia in Włocławek and EPP-managed Q22 were lit up in blue in an act of solidarity with people dealing with autism.

Galeria Solna was the contest office for the 7th Blue Run of Consciousness. Participants collected starter packs with gifts donated by Galeria Solna tenants. The main aim of the event was to raise awareness and understanding about autism.

Galeria Twierdza in Zamość has been involved in supporting people suffering from autism for a number of years. This year it included the "Silence Hours" which occurred every Saturday from 9 am to 11 pm. During this time music or adverts are silenced in order to reduce the excess of stimuli that can cause significant discomfort for people with autism and related disorders.

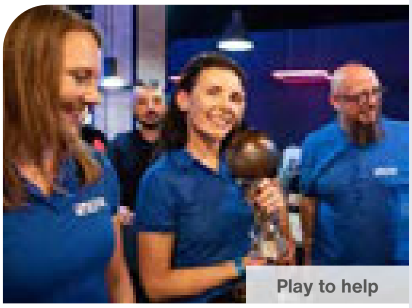
Play to help

In December 2019 EPP together with The Polish Council of Shopping Centres ("PRCH") organised a charity bowling tournament as a part of the annual PRCH business mixer Christmas meeting. The event took place in Galeria Młociny with 130 attendees. We managed to raise over €3 488 for the Children of Africa Foundation, which will be used to build a school in Ghana.




We care for people with autism


Children's Wing Associations


Play to help


Industry charity sport events


Integrating employees by helping others


The Great Orchestra of Christmas Charity

EPP Shopping Centres Social Activation Programme

The EPP Shopping Centres Social Activation Programme is a unique project conceptualised by EPP. Galeria Echo in Kielce, Centrum Galaxy in Szczecin, Pasaż Grunwaldzki in Wrocław as well as Galeria Młociny in Warsaw became centres of activity for local communities on Sundays.

The purpose is to supply education, culture and entertainment to the public. EPP centres serve as platforms for meetings and idea-exchange hubs. The programme is operated in close cooperation with local authorities and public organisations. The engaged institutions include the main regional cultural centres, national museums, universities, technology parks, scientific and cultural foundations and NGOs. Our events promote culture, classical music, the fine arts, reading, science, new technologies (eg electromobility) ecology, social activity (eg senior's days), health, safety, an active lifestyle and entertainment that supports intellectual growth (eg creative workshops, board games, chess bridge). This year we hosted 54 events, with over 560 000 people visiting our shopping centres.

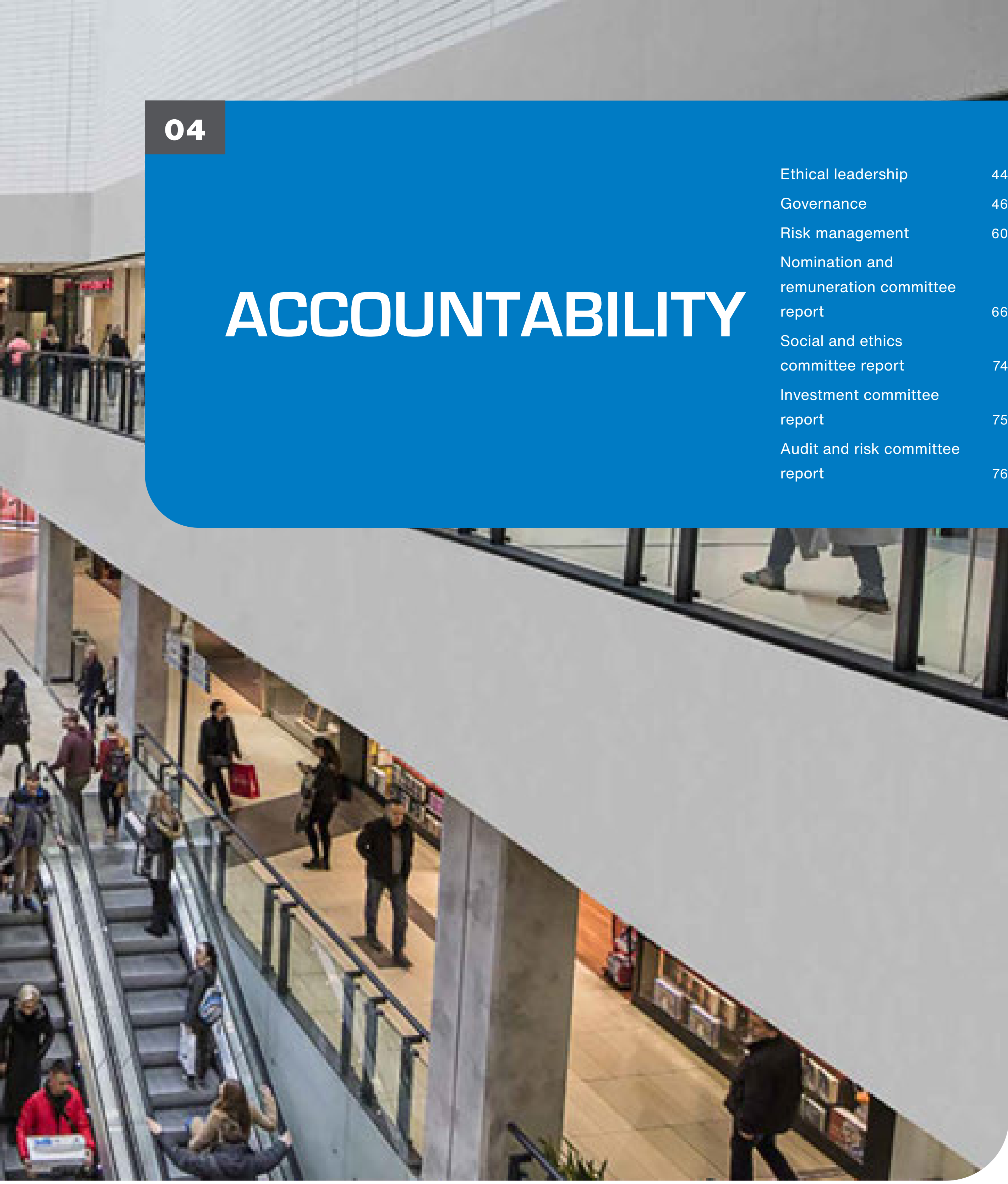

EPP Shopping Centres Social Activation Programme

OUR TOP PROPERTIES

Pasaż Grunwaldski

- **One of the largest shopping and entertainment centres in Lower Silesia**
- **Leading retail destination in Wrocław**

Located in the heart of Wrocław Pasaż Grunwaldzki is one of the largest shopping and entertainment centres in Lower Silesia. It is also a favourite shopping and meeting place for residents and a showcase for Wrocław's Grunwaldzki Square. The centre's comprehensive offering includes nearly 200 retail service and restaurant facilities. A wide range of well-known brands and a rich calendar of events and attractions make Pasaż Grunawaldzki a perfect choice for successful shopping and leisure activities. The centre features an 11-screen Multikino, a sports club and the first modern food hall in Wrocław inspired by cult places in the city – FOODSTACJA. There are 1 400 parking spaces in a roofed car park a taxi stand and a self-service station for renting city bikes.



04

ACCOUNTABILITY

GLA	48 106 m^2
Value	€258 million
Occupancy	99.4%
Annual footfall	10.9 million

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. In conducting the affairs of the company the board endorses the principles of fairness, responsibility, transparency and accountability advocated by both King IV and the Dutch Corporate Governance Code.

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

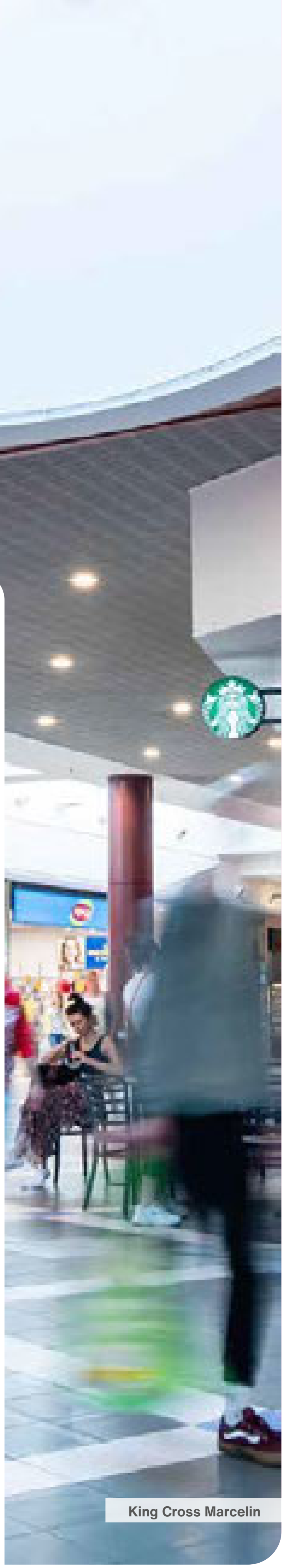
A Code of Conduct ("the Code") is in place and is reviewed regularly. The Code applies to all employees and employees are required to sign acknowledgement of the Code.

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 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 https://www.epp-poland.com/s 132 corporate-governance.html.

EPP also complies with the Dutch Corporate Governance Code and exceptions to this application are set out on page 52.

EPP also has an anti-bribery policy in place. The anti-bribery policy includes clear definitions and specifies consequences of bribery. The preventative tools offer support in recognition of risky situations and advice where malpractice can be reported. There were no ethics-related penalties or fines or reported incidents of corruption during the year.



King Cross Marcelin

GOVERNANCE STRUCTURE

The board

Hadley Dean *Chief executive officer*
Jacek Bagiński *Chief financial officer*
Robert Weisz* *Chairman*
Marek Belka*

Dionne Ellerine*
Taco de Groot*
Maciej Dyjas**
Pieter Prinsloo**

Andrea Steer*
James Templeton*
Marc Wainer**

Set strategic objectives

Determine investment and performance criteria

Review corporate governance structures

Responsible for sustainability, proper management and control

Committees

Audit and risk committee	Nomination and remuneration committee	Social and ethics committee	Investment committee
See full report on page 76	*See full report on page 66*	*See full report on page 74*	*See full report on page 75*
Taco de Groot (committee chairperson)	Andrea Steer (committee chairperson)	Dionne Ellerine (committee chairperson)	Marc Wainer (committee chairperson)
Robert Weisz Marek Belka Pieter Prinsloo	Robert Weisz Dionne Ellerine	Andrea Steer Pieter Prinsloo	Hadley Dean Maciej Dyjas James Templeton Pieter Prinsloo Taco de Groot

Responsibilities

Audit and risk committee
- Supervises preparation and reliability of financial information
- Monitors financial and operating controls
- Ensures identification of risks and management thereof
- Initiates internal audits

Nomination and remuneration committee
- Assesses, nominates, recruits and approves new directors
- Monitors remuneration policy

Social and ethics committee
- Responsible corporate citizenship, social responsibility ethics and values

Investment committee
- Considers suitable acquisitions within the framework of business strategy
- Concludes final decisions on acquisitions and disposals

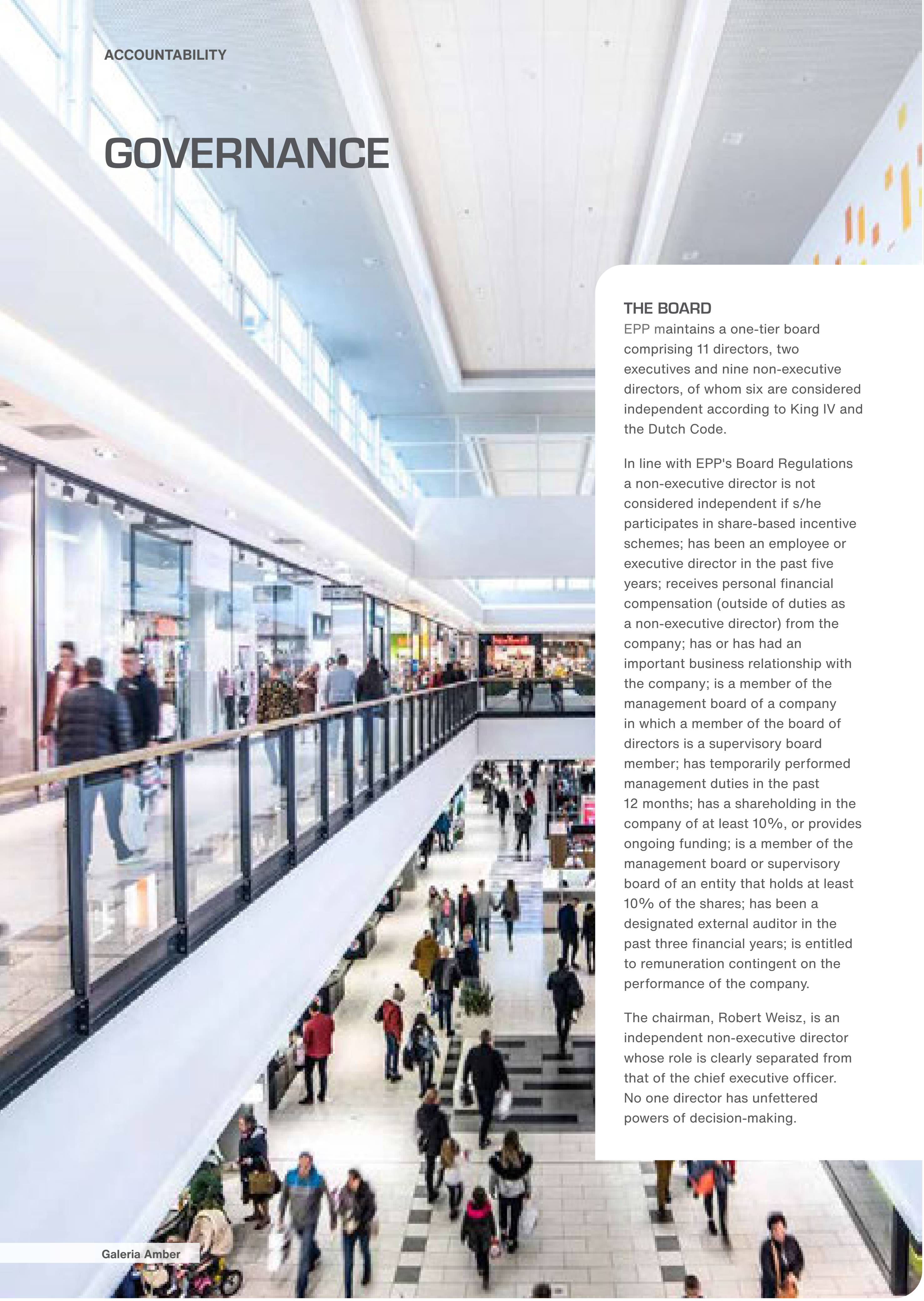
Board independence

Audit and risk committee	Nomination and remuneration committee	Social and ethics committee	Investment committee
3/4	**3/3**	**2/3**	**2/6**

** Independent non-executive* *** Non-executive*

All exceptions to the Dutch Corporate Governance Code are set out on pages 52 to 59.

GOVERNANCE


Galeria Amber

THE BOARD

EPP maintains a one-tier board comprising 11 directors, two executives and nine non-executive directors, of whom six are considered independent according to King IV and the Dutch Code.

In line with EPP's Board Regulations a non-executive director is not considered independent if s/he participates in share-based incentive schemes; has been an employee or executive director in the past five years; receives personal financial compensation (outside of duties as a non-executive director) from the company; has or has had an important business relationship with the company; is a member of the management board of a company in which a member of the board of directors is a supervisory board member; has temporarily performed management duties in the past 12 months; has a shareholding in the company of at least 10%, or provides ongoing funding; is a member of the management board or supervisory board of an entity that holds at least 10% of the shares; has been a designated external auditor in the past three financial years; is entitled to remuneration contingent on the performance of the company.

The chairman, Robert Weisz, is an independent non-executive director whose role is clearly separated from that of the chief executive officer. No one director has unfettered powers of decision-making.

The board is collectively responsible for EPP's management and the general affairs of EPP's business. Each member of the board has a duty to properly perform the duties assigned to him or her and to act in EPP's best corporate interest. 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's sub-committees were established 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 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 members of the board. 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 party transactions; and
- Internal controls system and the compensating controls for the absence of an internal audit department.

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. The procedure for appointments to the board is formal and transparent, free from any dominance of any one particular director 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.

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. During the year directors received updated training on the JSE Listings Requirements.

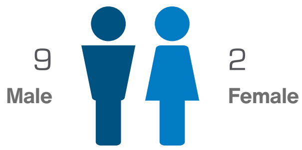
Directors ensure that they have a working understanding of applicable laws. The board ensures that the company complies with applicable laws and considers adherence to non-binding industry rules and codes and standards. In deciding whether or not non-binding rules shall be complied with, the board will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

In terms of the articles of association one-third of the non-executive directors are re-elected annually. Accordingly, Hadley Dean, Maciej Dyjas and Marc Wainer will retire by rotation and, being eligible, Maciej Dyjas and Marc Wainer will stand for re-election at the upcoming annual general meeting. Hadley Dean will be stepping down at the next AGM.

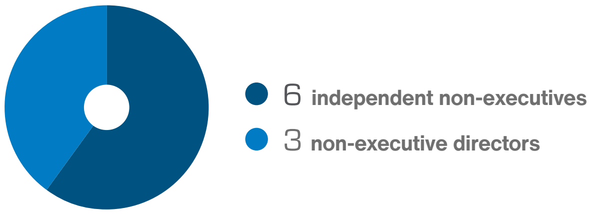
The board appraises the chairman's performance annually, while the nomination and remuneration committee is responsible for appraising the performance of the chief executive officer and other senior executives annually. Individual directors' performance is also appraised annually by the chairman and nominations for reappointment of a director only occur after the evaluation of the performance and attendance of the director. A self-evaluation exercise on the board and committees was not conducted during FY19 but will be conducted in the year ahead.

GOVERNANCE
(CONTINUED)

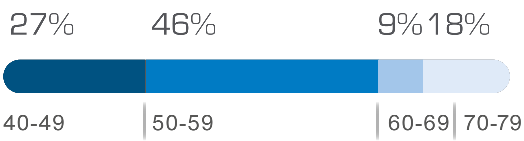
BOARD GENDER DIVERSITY



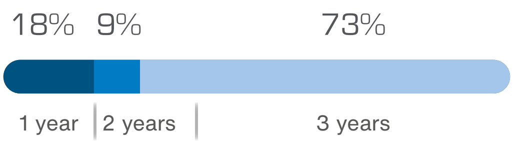
BOARD INDEPENDENCE



BOARD AGE DIVERSITY



DIRECTOR TENURE



BOARD AND COMMITTEE MEETING ATTENDANCE

The board meets at least quarterly with additional meetings convened when necessary. Board and committee meetings during the year are set out below:

Director	Board meetings	Audit and risk committee meetings	Nomination and remuneration committee meetings	Social and ethics committee meetings	Investment committee meetings
R Weisz	6/6	7/7	25/27		
HJT Dean	5/6	3/7	8/27		1/1
J Bagiński	6/6	4/7	7/27		
PJR Driessen*	2/6	4/7			
AP Steer	5/6	5/7	27/27	1/1	
MM Belka	5/6	1/7			
MW Dyjas	6/6				1/1
N Senman*	2/6				
DT Ellerine	6/6		13/27	1/1	
M Wainer	3/6				1/1
AJ König*	2/6				
T de Groot·	4/6	4/7			1/1
P Prinsloo·	6/6	3/7	1/27	1/1	1/1
J Templeton·	5/6				

Some meetings were held by or attended by teleconference.
**Resigned 11 June 2019.*
· Appointed 11 June 2019.

SUCCESSION PLANNING

The nomination and remuneration 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 is in place. 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 to establish 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 Listings Requirements 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.

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.

GOING CONCERN

The directors consider that the company and its subsidiaries have adequate funding 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 twelve months after the preparation of the report.

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.

ANTI-TAKEOVER MEASURES

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

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

GOVERNANCE
(CONTINUED)

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 internal control systems. 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.

A tailored internal risk management and control system is in place. EPP's management closely monitors the operational controls to ensure that financial 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. The whistle-blower rules are in place to ensure employees have the possibility of reporting alleged irregularities. 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 year without any failings.

COMPANY SECRETARY

The board 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.

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 AND INFORMATION GOVERNANCE

A dedicated director of IT is in place and reports weekly to the management board members responsible for IT.

A formal policy on the use of computer systems, confidentiality and data security is in place and was adopted by the board in December 2017. A Security Policy and Information Systems Management Manual are in place. An audit was carried out by an external company and no issues were reported.

The department is currently focusing on setting up independent IT systems. During the year a security audit was conducted by an external consultant. The security and implemented procedures were assessed as good. Additional recommendations outlined by the external consultant are being implemented.

In order to secure information against unauthorised access, directory services were implemented. Users are authorised based on a unique login and password. In this way, access to computers, the company's wireless network, access via VPN, access to Microsoft cloud services (including email) is protected. The company network is secured by firewalls, IPS probes content filters and anti-virus scanning. Server resources are secured by redundancy virtualisation and backup of their contents.

Detailed information on security is contained in the IT System Management Instruction, which is regularly updated.

Information protection and IT security are critical issues and EPP strives to implement solutions that minimise the risk of loss or unauthorised access to information. This requires continuous investment in both hardware and software.

Equally important is investing in human resources and continuous training of people responsible for IT and IT security. We therefore provide staff with the opportunity to improve their qualifications as well as access to the latest technologies.

A business continuity plan is in place which contains a list of actions necessary to restore systems. The persons responsible for its implementation are assigned to each activity and in order to ensure the proper execution of the plan, tests are carried out regularly.

During the year the following developments were undertaken:

- All services have been moved from Echo Investment's servers to EPP's and the networks have been separated.
- A device was implemented for analysing and collecting logs from network devices.
- A device for managing the identity of users accessing the network was implemented.
- Access to email from mobile devices is secured using MDM (Mobile Device Management) technology.

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.

A compliance officer is responsible for ensuring compliance with the external regulations including JSE, LuxSE, King IV as well as internal systems of control. He also provides legal assistance related to all Dutch corporate actions of the company.

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 antitrust.

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GOVERNANCE
(CONTINUED)

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 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.

The principles and best practice provisions of the Code are focused on a company with a two-tier board structure where 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 on how to apply the 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.

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 remains a fast-growing business which needs to respond simultaneously to the changes in both Dutch as well as South African regulations and therefore its corporate governance policies and regulations are modified relatively often. Reasons as to why and to what extent EPP has not yet implemented or decided not to adopt certain principles and best practice provisions of the Dutch Code of governance are explained below.

PRINCIPLE 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, EPP 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 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 an annual basis. The management board has mandated the audit and risk committee to initiate internal controls reviews 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 EPP appoints a senior internal auditor this best practice will be applied. 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 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 EPP'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 an annual basis. The management board has mandated the audit and risk committee to initiate internal controls reviews 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 EPP appoints an internal auditor, it 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 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 an annual 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 EPP 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 current controlling structure provides adequate supervision of financial and operational controls. EPP's situation and needs in terms of internal audit function will be reassessed on an annual 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 EPP does not maintain a full internal audit function it 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 current controlling structure provides adequate supervision of financial and operational controls. EPP's situation and needs in terms of the internal audit function will be reassessed on an annual 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 EPP does not maintain a full internal audit function, it 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.

PRINCIPLE 2.1: COMPOSITION AND SIZE

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.

A gender diversity policy in respect of the management board is in place. EPP'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

GOVERNANCE
(CONTINUED)

wide-ranging experience backgrounds, skills, knowledge and insights. EPP continues to strive for more diversity on the higher management level as well as in the board.

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.

EPP 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.

EPP applies this best practice in its one-tier structure, with the exception of the diversity principle explained. See 2.2 above.

2.2.6 Evaluation by the supervisory board

At least once per year, outside the presence of the management board, the supervisory board should evaluate its own functioning, the functioning of the various committees of the supervisory board and that of the individual supervisory board members, and should discuss the conclusions that are attached to the evaluation. In doing so, attention should be paid to:

i. substantive aspects, the mutual interaction and the interaction with the management *board;*

ii. events that occurred in practice from which lessons may be learned; and

iii. the desired profile, composition, competencies and expertise of the supervisory board.

EPP did not comply with this section as it did not conduct the board evaluation annually as the practice is to do it bi-annually.

2.2.7 Evaluation of the management board

At least once per year, outside the presence of the management board, the supervisory board should evaluate both the functioning of the management board as a whole and that of the individual management board members, and should discuss the conclusions that must be attached to the evaluation, such also in light of the succession of management board members. At least

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once annually, the management board, too, should evaluate its own functioning as a whole and that of the individual management board members.

EPP did not comply with this section as it did not conduct the board evaluation annually as the practice is to do it bi-annually.

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.

EPP 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 maintaining a separate remuneration committee and selection and appointment committee it not deemed to be efficient. EPP does not comply with best practice, as Hadley Dean is an executive director of EPP N.V.

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.

EPP 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.

PRINCIPLE 2.4: DECISION-MAKING AND FUNCTIONING

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.

EPP 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.

GOVERNANCE
(CONTINUED)

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.

EPP 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).

PRINCIPLE 2.7: PREVENTING CONFLICTS OF INTEREST

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.

EPP 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. In cases where conflict of interest existed in the past year adequate safeguards were applied.

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.

EPP 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.

In 2019 there were two transactions in which the management board member, Maciej Dyjas as a directed beneficial shareholder of Griffin had a conflict of interest in relation to Griffin:

- Board resolution dated 6 November 2019 regarding among other approval of Tęcza Kalisz acquisition from a holding entity, where Griffin has a beneficial ownership.
- Board resolution dated 25 April 2019 regarding share capital increase where Griffin signed an intermediation agreement
- The best practice provisions 2.7.3 and 2.7.4 have been complied with, ie:
  - *i. The board members reported the conflict of interest without delay and provided all relevant information in that regard.*
  - *ii. They were excluded from voting on the transactions where conflicts of interest existed.*
  - *iii. The transactions have been agreed on terms customary in the market.*
  - *iv. The non-executive directors approved the decisions to enter into transactions, where conflict of interest existed.*

PRINCIPLE 3.1: REMUNERATION POLICY – 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 current Remuneration Policy of EPP does not entirely comply with this best practice due to the short history of the company. In this context the current Remuneration Policy has been evaluated, reviewed and considered in 2019, including reviewing market developments and changes in relevant laws and regulations in addition to undertaking scenario analysis and considering the development of the share price. Based on the outcome of this analysis the Remuneration Policy is proposed to be updated to increase transparency and this proposal will be presented to the annual shareholders meeting in 2020 for approval. The long-term incentive programme that was adopted by the shareholders meeting for certain key personnel of the company and/or its affiliated companies, pursuant to which these key personnel will have an option to receive shares in EPP against no consideration, deviates from this best practice provisions relating to the five-year holding period. In order to strengthen employee loyalty, all shares transferred under the long-term incentive programme will remain subject to a 2.5 year lock-up, calculated from the end-date of the relevant one year reference period. During this lock-up period the participant is not allowed to sell, or otherwise transfer or encumber the shares, without the consent of the management board consents. Taking into account the 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 appropriate.

PRINCIPLE 3.4: ACCOUNTABILITY FOR IMPLEMENTATION OF REMUNERATION POLICY

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.

GOVERNANCE
(CONTINUED)

EPP does not entirely comply with this best practice. The relevant information in respect of other board members is presented in the remuneration policy remuneration letter and financial statements published on the company's website, www.epp-poland.com.

PRINCIPLE 4.1 THE 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.

EPP did not comply with this best practice. 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.

PRINCIPLE 4.3: CASTING VOTES

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.*

EPP 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 articles of association sufficiently secures the interests of shareholders allowing them to cancel the binding nature of a nomination or dismissal.

PRINCIPLE 5.1 ONE-TIER GOVERNANCE STRUCTURE

5.1.4 Composition of committees

The committees referred to in best practice 2.3.2 should be comprised exclusively of non-executive directors. Neither the audit committee nor the remuneration committee can be chaired by the chairman of the management board or by a former executive director of the company.

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

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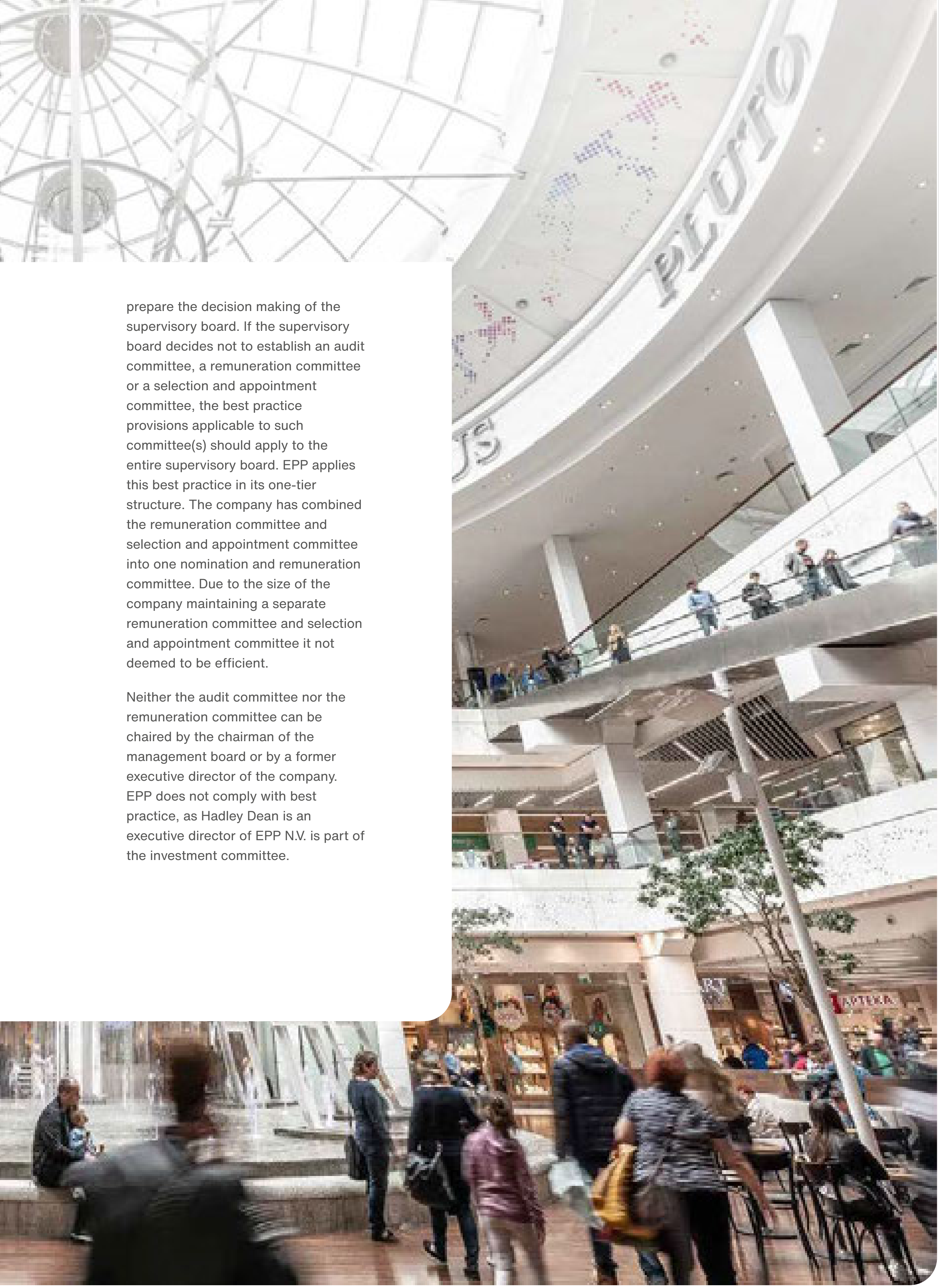


prepare the decision making of the supervisory board. If the supervisory board decides not to establish an audit committee, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committee(s) should apply to the entire supervisory board. EPP 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 maintaining a separate remuneration committee and selection and appointment committee it not deemed to be efficient.

Neither the audit committee nor the remuneration committee can be chaired by the chairman of the management board or by a former executive director of the company. EPP does not comply with best practice, as Hadley Dean is an executive director of EPP N.V. is part of the investment committee.

RISK MANAGEMENT

EPP regards risk management as integral to the company's growth strategy and sustainability. Risk management further ensures our strategic objectives are met by balancing the risks and value creation. 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.

A risk management framework is in place to identify, assess, manage and monitor risks.

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.

Risk appetite

The board is responsible for setting risk appetite and tolerance. EPP's growth strategy within a well-defined asset class as well as the acquisition criteria and geographic targets are clearly defined and outlined. Within this defined strategy EPP is prepared to take risks in a responsible and sustainable way that is in line with the interests of all stakeholders.

In assessing risk appetite EPP considers its key values which include performance excellence. By 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. Any risk deemed medium to low is considered within tolerance levels.

Underpinned by its key value of transparency EPP strives to comply with laws and regulations in all the jurisdictions in which it is active. This further sets the parameters of the group's risk appetite. 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 advice to minimise the risk of non-compliance.

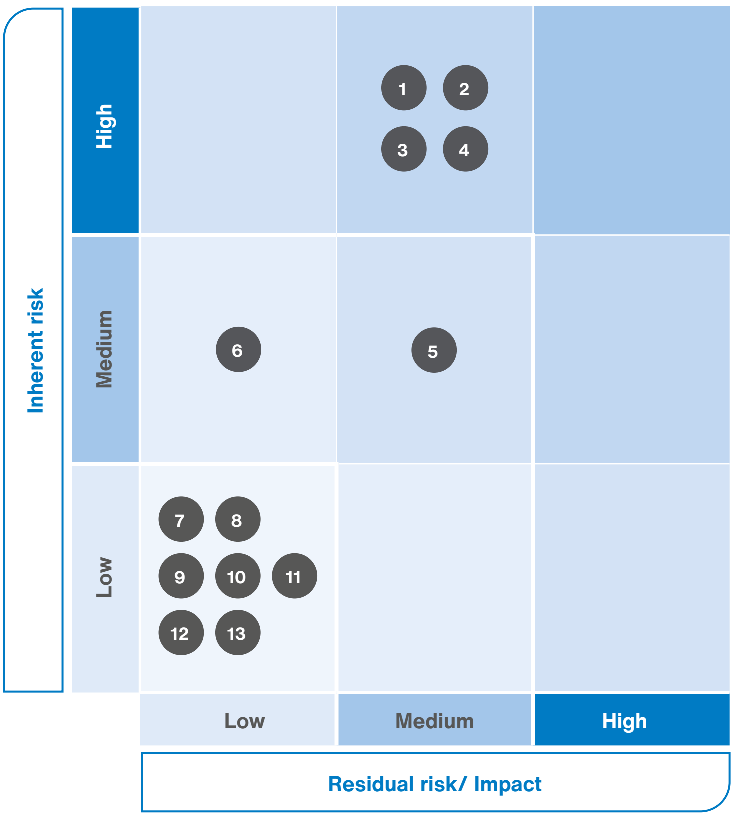
EPP adopts a conservative financial policy ensuring proper equity and debt management and maintenance of a strong financial profile. The company's appetite for any finance-related risk is low and EPP is willing to mitigate the risk factors involved.

The group's policy is to hedge the interest rate risk to the extent where the hedging costs do not exceed the forecasted risk exposure for each particular borrowing. 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 euro. The group is exposed to foreign currency risk on receivables and payables denominated in a currency other than € ,being the functional and the presentation currency. The group's policy is to hedge expected significant transactions in currencies other than €, such as dividend payments, in order to minimise the impact of exchange rate fluctuations to the extent where the hedging cost does not exceed the forecasted risk exposure for each particular transaction.

Risk heat map

The key risks and steps we take to mitigate these are set out below:



1	Tenant concentration and pressure
2	Lack of distribution and NAV growth
3	Market value of the portfolio
4	Financial market volatility
5	Impact of disruptive technologies (e-commerce)
6	Inability to effectively manage our reputation
7	Information security resilience
8	Failure to comply with local and international laws and regulations
9	Damage to property and security related threats
10	Inability to maintain strong ethical and governance culture
11	Impact of acquisitions and disposals to operational efficiency
12	Inability to attract or retain skilled employees
13	JV: development risk (Towarowa zoning plan)

RISK MANAGEMENT
(CONTINUED)

The key risks and steps we take to mitigate these are set out below. None of these risks had significant impact during the year.

STRATEGIC RISK DASHBOARD

Rank	Risk name	Risk category	Risk appetite	Control effectiveness	Tolerable risk	Risk tolerance
1	Tenant concentration and pressure	Operations	Medium	Good	Medium	Within tolerance
2	Lack of distribution and NAV growth	Financial	Medium	Good	Medium	Within tolerance
3	Market value of the portfolio	Strategic	Medium	Good	Medium	Within tolerance
4	Financial market volatility	Financial	Medium	Good	Medium	Within tolerance
5	Impact of disruptive technologies (e-commerce)	Strategic	Medium to high	Satisfactory	Medium	Within tolerance
6	Inability to effectively manage our reputation	Operations	Low	Satisfactory	Low	Within tolerance
7	Information security resilience	Crime	Medium (moderate)	Satisfactory	Low	Within tolerance

Risk response	
• Extending and improving lease portfolio • Review of the portfolio with the view to retain or dispose certain properties • Ongoing monitoring of tenant concentration risk	• Alternative uses for property and/or replacement tenants in mind • Recycling of properties • Understand/monitor retailers/tenants' strategies and proactively managing tenants' space requirements
• Regular forecasting and monitoring of actual performance. • Conservative hedging policies • Regular stakeholder engagement.	• Long-term asset management plans • Undertaking developments/acquisitions at distribution enhancing yields • Refer also to controls for "financial market volatility"
• Appropriate sector and geographical diversification of assets • Active asset management ensuring high occupancy levels • Tenant mix and active tenant assistance programme • Deepened stakeholder engagement and growing the brand	• Leasing and incentivisation strategy (tenant retention) • EPP University for tenants • Refurbishment of foodcourts • Testing reasonability of valuation assumptions
• Focus funding and liquidity management through diversification of funding sources and hedging practices • Proactive performance monitoring through regular forecasting • Spreading debt maturity profile • Enhance efficiency to maintain margins	• Exchange rate risk management • Pipeline projects hedge risk • Managing LTV levels • Ability (capacity) to finance short-term capital requirements • Availability of undrawn finance facilities (*see note 30 in the annual financial statements for detail on financial risks*)
• Ongoing monitoring of sales (dashboard tool) • Increased focus on the development of a sound defensive asset base • Refurbishment and redevelopment programme • Design and implementation of a formal programme to address sustainability initiatives required for appropriate client and other stakeholder satisfaction • Alignment of property portfolio with trending technologies • Enhancing our operating model with sustaining innovations eg online and virtual reality leasing and stakeholder engagement channels	• Factoring in "big data" to analyse changing market and behavioural trends to maintain relevance and align our property portfolio compatibility with trending technologies • Focus on value add services • Leveraging off exogenous technology in all facets of our business • Looking at proactive ways to increase smaller tenants' profiles to enhance performance
• Stakeholder engagement process with adequate crisis management and response plan. • Developing adequate PR and IR communication strategy	• Accuracy of financial reporting • Transparency for shareholders
• Enhanced data governance and privacy practices • Proactive management of third parties • Comprehensive IT Security Policy	• Improved security standard on all architectural layers • Proactive vulnerability scanning by external cyber team

RISK MANAGEMENT
(CONTINUED)

Rank	Risk name	Risk category	Risk appetite	Control effectiveness	Tolerable risk	Risk tolerance
8	Failure to comply with local and international laws and regulations	Legal and compliance	Medium to high	Satisfactory	Low	Within tolerance
9	Damage to property and security related threats	Crime	Low	Satisfactory	Low	Within tolerance
10	Inability to maintain strong ethical and governance culture	Legal and compliance	Low (conservative)	Good	Low	Within tolerance
11	Impact of acquisitions and disposals to operational efficiency	Operations	Medium	Satisfactory	Low	Within tolerance
12	Inability to attract or retain skilled employees	People	Low to medium	Satisfactory	Low	Within tolerance
13	JV: development risk (Towarowa zoning plan)	Development	Medium	Good	Low	Within tolerance

	Risk response	
	• Development of a robust regulatory and compliance risk management framework • Strengthen governance mechanisms to provide oversight and monitoring	• Local regulatory universe defined and relevancy and application must be well understood • Compliance officer overseeing the compliance risks • External specialist tax advisors and legal advisors
	• Diversification of asset base in relation to risk exposure (market sector geographic location etc) • Effective security and health and safety programme	• Close liaison with police and communities • Insurance policies against terrorist threat • Security scanning by external cyber team
	• Review of board composition and introduction of new independent non-executives • Code of Conduct implementation	• Whistleblower policy • Anti-bribery policy and related trainings
	• Enhanced due diligence and impact analysis part of M&A process • Post-acquisition review procedure	• Workforce planning undertaken by HR in conjunction with the business which includes alignment of the business functions to enable achievement of the strategy • Dedicated integration team in place
	• Explore flexible working arrangements or changing workforce dynamics and needs • Explore revising/expanding organisational structure (review hierarchy) • Explore implementation of secondment programme • Responsible/proactive management of the long-term incentive programme ("LTIP")	• Succession planning strategy implementation (includes talent retention) • Ongoing communication to ensure an engaged workforce • Salary benchmarks to ensure employees are appropriately remunerated • Performance management process • Directors and managers' development programme
	• Partnership dialogue and cooperation with city authorities	• Procedures and strategy plan in place to apply and obtain administrative decision on zoning plan

NOMINATION AND REMUNERATION COMMITTEE REPORT

PART 1 BACKGROUND STATEMENT

Our report is prepared in line with King IV principles and the Dutch Corporate Governance Code and contains three sections:

- Part 1: background statement;
- Part 2: overview of the remuneration policy for the year ahead; and
- Part 3: the remuneration implementation report indicating the actual remuneration paid based on the remuneration policy.

The remuneration policy and the remuneration implementation report will be put to separate non-binding advisory shareholder votes at the upcoming annual general meeting of the company. In the event of 25% or more of voting rights exercised against either or both of 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 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 believe that all employees are integral to our success, we are committed to fair and responsible remuneration. We therefore consider executive management's remuneration in the light of the remuneration of all employees, associated pay ratios, and over time have made adjustments to our policy to reflect our commitment to paying fairly, responsibly and transparently.

The nomination and remuneration 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 sustainable performance delivered.

When implementing the remuneration policy, the nomination and remuneration committee analyses the possible outcomes of the variable remuneration elements and how this may affect the total remuneration of the executive directors. In this respect regular scenario analysis is undertaken whereby the development of the underlying share price of the company's shares is considered. This is done with due regard for the risks to which variable remuneration may expose the company. The variable remuneration shall be linked to predetermined, assessable and influenceable targets and continued service conditions, which shall be predominantly of a long-term nature and linked to the strategy, value and purpose of the company. In determining the actual remuneration of the executive directors, the nomination and remuneration committee assesses the actual performance delivered based on the strategy and takes into account the impact of the overall remuneration of the executive directors on the pay differentials within the company. When determining the remuneration, the nomination and remuneration committee obtains the views of the individual executive directors relating to the level and structure of the remuneration.

The remuneration policy was successfully implemented last year without exceptions. The nomination and remuneration committee is satisfied that the current remuneration policy achieved its stated objectives. During the course of the year under review, the nomination and

Galeria Olimpia

remuneration committee reviewed, analysed and evaluated the remuneration policy in line with our strategy. Changes to the current remuneration policy will be discussed by the board of directors and proposed at the annual general meeting in 2020 to reflect the outcomes of the review of the current policy.

Use of remuneration advisers

The nomination and remuneration committee took advice from PwC as an independent advisor on reviewing the current remuneration policy and determining the performance incentive zone levels applicable to the bonus targets for 2019 and future years.

A full board evaluation was performed in 2018 by Egon Zehnder, and the nomination and remuneration committee determined that the next full board evaluation will take place in 2020. This is in compliance with the King IV corporate governance code and has been reported and explained as an exception to the Dutch corporate governance code in the Governance section of the integrated report.

Voting results

At the annual general meeting held on 11 June 2019, the non-binding advisory vote on the company's remuneration policy received 76.55% in support of the remuneration policy and 75.07% in support of the remuneration implementation report.

In response to the voting results, EPP enhanced the remuneration reporting disclosures.

PART 2 OVERVIEW OF THE MAIN PROVISIONS OF THE REMUNERATION POLICY

Elements of remuneration

The remuneration of directors consists 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.

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

Fixed annual base salary

Executive directors

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 each of them being a member of the board and/or employed and/or providing services to affiliated companies amounts to a maximum of €500 000 gross and €300 000 gross, respectively.

Non-executive directors

The non-executive directors are entitled to a fixed compensation related to chairmanship and membership of committees and are not entitled to any variable or performance related compensation or pensions.

Short-term variable remuneration

The executive directors are entitled to an annual variable remuneration in cash ("bonus") subject to meeting predefined performance targets. 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 is paid out subject to attaining the predefined targets. The 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 each of them being members of the board and/or employed and/or providing services to affiliated companies can amount to a maximum of €500 000 gross and €300 000 gross, respectively. On an annual basis, performance conditions are 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. This includes the determination of the respective performance incentive zone that contain threshold, at target and maximum performance levels. 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 include qualitative criteria related to the company's, affiliated companies' and/or individual performance.

NOMINATION AND REMUNERATION COMMITTEE REPORT

(CONTINUED)

Long-term variable remuneration

On 8 December 2017, shareholders at the company's annual general meeting resolved to implement the motivating programme to the members of key personnel in the form of a long-term incentive plan (the "LTI 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.

Key conditions of the LTI Plan are as follows:

- The company will grant and transfer, free of charge, shares to selected and eligible Members of Key Personnel, subject to meeting predefined service and performance conditions.
- The annual maximum aggregate number of shares that may be granted to all Members of the Key Personnel is 1 850 000 shares. The number of shares in each tranche is specified for each Key Person, as well as the total amount of shares in the whole LTI Plan (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") the 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 LTI Plan includes 10 tranches in total and 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.

1. The first tranche of the LTI Plan was transferred without any conditions. For each of the remaining nine annual tranches the LTI Plan stipulates vesting conditions, being:
   (a) 25% of maximum annual fixed number of shares for each key person will be granted for loyalty ("service condition");
   (b) up to 75% of maximum annual fixed number of shares for each Key Person will be granted depending on the achievement of economic targets specified for the respective reference period ("performance conditions").

2. The service condition is met for a particular tranche in a case where the 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 subject to performance incentive zones on a straight-line basis, containing threshold and maximum performance levels, at target and are as follows:
   (a) dividend per share ("DPS") growth during the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
   (b) EBITDA growth during the reference period – delivery of this target will entitle key person 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 key person to 15% of maximum annual fixed shares number.

4. The actual performance conditions applicable to each tranche will be proposed by the company annually and shall be agreed and set by the board no later than 30 April of each respective reference period.

5. Hadley Dean is entitled to a maximum of 800 000 shares and Jacek Bagiński is entitled to a maximum 450 000 shares subject to the attainment of the service and performance conditions.

Table 1 – LTI programme schedules

Tranche number	Reference period	Vesting date	End of lock-up period
1 (first Tranche)	These shares are not linked to 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 2020 (n+3)

Policy relating to setting of non-executive directors' compensation

Non-executive directors' compensation comprises an annual fee in recognition of their responsibility on the board and as members of various committees. The fees applicable for 2019 have been recommended by the nomination and remuneration committee and the board and have been approved by shareholders at the annual general meeting held on 11 June 2019.

The annual fixed compensation for the non-executives for their respective functions is 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;
(x) Membership of the social and ethics committee: €10 000.

The full remuneration policy is available on the corporate website: www.epp-poland.com.

Proposed fees for 2020 will be contained within the notice of the 2020 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.

NOMINATION AND REMUNERATION COMMITTEE REPORT

(CONTINUED)

PART 3 IMPLEMENTATION OF THE REMUNERATION POLICY DURING 2019

Fixed annual base salary

Executive directors

In 2019, the annual aggregate base salary of Hadley Dean and Jacek Bagiński in connection with each of them being a member of the board and/or employed and/or providing services for affiliated companies was set at €500 000 and €300 000, respectively.

Non-executive directors

The fixed compensation of the non-executive directors was based on the amounts as approved by the meeting of shareholders on 11 June 2019 as shown in Table 4 below. Non-executive directors receive no variable or performance related compensation or pensions.

Short-term variable remuneration

In 2019, the annual aggregate bonus of Hadley Dean and Jacek Bagiński could amount to a maximum of €500 000 gross and €300 000 gross, respectively provided all of the underlying predetermined targets are met. There were four predetermined performance targets, each having an equal weighting of 25% of the maximum amount available. The performance was assessed by the nomination and remuneration committee in good faith and in a reasonable manner to determine whether the targets have been achieved.

Table 2: STI performance goals

STI Hadley Dean	**2019 target**	**2019 actual**	Target realisation	Target assessment	Target weight	Bonus applicable
LTV net of cash	51.4%	50.0%	100%	100%	25%	125 000
Measurement based on performance incentive zone: 100% realisation if at LTV target set at 51.4% is met, and 50% if at LTV level of 51.6% is achieved; applying straight-line calculation.						
NAV per share	1 326	1 317	87%	87%	25%	109 190
Measurement based on performance incentive zone: 100% realisation if at NAV target set at 1.326 is met, and 50% if NAV level of 1.292 is achieved; applying straight-line calculation.						
Assets disposals	97	78	80%	80%	80%	100 000
Capital raise	75	90	119%	100%	25%	125 000
Total STI (euro)				92%	100%	459 190

STI Jacek Bagiński	**2019 target**	**2019 actual**	Target realisation	Target assessment	Target weight	Bonus applicable
LTV net of cash	51.4%	50.0%	100%	100%	25%	75 000
Measurement based on performance incentive zone: 100% realisation if at LTV target set at 51.4% is met, and 50% if at LTV level of 51.6% is achieved; applying straight-line calculation.						
NAV per share	1 326	1 317	87%	87%	25%	65 514
Measurement based on performance incentive zone: 100% realisation if at NAV target set at 1.326 is met, and 50% if NAV level of 1.292 is achieved; applying straight-line calculation.						
G&A expenses	16.1	15.7	100%	100%	25%	75 000
G&A costs account to €16.1 million (or less), 100% only on full target realisation						
Debt and equity financing	75	90	100%	100%	25%	75 000
Financing of selected assets and equity issue of 75m, 100% only on full target realisation						
Total STI (euro)				97%	100%	290 514

As a result Hadley Dean has been awarded a STI bonus for the performance year 2019 of €459 190 and Jacek Bagiński €290 514.

Long-term variable remuneration

Of the maximum number of shares available for the fourth tranche for the year 2019, Hadley Dean was entitled to a maximum of 800 000 shares and Jacek Bagiński was entitled to a maximum 450 000 shares subject to the attainment of the service and predetermined performance conditions. In addition to the 25% of the grant subject to the service condition, the remaining 75% of the maximum award was subject to the attainment of performance targets.

Table 3: LTI performance goals

LTI Hadley Dean	**2019 target**	**2019 actual**	Target realisation	Target weight	Shares applicable
DPS growth[1]	0.2%	0.2%	100%	30%	240 000
EBITDA growth	4.0%	5.4%	100%	30%	240 000
Individual targets:					
◗ turning food courts into food halls			100%	5%	40 000
◗ development and succession planning			100%	5%	40 000
◗ shopping centre activation programme			100%	5%	40 000
Loyalty target			100%	25%	200 000
Total LTI (shares)			100%	100%	800 000

1 The DPS target setting was adjusted accordingly to normalize the effects of the equity event completed on 24.04.2019 in accordance with Rule 5.2 of the LTI Plan. The initial DPS growth rate, prior to adjustment, was 3,4%

LTI Jacek Bagiński	**2019 target**	**2019 estimate**	Target realisation	Target weight	Shares applicable
DPS growth[1]	0.2%	0.2%	100%	30%	135 000
EBITDA growth	4.0%	5.4%	100%	30%	135 000
Individual targets:					
◗ turning food courts into food halls			100%	5%	22 500
◗ development and succession planning			100%	5%	22 500
◗ shopping centre activation programme			100%	5%	22 500
Loyalty target			100%	25%	112 500
Total LTI (shares)			100%	100%	450 000

1 The DPS target setting was adjusted accordingly to normalize the effects of the equity event completed on 24.04.2019 in accordance with Rule 5.2 of the LTI Plan. The initial DPS growth rate, prior to adjustment, was 3,4%

The company chooses not to disclose the actual levels of non-financial performance criteria set as this is considered competitive sensitive information and therefore classified as highly confidential and share price sensitive information

In the year ended 31 December 2019, with respect to the LTI third tranche for the year 2018, the total of 1 850 000 shares were allocated and transferred to the eligible Members of Key Personnel (including amongst others, the CEO and CFO).

NOMINATION AND REMUNERATION COMMITTEE REPORT
(CONTINUED)

Second tranche for the year 2017, granted in 2018 was: 1 832 000 shares)

The total fair value of shares to be transferred amounts to €2 142 000 (2018: €2 312 000). As part of this total fourth tranche, Hadley Dean was allocated 800 000 shares and for Jacek Bagiński was allocated 450 000 shares subject to the 30 months lock-up period. The shares were allocated based on fulfilment of service and attained performance conditions for the year 2019.

Adjustments to variable remuneration

In line with Dutch law and the remuneration policy, variable remuneration of the directors may be adjusted if the outcome of the targets or the occurrence of certain events results in an unacceptable result based on criteria of reasonableness and fairness. Furthermore, variable remuneration is subject to clawback if any variable remuneration is awarded based on incorrect financial or other data. During 2019 no circumstances have been identified that result in any adjustments or clawback.

Termination of employment

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

On 17 December 2019, EPP issued a SENS announcement on the nomination of Tomasz Trzósło for appointment as chief executive officer to succeed Hadley Dean, whose term of office is due to expire. Tomasz Trzósło has been nominated for appointment as chief executive officer of EPP with the effective date expected in May 2020. His engagement is subject to approval by EPP shareholders at the upcoming general meeting of the company.

The details of the directors' emoluments accrued or paid for the years ended 31 December 2019 and period to 31 December 2018 are set out below.

	Fixed remuneration			Variable remuneration			
2019 €'000	Basic salaries	Directors' fees	Other (car lease, medical insurance, apartment rent)	STI – bonuses and other performance payments	LTI Share-based payment	Total	Proportion fixed/variable remuneration
Executive directors							
Hadley Dean	**500**	**–**	**40**	**459**	**926**	**1 925**	**39%**
Jacek Bagiński	**300**	**–**	**21**	**290**	**521**	**1 132**	**40%**
Non-executive directors							
Robert Weisz	**–**	**100**	**–**	**–**	**–**	**100**	**100%**
Marc Wainer	**–**	**70**	**–**	**–**	**–**	**70**	**100%**
Marek Belka	**–**	**70**	**–**	**–**	**–**	**70**	**100%**
Andrew König*	**–**	**30**	**–**	**–**	**–**	**30**	**100%**
Taco de Groot**	**–**	**49**	**–**	**–**	**–**	**49**	**100%**
Maciej Dyjas	**–**	**60**	**–**	**–**	**–**	**60**	**100%**
Nebil Senman*	**–**	**35**	**–**	**–**	**–**	**35**	**100%**
Pieter Prinsloo**	**–**	**53**	**–**	**–**	**–**	**53**	**100%**
Dionne Ellerine	**–**	**80**	**–**	**–**	**–**	**80**	**100%**
Andrea Steer	**–**	**90**	**–**	**–**	**–**	**90**	**100%**
Peter Driessen*	**–**	**37**	**–**	**–**	**–**	**37**	**100%**
James Templeton**	**–**	**35**	**–**	**–**	**–**	**35**	**100%**
Total	**800**	**709**	**61**	**749**	**1 447**	**3 766**	

** Until 11 June 2019.*
*** From 11 June 2019.*

2018 €'000	Fixed remuneration Basic salaries	 Directors' fees	 Other (car lease, medical insurance, apartment rent)	Variable remuneration STI – Bonuses and other performance payments*	 LTI share-based payment	Total	Proportion fixed/ variable remuneration
Executive directors							
Hadley Dean	500	–	22	500	987	2 009	35%
Jacek Bagiński	300	–	19	300	568	1 187	37%
Non-executive directors							
Robert Weisz	–	100		–	–	100	100%
Marc Wainer	–	70		–	–	70	100%
Marek Belka	–	70		–	–	70	100%
Andrew König	–	60		–	–	60	100%
Maciej Dyjas	–	60		–	–	60	100%
Nebil Senman	–	70		–	–	70	100%
Dionne Ellerine	–	80		–	–	80	100%
Andrea Steer	–	100		–	–	100	100%
Peter Driessen	–	84		–	–	84	100%
Total	800	694	41	800	1 555	3 890	

** STI bonuses for the year 2018 were paid in the same amounts as accrued in the 2018 financial statements.*

The following did not occur in 2019 nor in 2018:
- allowances for pension and fringe benefits;
- sign-on, retention and restraint payments.

At the end of 2019, no loans, advances or guarantees were outstanding for each of the directors and the non-executive directors.

Pay ratio

Pay differentials and the director's position within the company have also been taken into account and have been considered. In this respect the internal pay ratio was also considered and discussed. In 2019 the internal pay ratio was 2%. It was calculated as the average annual remuneration of all full-time employees (excluding chief executive officer and chief financial officer) divided by the total average annual remuneration of the chief executive officer/chief financial officer as reported under IFRS.

SOCIAL AND ETHICS COMMITTEE REPORT

This committee executes the duties assigned to it by the rules of its charter as well as any additional duties delegated to it by the board of directors of EPP, including ensuring that the company acts as a responsible corporate citizen and establishes ethical guidelines for engagement with stakeholders and interaction with the environment.

Management is tasked with the attendant day-to-day responsibilities in their respective areas of business and reporting thereon to the social and ethics committee. The board remains ultimately responsible for the objectives which it has delegated.

During the year the committee comprised three non-executive directors of which two are independent non-executive directors: Dionne Ellerine, who chairs the committee, as well as Andrea Steer and Pieter Prinsloo. The committee met once during the year and attendance is set out on page 48.

The committee's focus areas during the year included a review of the health and safety and environmental aspects of the business which they found to be adequate. They also reviewed the technical and environmental aspects of the business in particular the following:

- Green certificates
- Health and safety
- Energy initiatives and
- Environmental permits

The committee found all these aspects to be in order.

In addition the committee instructed the board to prepare a property technical and environmental report covering public liability claims fire safety and energy saving initiatives.

In the year ahead the committee will focus on green initiatives within the group portfolio.

A formal charter has been adopted which guides the committee in ensuring that the group conducts its business in an ethical and properly governed manner and in reviewing or developing policies governance structures and practices for sustainability.

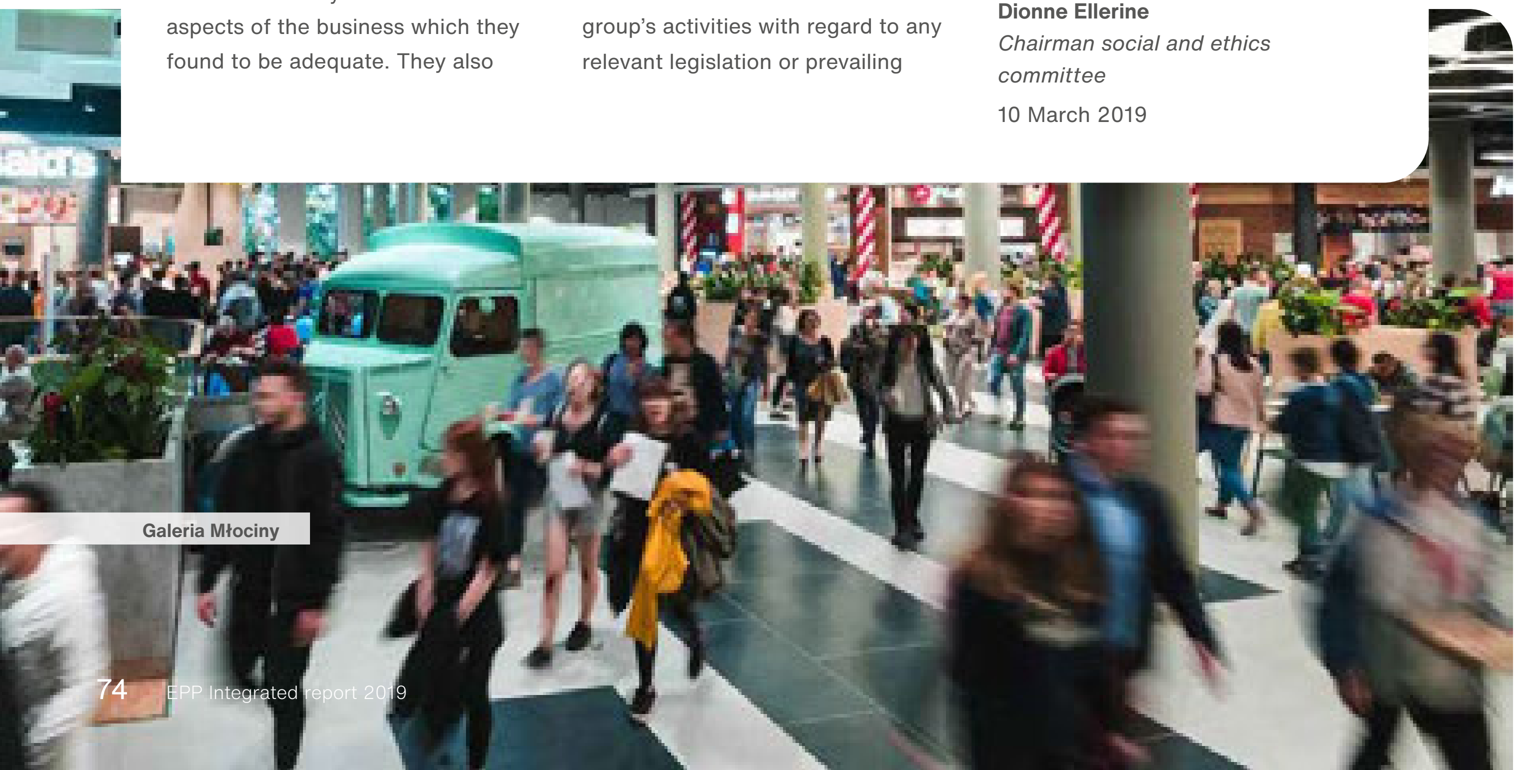
The committee also monitors the group's activities with regard to any relevant legislation or prevailing codes of best practice in respect of the following:

- Social and economic development, including the group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact Principles; and
  - OECD recommendations regarding corruption.
- Good corporate citizenship including the group's:
  - promotion of equality, prevention of unfair discrimination and reduction of corruption; and
  - contribution to development of the communities in which our activities are predominantly conducted by means of sponsors donations and charitable giving.

Management reports to the committee on matters relevant to its deliberations and the committee in turn draws relevant matters to the attention of the board and reports on them to the shareholders at the annual general meeting.

Dionne Ellerine
Chairman social and ethics committee

10 March 2019



Galeria Młociny

INVESTMENT COMMITTEE REPORT

The investment committee comprises Marc Wainer (committee chairperson), Hadley Dean, Maciej Dyjas, James Templeton, Pieter Prinsloo and Taco de Groot.

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 is to consider suitable acquisitions, which fit within the company's business strategy; and to make final decisions regarding acquisitions and disposals to be made by the company. The committee acts 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. Attendance for the committee is set out on page 48.

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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 committee, to which duties are delegated by the board.

The following non-executive directors served on the audit and risk committee during the 2019 financial year:
- Taco de Groot (committee chairperson)
- Robert Weisz
- Marek Belka
- Pieter Prinsloo

All committee members, save for Pieter Prinsloo, are independent non-executive directors and are financially literate. Taco de Groot replaced Pieter Driessen as committee chairperson effective 11 June 2019.

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 efficiency 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 that 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 48.

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 as well as the compliance officer 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 accordingly confirms that EPP has established appropriate financial reporting procedures and that those procedures are operating.

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.

During the year, the committee has apart from spending a series of meetings on the control and risk functions within the company, also paid attention to more specific topics such as cybersecurity, good corporate governance, structural and organisational dispositions and related-party transactions.

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 chief financial officer, Jacek Bagiński.

The audit and risk committee has also assessed the suitability for appointment of the external auditors 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 firms 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 firms and designated individual partners and was satisfied that:

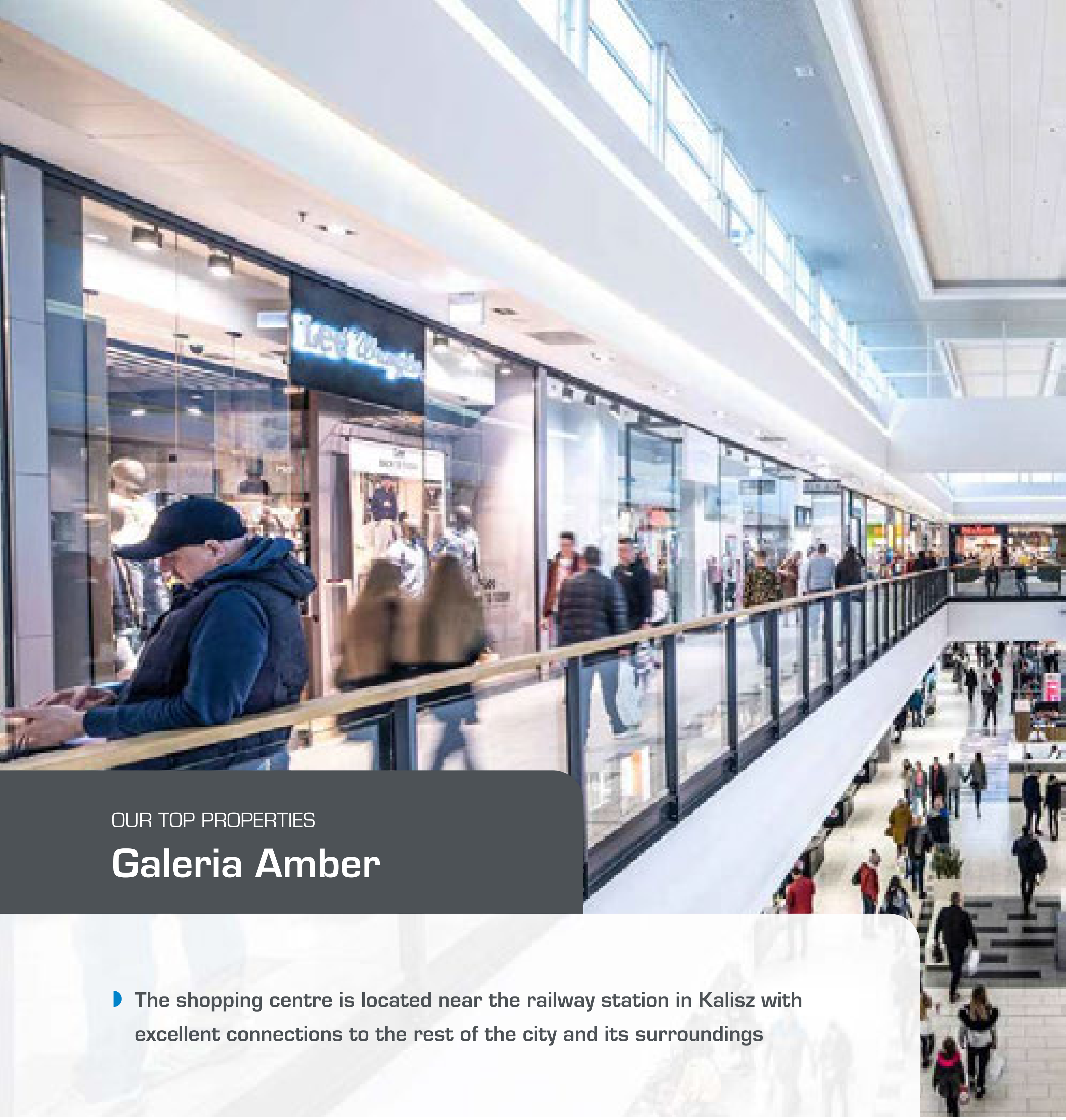
- the audit firms met all the criteria stipulated in the requirements including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;
- the auditors have provided to the audit and risk committee, the required Independent Regulatory Board for Auditors 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.

Taco de Groot
(committee chairperson)
Chairman audit and risk committee

10 March 2020

Galeria Młociny



OUR TOP PROPERTIES

Galeria Amber

The shopping centre is located near the railway station in Kalisz with excellent connections to the rest of the city and its surroundings

The centre offers modern retail and service space with 118 shops, service outlets and an extensive catering and entertainment zone. Galeria Amber includes a comfortable and modern Helios cinema the biggest fitness club in Kalisz – Fabryka Formy (Form Factory) and a modern children's playroom Jupi Park. The shopping centre is located near the railway station in Kalisz with excellent connections to the rest of the city and its surroundings.

05

ANNUAL FINANCIAL STATEMENTS

CONTENTS

GENERAL INFORMATION

EPP N.V. (the "Company" or "EPP") is a real estate company that indirectly owns a portfolio of prime retail and office assets in Poland.

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 year ended 31 December 2019 comprise the company and its subsidiaries (the "Group" or "EPP group"). List of subsidiaries is disclosed in note 29.

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

As of 31 December 2019 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 Belka	(Independent non-executive director)
Taco de Groot	(Independent non-executive director)
Dionne Ellerine	(Independent non-executive director)
Andrea Steer	(Independent non-executive director)
James Templeton	(Independent non-executive director)
Maciej Dyjas	(Non-executive director)
Pieter Prinsloo	(Non-executive director)
Marc Wainer	(Non-executive director)

REGISTERED OFFICE

EPP N.V.
Gustav Mahlerplein 28
1082 MA Amsterdam
The Netherlands

COMPANY SECRETARY

Rafał Kwiatkowski
(Master of Laws)
al. Jana Pawła 22
00-133 Warszawa
Poland

AUDITORS

Dutch Statutory Auditors
Ernst & Young Accountants LLP
(Registration number 24432944)
Euclideslaan 1
3584 BL Utrecht
The Netherlands

JSE Auditors
Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
102 Rivonia Road, Sandton
South Africa

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Rental income and recoveries	18	**163 633**	157 506
Service charge income	18	**37 676**	39 610
Property operating expenses		**(53 209)**	(54 442)
Net property income		**148 100**	142 674
Other income		**984**	378
Other expenses		**(769)**	(1 414)
Administrative expenses	19	**(15 739)**	(15 821)
Net operating profit		**132 576**	125 817
Net result from fair value adjustment on investment properties	5	**(740)**	17 473
Profit from operations		**131 836**	143 290
Finance income	20	**6 229**	4 865
Finance costs	21	**(43 645)**	(39 758)
Foreign exchange gains/(losses)		**(10 042)**	5 814
Participation in profits of joint ventures	4	**3 402**	23 381
Profit before taxation		**87 780**	137 592
Current income tax	23	**(9 807)**	(8 914)
Deferred tax	23	**(11 808)**	(4 513)
Profit for the period		**66 165**	124 165
Attributable to EPP shareholders		**66 165**	124 165
Earnings per share:			
Basic and diluted earnings, on profit for the period (€ cents)	24	**7.49**	15.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	2019 €'000	2018 €'000
Profit for the period	**66 165**	124 165
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign currency translation reserve joint ventures	**984**	(2 128)
Foreign currency translation reserve subsidiaries	**8 898**	(3 681)
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	**9 882**	(5 809)
Total comprehensive income for the period, net of tax	**76 047**	118 356
Total comprehensive income attributable to the owners of EPP for the period, net of tax	**76 047**	118 356

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 €'000	2018 €'000
ASSETS			
Non-current assets		**2 501 054**	2 360 360
Investment property	5	**2 321 384**	2 201 737
Investment in joint ventures	4	**171 117**	138 698
Loans receivable	9	**–**	16 202
Other non-current assets		**845**	1 815
Tenants' deposits and other monetary assets	10	**7 021**	–
Deferred tax asset	23	**687**	1 908
Current assets		**105 661**	111 355
Inventory		**110**	250
Tax receivable	7	**1 193**	589
Trade and other receivables	8	**17 129**	16 970
Loans receivable	9	**6 723**	5 635
Tenants' deposits and other monetary assets	10	**13 187**	27 571
Cash and cash equivalents	11	**67 319**	60 340
Total assets		**2 606 715**	2 471 715
EQUITY AND LIABILITIES			
Equity		**1 087 372**	1 022 688
Share capital	12	**735 437**	672 292
Share premium	12	**228 227**	203 318
Accumulated profit		**113 339**	147 250
Share-based payment reserve	14	**6 580**	5 921
Foreign currency translation reserve		**3 789**	(6 093)
Non-current liabilities		**1 443 837**	1 387 212
Bank borrowings	15	**1 291 838**	1 273 767
Trade payables and other liabilities	17	**13 234**	16 335
Deferred tax liability	23	**109 443**	97 110
Lease liabilities	6	**29 322**	–
Current liabilities		**75 506**	61 815
Bank borrowings	15	**34 127**	30 575
Loans payable		**–**	92
Tax payables	16	**359**	1 960
Trade payables and other liabilities	17	**38 181**	29 188
Lease liabilities	6	**2 839**	–
Total liabilities		**1 519 343**	1 449 027
Total equity and liabilities		**2 606 715**	2 471 715

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Notes	Share capital €'000	Share premium €'000	Treasury shares €'000	Accu-mulated profit/(loss) €'000	Foreign currency translation reserve €'000	Share-based payment reserve €'000	Total equity attributable to the owners of EPP €'000
Balance as at 31 December 2017		571 026	147 534	(783)	111 419	(284)	4 909	833 821
Profit for the year					124 165			124 165
Other comprehensive income						(3 681)		(3 681)
Other comprehensive income from joint ventures						(2 128)		(2 128)
Total comprehensive income		–	–	–	124 165	(5 809)	–	118 356
Issue of ordinary shares	12	101 266	56 234					157 500
Transaction cost related to issuance of shares	12		(450)					(450)
Acquisition of own shares				(2 312)				(2 312)
Transfer of own shares	14			3 095			(3 095)	–
Share-based payments expenses	14						4 107	4 107
Dividend provided for or paid	13				(88 334)			(88 334)
Balance as at 31 December 2018		672 292	203 318	–	147 250	(6 093)	5 921	1 022 688
Profit for the year					**66 165**			**66 165**
Other comprehensive income						**8 898**		**8 898**
Other comprehensive income from joint ventures						**984**		**984**
Total comprehensive income			**–**	**–**	**66 165**	**9 882**	**–**	**76 047**
Issue of ordinary shares	**12**	**63 145**	**26 343**					**89 488**
Transaction cost related to issuance of shares	**12**		**(1 434)**					**(1 434)**
Acquisition of own shares				**(2 142)**				**(2 142)**
Transfer of own shares	**14**			**2 142**			**(2 142)**	**–**
Share-based payments expenses	**14**						**2 801**	**2 801**
Dividend provided for or paid	**13**				**(100 076)**			**(100 076)**
Balance as at 31 December 2019		**735 437**	**228 227**	**–**	**113 339**	**3 789**	**6 580**	**1 087 372**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Profit before tax		**87 780**	137 592
Adjustments:			
Amortisation/depreciation of fixed assets		**629**	–
Straight line adjustment	18	**(729)**	(1 950)
Share-based payment reserve		**2 802**	1 012
Valuation gain on investment property	5	**740**	(17 473)
Share of profit in joint ventures		**(3 402)**	(23 381)
Finance income		**(6 229)**	(4 865)
Finance expense		**43 645**	39 802
Working capital adjustments:			
Increase in rent and other receivables		**705**	8 166
Increase in prepayments and accrued income		**1 234**	(1 587)
Increase in inventory and other assets		**141**	275
Change in tenants' deposits and other monetary assets		**–**	(3 958)
Increase in trade, other payables and accruals		**8 357**	(12 803)
Movements in tenants' deposits liabilities		**289**	916
Cash generated from operations		**135 962**	121 746
Tax paid		**(12 680)**	(8 212)
Net cash generated from operating activities		**123 282**	113 534
Investing activities			
Purchase of investment property	5	**(242 619)**	(498 643)
Capital expenditure on completed investment property		**(23 280)**	(24 745)
Disposal of investment property	5	**60 000**	–
Loans granted		**(7 399)**	(1 273)
Loans repaid		**5 333**	11 396
Change in other monetary assets related to investment activity		**2 143**	–
Interest received		**509**	1 361
Profit share	9	**3 487**	–
Net cash utilised in investing activities		**(201 826)**	(511 904)
Financing activities			
Proceeds from borrowings	15	**187 646**	731 952
Repayment of borrowings	15	**(58 822)**	(379 013)
Borrowing arrangement fees		**(1 153)**	(2 598)
Proceeds from issue of share capital	12	**89 488**	157 500
Transaction costs on issue of shares	12	**(1 435)**	(450)
Acquisition of own shares		**(2 142)**	(2 312)
Transfer of own shares		**–**	3 095
Dividends paid	13	**(100 076)**	(88 334)
Loans repaid		**–**	(19 633)
Interest paid	15	**(32 654)**	(34 295)
Change in other monetary assets related to financing activity		**(2 158)**	–
Lease payments		**(3 052)**	–
Net cash generated from financing activities		**75 642**	365 912
Net increase in cash and cash equivalents		**(2 903)**	(32 458)
Cash and cash equivalents at the beginning of the period		**60 340**	99 544
Effect of foreign exchange fluctuations		**9 882**	(6 746)
Cash and cash equivalents at the end of the period	11	**67 319**	60 340

HEADLINE EARNINGS RECONCILIATION

for the year ended 31 December 2019

	2019 €'000	2018 €'000
Profit for the period attributable to EPP shareholders	**66 165**	124 165
Change in fair value of investment properties including joint ventures (net of tax)	**(5 045)**	(36 711)
Headline and diluted earnings attributable to EPP shareholders	**61 120**	87 454
Actual number of shares in issue	**907 946 793**	829 989 804
Shares in issue for distributable earnings	**907 946 792**	829 989 803
Weighted number of shares in issue	**883 598 583**	808 554 466
Basic and diluted earnings per share (€ cents)*	**7.49**	15.36
Headline earnings and diluted headline earnings per share (€ cents)**	**6.92**	10.82

* *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 2019 and 31 December 2018 respectively. The detailed calculation is included in note 24.*

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

as at 31 December 2019 and for the year ended 31 December 2019

1. BASIS OF PREPARATION

The consolidated financial statements were prepared by the management of the company on 9 March 2020 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.

The stand-alone financial statements of EPP N.V. attached further in the integrated report were prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code ("Dutch-GAAP").

The group's financial statements were prepared on a historical cost basis, except for investment properties and loans receivable measured at fair value. The consolidated financial statements are presented in EUR (€) and all values are rounded to the nearest thousand (€000), except where otherwise indicated. Notes are an integrated part of financial statements.

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 2019, amongst them IFRS 16 had the most material impact.

IFRS 16 Leases

IFRS 16 Leases was effective for annual periods beginning on or after 1 January 2019. There was no impact on recognition of leases in situations where EPP is the lessor, but it had an effect on the accounting policies applied in situations where the group is the lessee. Under IFRS 16, all lease contracts, including those previously classified as operating leases, were recognised as a right-of-use asset and as a lease liability in the statement of financial position.

The group implemented the standard using the modified retrospective method, with the cumulative effect of the first application of IFRS 16 recognised as at 1 January 2019, without restating the comparative data.

On transition to IFRS 16 the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to those contracts which were previously classified as leases under IAS 17.

For leases previously classified as operating leases the group recognised a lease liability, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The group recognised the respective right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

For leases previously classified as finance leases the carrying amount of the right-of-use asset and the lease liability at the date of initial application was the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

	Right of perpetual usufruct	Land lease agreement	Other	Total
Operating lease commitments as at 31 December 2018	**157 906**	**2 489**	**325**	**160 720**
Weighted average incremental borrowing rate as at 1 January 2019	**6.95%**	**4.18%**	**3.54%**	
Discounted operating lease commitments as at 1 January 2019	**30 426**	**2 119**	**283**	**32 828**
Add:				
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	–	–	–	–
Previously recognised finance lease liabilities	–		**541**	**541**
Lease liabilities as at 1 January 2019	**30 426**	**2 119**	**824**	**33 369**

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The group has analysed all concluded agreements to identify those to which the new recognition method applies following the implementation of IFRS 16. The group identified the following types of agreements which were recognised as operating lease under IAS 17, mostly:

- Perpetual usufruct rights to land
- Land lease agreement

The group did not apply any exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The key management's estimation relates to the discounting rates (incremental borrowing rate) used in measuring the lease liabilities.

On transition to IFRS 16 the company recognised an additional €33.4 million of right-of-use asset (mostly related to perpetual usufruct of land, presented together with the investment property) and €33.4 million of lease liabilities. The details of leases accounting for the year 2019 are included in note 6 Leases.

€'000	**Value of right-to-use asset as at 1 January 2019**	Value of financial liability as at 1 January 2019
Perpetual usufruct rights to land	**30 426**	30 426
Land lease agreement	**2 119**	2 119
Other	**824**	824
Total	**33 369**	33 369

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The group assessed whether it has any uncertain tax positions. The group determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the group.

Other new standards and interpretations

- Amendments to IFRS 9 Prepayment Features with Negative Compensation.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement.
- Amendments to IFRS 3 Business Combinations – Previously held interests in a joint operation.
- Amendments to IFRS 11 Joint Arrangements – Previously held interests in a joint operation.
- Amendments to IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity.
- Amendments to IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation.

Although these amendments applied for the first time in 2019, they did not have a material impact on the annual consolidated financial statements of the group.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries for the year ended 31 December 2019.

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

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

(i) Subsidiaries

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

The consolidated financial statements incorporate the assets, liabilities, income, expenses and 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. Intercompany 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 arises. Acquisition costs related to issuance of debt or equity securities are recognised in accordance with IAS 32 and IAS 39.

(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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both. Right-of-use assets related to perpetual usufruct of land are also presented as investment property. Investment properties are initially recognised at cost, including related transaction costs. Transaction costs include transfer taxes and professional fees.

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

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

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

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

Leases

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Group as a lessee

As a lessee, the group has mostly lease contracts for the perpetual usufruct of land. The contracts are decisions issued by municipality or state with defined lengths period and termination date. The group applies a single recognition and measurement approach for all leases. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(ii) Right-of-use assets

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at the fair value model. These right-of-use assets are presented as part of the line item “investment property” in the statement of financial position.

(iii) Lease liability

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

(iv) The group as a lessor

EPP enters into leases on it’s property portfolio. The commercial property leases typically have lease terms between four and six years and include clauses to enable periodic upward revision of the rental charge according to inflation. Some leases contain options to break before the end of the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

(i) Recognition and initial measurement

Financial assets are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value. For an item not at fair value through profit or loss ("FVTPL"), the initial value includes also transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, the group analyses all facts and circumstances and then classifies the financial assets as measured at amortised cost, FVTPL or fair value through other comprehensive income ("FVOCI"). Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets.

i) A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As of 31 December 2019 and 31 December 2018 the group did not designate any financial instruments in this category.

iii) A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

For the purposes of assessment whether contractual cash flows are solely payments of principal and interest, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Summary of classification and measurement per asset class

Financial assets	Classification under IFRS 9
Loans receivable	Financial assets at FVTPL
Long-term loans granted to JV *(presented under Investments in joint ventures)*	Financial assets at amortised cost
Tenants deposits and other monetary assets	Financial assets at amortised cost
Cash and cash equivalents	Financial assets at amortised cost
Trade and other receivables	Financial assets at amortised cost
Total financial assets	

(iv) Loans receivable

Loans receivable were classified as Financial assets at FVTPL as a result of the business model assessment and the fact that the SPPI test is not met. Loans receivable are measured at fair value model, based on the expected cash flow projections. Detailed description of loans receivable, together with valuation details is presented in note 9. Loans receivable

(v) Long-term loans granted to JV

The long-term loans granted to JV (presented under Investments in joint ventures) were classified as financial assets at amortised cost as a result of business model assessment and the fact that SPPI test is met. The loans are initially recognised at fair value, which is the transaction price (that is the fair value of the consideration given).

In line with IFRS 9 the group applies the expected credit loss ("ECL") model to financial assets at amortised cost. The Company measures ECL as the present value of the difference between:

(a) The contractual cash flows that are due to an entity under the contract; and

(b) The cash flows the entity expects to receive.

The expected cash flows take into account the expected manner of recovery and the expected recovery period. The discount rate is the instrument's effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For each reporting period the group assesses whether there has been a significant increase in credit risk and in the ECL, taking into account all reasonable and supportable information available, including both qualitative factors and forward-looking information, concerning for example project's operational statistics, budgets and market trends.

Significant increase in Credit Risk, in the context of IFRS 9, is a significant change in the estimated Default Risk (over the remaining expected life of the financial instrument).Default risk is the chance that a company or individual will be unable to make the required payments on their debt obligation. The group calculated an ECL for JV loans based on recoverability estimates, based on cash flow projections for JV projects.

If the credit risk of a financial instrument is low at the reporting date, the entity measures impairment using 12-month ECL.

For the purpose of the assessment of ECL on JV loans the group defines there is a significant increase in credit risk when the payment of interest tranche is overdue for more than 180 days and default when the payment is overdue for more than 360 days.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 720 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. Description of loans and details of ECL calculation is presented in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) Trade and other receivables

The group's provisioning and write off policy is as follows:

The group started calculating expected credit losses as required by IFRS 9 Financial Instruments at 1 January 2018. As required by IFRS 9, the group used the simplified approach in calculating ECL for trade receivables that did not contain a significant financing component. The group applied the practical expedient to calculate ECL using a provision matrix.

In the simplified model, the group does not monitor changes in the credit risk level during the life of the instrument and estimates the expected credit loss in the horizon up to maturity of the instrument.

The group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The group has identified the following groups for the purpose of that analysis:

- Rental revenues – office (O)
- Rental revenues – retail (R)
- Other revenues (Other)

The provision matrix is initially based on the group's historical observed default rates for each group of receivables adjusted for forward-looking factors specific to the debtors and the economic environment. To calculate the expected credit loss, the group determined the probability parameter of receivables defaults estimated on the basis of the analysis of the number of unpaid invoices in the last three financial years 2016, 2017 and 2018.

In addition, the group individually writes off trade receivables which are not subject to enforcement activity:

- receivables from debtors who went into liquidation or bankruptcy – up to the amount receivable not covered by any guarantee or other collateral;
- receivables disputed by debtors and past due – the group takes the prudent approach and recognizes allowance the aforementioned receivables up to the amount receivable not covered by any guarantee or other collateral;
- penalty interest calculated on the overdue receivables subject to prior allowances – in full amount receivable until they are either collected or written off as uncollectible;
- past-due (or not yet due) receivables, where it is highly probable they will become uncollectible because of the type of business or structure of customers – the write off is in the full amount of receivables.

Tenants' deposits and other monetary assets

This category includes items such as:

(a) Tenants' deposits – money restricted on bank account securing the refund of security deposits paid in by tenants. Restriction is imposed by the lender financing the property. The length of restriction depends on the length of the contract with tenants.

(b) Money on bank debt service accounts – money on restricted EPP bank account securing the payments under some of the bank loan agreements. Restriction is imposed by the lender financing the property. The cash cannot be used for other purposes than settlement of the next payment of interest/capital.

(c) Money on bank accounts designated for capital expenditures or fitout – money on EPP bank account securing the payments of capital expenditures or fit-out commitments. Restriction is imposed by the lender financing the property. The cash cannot be used for other purposes than settlement of capex or fit out invoices determined in the bank agreements.

(d) VAT and other monies on restricted bank accounts – this line comprises mostly VAT split payment accounts (VAT tax reimbursement accounts). There are also immaterial other items. In terms of VAT reimbursement accounts restriction is imposed by the tax authorities, related to cash paid by suppliers related to VAT element of the invoice settlement. Money on those bank accounts can be used only for VAT payment.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Both are subject to an insignificant risk of change in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivatives

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

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).

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.

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

(ii) Received deposits and advances
Deposits liabilities are initially recognised at fair value including transaction costs and subsequently measured at amortised cost.

Current and deferred income tax

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. 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.

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.

Since 1 January 2018 an amendment to Polish Corporate Income Tax ("CIT") Act came into force, which established an income tax for taxpayers that hold commercial property of significant value (including shopping centres, large shops and office buildings). Owners of retail and service buildings with an initial tax value of more than PLN 10 million (approximately €2.35 million) are obligated to pay corporate income tax at least the level of 0.035% per month (approximately 0.42% per year) of the initial tax value of the property. The additional tax charge ("GAV tax charge") resulting from this amendment is presented in the line "Income tax charge"), together with other corporate income tax charges.

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 board of directors. A corresponding amount is recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment 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. The programme is classified as equity-settled.

Revenue recognition

(i) Rental income

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

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

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

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

(ii) Service charge and similar revenue

Revenue arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. The group considers service and management charges and other such receipts as separate performance obligations from rental activities. These services are included in net rental income gross of the related costs, as the directors, based on the facts that the group has 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.

Net operating profit

Represents revenues less property operating expenses.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance income and cost (continued)

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

Fair value measurements

The group measures financial assets, classified as measured at FVPL 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.

Significant accounting judgements and estimates

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

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

- Capital management note 30
- Financial risk management objectives and policies note 30
- Sensitivity analyses disclosures note 30

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2019 and 2018 were in substance asset acquisitions. The group has acquired subsidiaries which consist of single standing real estate assets, shopping malls, with outsourced functions of property management and accounting, which do not constitute a business in the meaning of IFRS 3 Business Combinations.

(ii) Consolidation and joint arrangements

The group is part owner of three investments: Towarowa 22, Młociny and Henderson Park. 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. The group's economic interest in these entities varies from 30% to 70%, however the relevant activities are governed by unanimous consent of both parties as such accounted for as joint ventures. Although all day-to-day activities are performed by the group, all key strategic, financial and operational decisions require the unanimous consent of both parties.

(iii) Leases

The group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts:

Determination of the lease term

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessee, the group has lease contracts for the perpetual usufruct of land. The contracts are decisions issued by municipality or state with defined lengths period and termination date, therefore no further judgement is required to determine the lease term.

The group applied judgement in selecting discount rate upon initial recognition of the lease asset. Appropriate sensitivity analysis upon initial recognition has been presented in note 6.

Estimating the incremental borrowing rate

The group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

(iv) Functional currency

In determining the functional currency of the subsidiaries, significant judgement is required as they operate in a dual currency environment (ie euro and Polish zloty (PLN)). The group has been determined that the Polish zloty most faithfully represents the economic effects of the underlying transactions and events of the Polish subsidiaries. The group's consolidated financial statements are presented in euros which is also the parent company's functional currency.

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

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.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule ("GAAR"). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation, (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of factitious activities subject to GAAR. New regulations will require considerably greater judgement in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as group restructuring or group reorganisation.

(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

There are no standards and interpretations that have not been early adopted and that are expected to have a material effect on the entity.

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 the 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 the EU – the effective date was deferred indefinitely by IASB;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) – not yet endorsed by the EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2021;

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations applicable, not yet effective (continued)

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019) – effective for financial years beginning on or after 1 January 2020.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) – not yet endorsed by EU at the date of approval of these financial statements (effective date is not yet determined).

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", "Echo") (collectively, "the purchasers") 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"), a Polish 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 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. Each of the JV partners has two board members (50% voting rights) in the special purpose vehicle that owns the property.

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 to Griffin Finance III Sp z o.o. related to the Towarowa 22 joint venture resulting from the settlement of the acquisition price. The amount is payable in two instalments due after 31 December 2019 upon occurrence of the following events:

- €21 million when the City of Warsaw authorities approve the zoning plan allowing for the development of the Warsaw retail development site project; and
- €6 million 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 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, including €13.7 million of repayment of loans granted to Rosehill. Rosehill indirectly owns the land on which Galeria Młociny was 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. Each of the JV partners has two board members (50% voting rights) in the special purpose vehicle that owns the property. Galeria Młociny successfully opened on 23 May 2019.

Currently Galeria Młociny is financed by a mix of Senior Facility debt 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 a non-banking investment fund with maturity of two years and subordinated liabilities in the form of loans granted by both JV partners.

4. **INVESTMENT IN JOINT VENTURES (continued)**

Henderson Park: O3 Business Campus, Symetris Business Park, Malta Office Park

On 24 June 2019 EPP concluded a sale agreement to dispose of a 70% share in three of its office assets with GLA totalling 86 000 m² to JV partner Henderson Park Private Equity Fund, a pan-European private equity real estate platform. EPP retains the asset management and property management responsibilities over these assets. In result the EPP group lost control over the subsidiaries and recognized the retained 30% in the former subsidiaries at it's fair value at the dated when the control was lost. Although all day to day activities are performed by EPP, all key strategic, financial and operational decisions require the unanimous consent of both parties.

The aggregate consideration comprised of €61.3 million out of which €60 million was already received and additionally €1.3 million working capital recorded as receivable as of 31 December 2019. The gross asset value of offices disposed was equal to €188.3 million.

On the completion of the Transaction the group executed the rental guarantee agreements (the "RGAs") pursuant 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.

On 11 September 2019, HP EPP Office Venture B.V group acquired from Echo Investment O3 Business Campus office building (Stage III). The concluded acquisition was a part of the preliminary purchase agreement concluded on 4 October 2016 relating to O3 Business Campus, A4 Business Park, Tryton Business House and Symetris Business Park ("ROFO acquisition). The acquisition price of the property was €40.3 million.

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:

	Galeria Młociny €'000	Towarowa 22 €'000	Henderson Park €'000	Total €'000
Summarised statement of financial position 2019				
Current assets	18 332	533	17 707	36 572
Non-current assets – investment property	423 000	125 614	242 779	791 393
Other non-current assets	–	105	479	584
Total assets	441 332	126 252	260 965	828 549
Current liabilities	(65 277)	(4 907)	(5 568)	(75 752)
Non-current liabilities	(321 340)	(20 740)	(168 641)	(510 721)
Total liabilities	(386 617)	(25 647)	(174 209)	(586 473)
Equity	54 715	100 605	86 756	242 076
Group's share in %	70.00%	53.74%	30.00%	
Group's share in euro	38 301	54 065	26 027	118 393

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4. INVESTMENT IN JOINT VENTURES (continued)

	Galeria Młociny €'000	Towarowa 22 €'000	Total €'000
Summarised statement of financial position 2018			
Current assets	10 567	1 274	11 841
Non-current assets – investment property	328 300	102 000	430 300
Other non-current assets	–	–	–
Total assets	338 867	103 274	442 141
Current liabilities	(17 075)	(4 362)	(21 437)
Non-current liabilities	(267 904)	(186)	(268 090)
Total liabilities	(284 979)	(4 548)	(289 527)
Equity	53 888	98 726	152 614
Group's share in %	70.00%	53.74%	–
Group's share in euro	37 722	53 055	90 777

	Galeria Młociny €'000	**Towarowa 22 €'000**	**Henderson Park €'000**	**Total €'000**
Extract from statements of comprehensive income				
Rental income	**16 231**	**2 938**	**12 068**	**31 237**
Property expenses	**(5 078)**	**(1 244)**	**(2 373)**	**(8 695)**
Other expenses	**(904)**	**(264)**	**(847)**	**(2 015)**
Gain on valuation of investment property	**7 327**	**1 860**	**2 813**	**12 000**
Finance income	**46**	**–**	**8**	**54**
Amortised cost	**(5 360)**	**–**	**(134)**	**(5 494)**
Finance expense	**(8 160)**	**(2 490)**	**(4 096)**	**(14 746)**
Profit before income tax	**4 102**	**800**	**7 439**	**12 341**
Current income tax	**(326)**	**–**	**124**	**(202)**
Deferred income tax	**(3 455)**	**103**	**(1 560)**	**(4 912)**
Profit for the year/period	**321**	**903**	**6 003**	**7 227**
Other comprehensive income	**486**	**980**	**391**	**1 857**
Total comprehensive income for the year ended 31 December 2019	**807**	**1 883**	**6 394**	**9 084**
Proportion of the group's interest	**70.00%**	**53.74%**	**30.00%**	**–**
Foreign exchange reserve	**(341)**	**(527)**	**(117)**	**(985)**
Intercompany interest eliminated	**892**	**–**	**–**	**892**
Group's share of profit for the year ended 31 December 2019	**1 116**	**485**	**1 801**	**3 402**

4. INVESTMENT IN JOINT VENTURES (continued)

	Galeria Młociny €'000	Towarowa 22 €'000	Total €'000
Extract from statements of comprehensive income			
Rental income	491	3 081	3 572
Property expenses	(345)	(2 346)	(2 691)
Other expenses	(523)	(213)	(736)
Gain on valuation of investment property	40 491	(921)	39 570
Finance income	1 850	3 082	4 932
Finance expense	(1 176)	(256)	(1 432)
Profit before income tax	40 788	2 427	43 215
Income tax expense	(10 432)	155	(10 277)
Profit for the year/period	30 356	2 582	32 938
Other comprehensive income	(738)	(2 999)	(3 737)
Total comprehensive income for the year ended 31 December 2018	29 618	(417)	29 201
Proportion of the group's interest	70.00%	53.74%	–
Foreign exchange reserve	516	1 612	2 128
Intercompany interest eliminated	744	–	744
Group's share of profit for the year ended 31 December 2018	21 993	1 388	23 381

	Galeria Młociny €'000	**Towarowa 22 €'000**	**Henderson Park €'000**	**Total €'000**
Summarised statement of financial position				
Aggregate carrying amount of the investment in joint venture as at 31 December 2017	61 160	54 849	–	116 009
Increase related to share in profit from operations	21 249	1 387	–	22 636
Increase/(decrease) related to foreign currency translation	(516)	(1 612)	–	(2 128)
Long-term loans to joint ventures granted in 2018	823	1 358	–	2 181
Investment in joint ventures as at 31 December 2018	82 716	55 982	–	138 698
Increase related to formation of JV with Henderson Park	**–**	**–**	**24 359**	**24 359**
Increase related to share in profit from operations	**224**	**485**	**1 801**	**2 510**
Increase/(decrease) related to foreign currency translation	**341**	**527**	**117**	**985**
Long-term loans to joint ventures granted in 2019	**4 434**	**131**	**–**	**4 565**
Investment in joint ventures as at 31 December 2019	**87 715**	**57 125**	**26 277**	**171 117**

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

4. INVESTMENT IN JOINT VENTURES (continued)

	Galeria Młociny €'000	Towarowa 22 €'000	Total €'000
Reconciliation to carrying amount as at 31 December 2018			
Acquisition price	19 292	41 610	60 902
Share of profits	40 796	11 438	52 234
Investment accounted for using the equity method	60 088	53 048	113 136
Loans granted	22 628	2 934	25 562
Carrying amount as at 31 December 2018	82 716	55 982	138 698

	Galeria Młociny €'000	Towarowa 22 €'000	Henderson Park €'000	Total €'000
Reconciliation to carrying amount as at 31 December 2019				
Acquisition price	**19 292**	**41 610**	**24 359**	**85 261**
Share of profits	**41 360**	**12 450**	**1 918**	**55 728**
Investment accounted for using the equity method	**60 652**	**54 060**	**26 277**	**140 989**
Loans granted	**27 063**	**3 065**	**–**	**30 128**
Carrying amount as at 31 December 2019	**87 715**	**57 125**	**26 277**	**171 117**

5. INVESTMENT PROPERTIES

Class	Retail €'000	Office €'000	Total €'000
Balance as at 31 December 2017	1 347 072	308 500	1 655 572
Acquisitions	477 411	21 232	498 643
Capital expenditure on owned properties	30 134	9 359	39 493
Disposals	(13 372)	–	(13 372)
Capitalised letting fees	697	1 825	2 522
Amortisation of letting fees	(139)	(365)	(504)
Net gain/(loss) from fair value adjustment	43 535	(24 152)	19 383
Balance as at 31 December 2018	1 885 338	316 399	2 201 737
Acquisitions	**255 414**	**–**	**255 414**
Capital expenditure on owned properties	**10 786**	**8 945**	**19 731**
Disposals	**–**	**(188 300)**	**(188 300)**
Capitalised letting fees	**2 053**	**437**	**2 490**
Amortisation of letting fees	**(411)**	**(87)**	**(498)**
Net gain/(loss) from fair value adjustment	**3 796**	**(3 694)**	**102**
Balance as at 31 December 2019 per external valuer	**2 156 976**	**133 700**	**88 939**
Right of use – perpetual usufruct of land (IFRS 16)	**25 512**	**5 196**	**30 708**
Balance as at 31 December 2019	**2 182 488**	**138 896**	**2 321 384**

5. INVESTMENT PROPERTIES (continued)

Reconciliation to the remeasurement of IP

Class	Retail €'000	Office €'000	Total €'000
Straight-line rental income	(465)	(263)	(728)
Fair value adjustment – right of use, perpetual usufruct of land (IFRS 16)	(111)	(3)	(114)
Net gain/(loss) from fair value adjustment	3 796	(3 694)	102
Profit from investment properties	3 220	(3 960)	(740)

EPP group is a real estate group that owns a portfolio of 24 retail and 3 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 5.6% to 9.9% fully let, a long lease expiration profile and a portfolio weighted average unexpired lease term of over six years for retail portfolio and four years for office portfolio.

Valuation techniques

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

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

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

The 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.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

5. INVESTMENT PROPERTIES (continued)

Valuation techniques (continued)

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

	Level 1* €'000	Level 2** €'000	Level 3*** €'000	Total fair value €'000
2019				
Retail	–	–	2 182 488	2 182 488
Office	–	–	138 896	138 896
Total	–	–	2 321 384	2 321 384
2018				
Retail	–	–	1 885 338	1 885 338
Office	–	–	316 399	316 399
Total	–	–	2 201 737	2 201 737

* *Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.*
** *Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.*
*** *Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.*

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

	Valuation €'000	Valuation technique	Net initial yield %	Discount rate %	Exit cap rate %
2019					
Retail	2 182 488	Discounted cash flow	5.58 – 9.90	6.60 – 11.0	5.50 – 10.00
Office	138 896	Discounted cash flow	8.11 – 8.90	8.00 – 9.25	7.25 – 8.00
Total	2 321 384		–	–	–
2018					
Retail	1 885 338	Discounted cash flow	5.58 – 9.82	6.75 – 9.75	5.00 – 10.00
Office	316 399	Discounted cash flow	7.99 – 8.74	8.25 – 9.25	7.25 – 8.00
Total	2 201 737		–	–	–

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.

5. INVESTMENT PROPERTIES (continued)

Valuation techniques (continued)

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.

Acquisitions

M1 Tranche 2 portfolio

On 27 June 2019, the group announced the acquisition of the second tranche of M1 portfolio.

M1 portfolio consists of shopping centres and retail parks owned by Chariot Top group B.V., a consortium in which Redefine Properties Limited owns 25%. The assets aggregated value is €692,1 million. The acquisition was announced on 4 January 2018 and has been divided into three tranches.

Tranche 1, had a Gross Asset Value ("GAV') of €358.7 million and comprises of M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze totalling collectively 194 400 m² GLA and NOI of €25.1 million and was successfully concluded in January 2018.

Tranche 2 originally comprised of M1 Bytom, M1 Częstochowa, M1 Radom and Power Park Olsztyn, Power Park Opole and Power Park Kielce. Upon completion of the second tranche the composition of the properties has been consensually amended from six properties to four properties with a GLA of 141 000 m² for an aggregate value of €224 million, out of which €10 million was deferred for 12 months. The Second Tranche Acquisition comprised the properties known as M1 Radom, M1 Bytom, M1 Częstochowa and M1 Poznań.

Tranche 3 comprising of the remaining Power Parks: Olsztyn, Opole, Kielce and Tychy with GAV of €111.5 million and 111 100 m² GLA is to be completed in 2020.

Galeria Tęcza Kalisz

On 12 November 2019 EPP acquired 100% shares in Kalisz Retail sp. z o.o., the entity which holds the Galeria Tęcza in Kalisz, with GAV of 23.4 million and 15 900 m² GLA. In 2017 EPP granted loans to Kalisz Retail Sp. z o.o. and Aradiana Limited (previous shareholder of Kalisz Retail Sp. z o.o.) – as disclosed in note 9.

Malta Office Park, Symteris Business Park and O3 Business Campus

On 24 June 2019 EPP concluded a sale agreement to dispose of a 70% share in three of its office assets (Malta Office Park, Symetris Business Park and O3 Business Campus) with GAV of €188.3 million and GLA totalling 86 000 m² to JV partner Henderson Park Private Equity Fund as disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

6. LEASES

On a transition to IFRS 16 the group recognised an additional €33.4 million of right-of-asset (out of which 32.6 million was added to the value of investment property and 0.8 million to the value of other non-current asset) and €33.4 million of lease liabilities.

€'000	Right of perpetual usufruct	Land lease agreement	Other	Total
Right-of-use assets				
Balance as at 1 January 2019	30 426	2 119	824	33 369
Deprecation	–	–	(629)	(629)
Fair value adjustment	53	(167)	–	(114)
New agreements	533	48	1 100	1 681
Disposals	(2 743)	–	(8)	(2 751)
Balance as at 31 December 2019	28 269	2 000	1 287	31 556
Lease liabilities				
Balance as at 1 January 2019	30 426	2 119	824	33 369
Finance expense	2 206	90	34	2 330
Payments	(2 077)	(321)	(654)	(3 052)
New agreements	533	48	1 100	1 681
Disposals/liquidations	(2 159)	–	(8)	(2 167)
Balance as at 31 December 2019	28 929	1 936	1 296	32 161

€'000	Right of perpetual usufruct	Land lease agreement	Other	Total
Lease liabilities				
Short term	1 864	321	654	2 839
Long term	27 065	1 615	642	29 322

Analysis of sensitivity

The Company has carried the sensitivity analysis of the lease liability which examined the impact of changes of discount rate applied in the lease liability calculation assuming other factors unchanged.

The analysis was performed in order to present how reasonable change in the valuation assumption may impact the value of lease liability and right-to-use asset as at 1 January 2019. The Company assumed for perpetual usufruct rights to land the following changes of discount rate: -2%, -1%, -0,5%, +0,5%, +1%, +2% and for remaining types of leases: -1%, -0.5%, +0.5%, +1%, +2%.

			Value of the financial liability based on changed discount rates					
€'000	Value of right-to-use asset as at 1 January 2019	Value of financial liability as at 1 January 2019	-2%	-1%	-0.5%	0.5%	1%	2%
Perpetual usufruct rights to land	30 426	30 426	41 332	36 661	32 589	28 531	26 860	24 055
Land lease agreement	2 119	2 119	n/a	2 119	2 119	2 119	2 119	2 119
Other	824	824	n/a	835	829	818	813	802
Total	33 369	33 369	41 332	39 615	35 537	31 468	29 792	26 976

6. LEASES (continued)

Future payments related to the right of use

	Within 1 year €'000	2 – 5 years €'000	Beyond 5 years €'000
Perpetual usufruct	2 076	8 306	137 679
Land lease agreements	321	1 285	643
Other	372	402	–
Total	**2 769**	**9 993**	**138 322**

	2019 €'000	2018 €'000
7. TAX RECEIVABLES		
Corporate income tax	1 193	589
Total	**1 193**	589
8. TRADE AND OTHER RECEIVABLES		
Rent and service charge receivables	10 491	9 943
Prepayments and deferred costs	4 689	3 417
Value added tax	663	1 917
Other receivables	1 286	1 693
Total	**17 129**	16 970

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

As at 31 December 2019, we recorded ECL of €1 268 000 (€1 883 000 as at 31 December 2018 respectively).

See note 30 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.

9. LOANS RECEIVABLE

	2019 €'000	2018 €'000
Loans receivable in related entities	–	14 511
Other loans receivable	–	1 691
Long-term loans receivable	–	16 202
Loans receivable in related entities	–	–
Other loans receivable	6 723	5 635
Short-term loans receivable	**6 723**	5 635
Total	**6 723**	21 837

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

9. LOANS RECEIVABLE (continued)

Loans receivable comprised the following financial instruments:

ROFO loans – other loans receivable

Advances by EPP subsidiaries to each of the right of first offer ("ROFO") entities in connection with the ROFO projects. The advance represent 25% of the aggregate amount of the equity so far invested in the specified ROFO project at an agreed return. The contribution does not entitle EPP to any voting rights nor the share in the profit or loss other than realised profit on the sale of respective investment property. These advances bear interest at 2% per annum.

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

As of 31.12.2018 there were loans receivable granted related to the following projects: Opolska III, Libero and Sagittarius. As described in Note 4 in 2019 Opolska III building was purchased by joint venture HP EPP Office Venture BV (in which EPP holds 30% of shares) and the loan and respective profit share was paid to EPP. As of 31.12.2019 there were two ROFO loans left: Libero and Sagittarius.

€'000	31 December 2018	Fair value gain in P&L	Repayment	31 December 2019
ROFO loan				
Libero	1 691	1 302	(1 270)	1 723
Opolska III	1 110	2 217	(3 327)	–
Sagittarius	4 512	488	–	5 000
Total	7 313	4 007	(4 597)	6 723

Kalisz loans – loans receivable in related entities

Loans were granted in 2017 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 €21 820 000 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 were denominated in euro with a variable interest rate of Euribor 3M plus margin ranging from 7.3% to 7.6%.

In the course of 2018 the borrowers repaid €10 020 000 of the principal and €1 300 000 interest.

Both loans on top of the contractual cash flows of principal and interest contain also an instrument that, in case the property is sold, links the repayment of the loan to the residual proceeds from the sale.

As of 31 December 2018 the loans were classified as financial assets at FVTPL and amounted to €11 800 000 (Kalisz Retail s.p z o.o) and €1 500 000 (Aradiana Ltd).

On 12 November 2019 EPP signed a purchase agreement, where the shares of Kalisz Retail Sp z o.o. were acquired by EPP from Aradiana Ltd.

The consideration paid by EPP comprised two elements:

- cash payment €60 000
- sale of the loan granted to Aradiana (€1 500 thousand plus accrued interest) to its shareholder for €1.

Kalisz loan	31 December 2018	Fair value adjustment in P&L	Conversion to shares	31 December 2019
Kalisz	13 035	779	(13 814)	–
Aradiana	1 794	(1 794)	–	–

9. LOANS RECEIVABLE (continued)

JV loans

As of 31 December 2019 EPP has loans receivable granted to JV projects in the following amounts:

- Młociny €27.06 million.
- Towarowa €3.07 million.

which are presented on the consolidated statement of financial position in line "Investment in joint ventures" and are measured as financial assets at amortised cost.

The credit risk of JV's was assessed taking into consideration the net assets and liquidity situation presented in note 4:

- the borrowers are considered to have a strong capacity to meet their obligations resulting from loans
- the financial instruments have a low risk of default

The credit risk of the loans is assessed as very low and the ECL amount is immaterial. The company supported it's credit risk assessment of JV loans by valuations performed by external expert.

10. TENANTS' DEPOSITS AND OTHER MONETARY ASSETS

	2019 €'000	2018 €'000
Tenants deposits	**1 117**	10 424
Debt service	**7 414**	5 256
Capital expenditures and fit out	**3 312**	10 308
Other	**1 344**	1 583
Total current	**13 187**	27 571

	2019 €'000	2018 €'000
Tenants deposits	**7 021**	–
Total non-current	**7 021**	–

Tenants' deposits and other monetary assets are kept in large multinational banks with the following credit ratings, aggregated by percentage of deposits held by the banks with specific rating.

Fitch Rating	**2019 %**	2018 %
Banks with rating A-	**94**	89
Banks with rating BBB+	**6**	11

The entity credit risk exposure and concentration are closely monitored. Taking into account the good rating of banks holding the deposits, the ECL is considered immaterial. The factor that could impact a future change in the assessed ECL is the financial performance of the banks, which is closely monitored by EPP.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

11. CASH AND CASH EQUIVALENTS

	2019 €'000	2018 €'000
Cash at bank and on hand	**67 319**	60 340
Total	**67 319**	60 340

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.

12. SHARE CAPITAL

	2019	2018
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

	2019 €'000	2018 €'000
Ordinary shares issued and fully paid		
At the beginning of the period	**672 292**	571 026
Issued in the period	**63 145**	101 266
At the end of the period	**735 437**	672 292
Share premium		
At the beginning of period	**203 318**	147 534
Issued in the period	**26 343**	56 234
Transaction costs for issued share capital	**(1 434)**	(450)
At the end of the period	**228 227**	203 318

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 2019 and 31 December 2018 respectively. Where these are associates of directors of the company, this has been indicated.

12. SHARE CAPITAL (continued)

	Number of shares 2019	% of issued capital 2019	Number of shares 2018	% of issued capital 2018
Shareholder type				
Non-public shareholders	**403 248 417**	**44.41**	360 134 084	43.39
Directors and associates (direct and indirect)	**27 124 899**	**2.99**	36 147 976	4.36
Redefine Properties Ltd (holders > 10%)	**376 123 518**	**41.42**	323 986 108	39.03
Public shareholders	**504 698 375**	**55.59**	469 855 720	56.61
Total	**907 946 792**	**100.00**	829 989 804	100.00
Distribution of shareholders				
Public companies	**504 698 375**	**55.59**	353 622 810	42.61
Collective investment schemes	**132 183 840**	**14.56**	115 507 058	13.92
Organs of state	**61 640 634**	**6.79**	60 143 870	7.25
Private companies	**122 549 103**	**13.50**	59 767 482	7.20
Retail shareholders	**20 882 116**	**2.30**	21 590 528	2.60
Other	**65 992 724**	**7.26**	219 358 056	26.43
Total	**907 946 792**	**100.00**	829 989 803	100.00

Shares movements in 2018

On 4 January 2018 EPP issued 88 582 677 new ordinary shares at a price of €1.27 per share under the general authority to issue shares for cash. The shares were issued in relation to M1 first tranche acquisition described in note 5 to a non-public company GPF EPP JV BV.

In 2018 the company repurchased 1 832 000 shares at the average price of €1.26 per share and subsequently transferred it to the company's directors in relation to the share-based payment programme, together with the 2017 outstanding treasury 800 000 shares.

On 24 July 2018 the company issued 36 436 916 new ordinary shares at a price €1.24 per share pursuant to a vendor consideration placement to PLC Nominees (Pty) Ltd.

Post the issue of new shares the ordinary share capital of the company as of 31 December 2018 comprised of 829 989 803 ordinary shares of €0.81 each (all of which are listed on the LuxSE and the JSE) and 1 preference share of €0.81 (not listed on any stock exchange).

Share movements in 2019

During April 2019 EPP successfully placed 77 956 989 new shares with various new and existing shareholders at a price of €1.15 per share (at a price of ZAR18.60 per share under the general authority to issue shares for cash). The proceeds were used to partially fund the acquisition of tranche 2 of the M1 portfolio.

The ordinary share capital of the company as of 31 December 2019 comprised 907 946 792 ordinary shares of €0.81 each (all of which are listed on the LuxSE and the JSE) and 1 preference share of €0.81 (not listed on any stock exchange).

There are no special dividend distribution rights attributed to the preference share anymore, after distribution of special dividend in 2017.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

13. DISTRIBUTIONS MADE AND PROPOSED

	2019 €'000	2018 €'000
Dividend related to prior year	**47 415**	40 029
Interim dividend first half year	**52 661**	48 305
Total cash dividend paid out until the reporting date	**100 076**	88 334
Proposed dividend second half year	**52 864**	47 973

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 2019 and 31 December 2018 respectively.

14. SHARE-BASED PAYMENTS

On 8 December 2017 at the company's extraordinary general meeting the 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.

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, 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 programme includes 10 tranches in total, the schedule of settlement dates, end of lock-up periods and reference periods are presented in 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 2019+n – 31 December 2019+n**	First business day of July 2020+n year	**First business day of July 2022+n**

14. SHARE-BASED PAYMENTS (continued)

(1) The programme includes 10 tranches in total.

The first tranche was transferred without any conditions. For each of the next tranches the LTI Plan stipulates the following 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 appropriate tranche.

(3) Performance conditions are as follows:

(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;

(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 ended 31 December 2017 the first tranche of 1 850 000 shares was 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.

In the year ended 31 December 2018 the second tranche of 1 832 000 shares, together with 800 000 shares outstanding from the first tranche, was transferred to the members of key personnel, their fair value amounting to €3 095 222.

In the year ended 31 December 2019 the third tranche of 1 850 000 shares was transferred to the members of key personnel, the fair value amounting to €2 142 195.

The LTI 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.

The table below summarises the reference date (31 December 2019) financial parameters for tranches IV to X:

Dividend rate	Interest rate	Exchange rate	Share growth adjustment	Initial share price
8%	8.92%	0.06	0%	18.50

Expenses arising from share-based payment transactions recognised in 2019 amounted to €2 801 000. Total expenses in 2018 amounted to €4 107 000.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

15. BANK BORROWINGS

	Liabilities at amortised cost		Liabilities at amortised cost	
	Non-current 2019 €'000	**Current 2019 €'000**	Non-current 2018 €'000	Current 2018 €'000
Interest rate:				
Floating interest rate (3M EURIBOR, 1M WIBOR)	**1 291 838**	**34 127**	1 273 767	30 575
Fixed interest rate	**–**	**–**	–	–
Secured by IRS	**1 087 956**	**30 446**	1 081 488	26 679

All bank borrowings are denominated in euro.

As at 31 December 2019 all bank loan covenants have been met.

	€'000
Change in liabilities arising from financing activities	
Bank borrowings as at 31 December 2017	948 338
Changes in a group	277 457
Proceeds from borrowings	457 560
Repayment of borrowings and interest	(379 013)
Bank borrowings as at 31 December 2018	1 304 342
Changes in a group	**(110 887)**
Proceeds from borrowings	**187 646**
Repayment of borrowings and interest	**(55 136)**
Bank borrowings as at 31 December 2019	**1 325 965**

During the year 2019 there were following significant movements in bank borrowings:

- the group enlisted bank borrowings for the purchase of the second tranche of M1 portfolio in the amount of €115 million and Tęcza Kalisz in the amount of €9.7 million and disposed bank loans related to the sale of three offices (Malta Office Park, Symetris Business Park and O3 Business Campus) in the amount of €111 million.
- the group obtained refinancing and paid off debt related to Park Rozwoju office building and additional €25 million was drawn under the facility agreement with CPPIB Credit Investment Inc totalling €155 million with remaining €95 million that can still be utilised.

16. TAX PAYABLES

	2019 €'000	2018 €'000
Corporate income tax	**359**	1 960
Total	**359**	1 960

17. TRADE PAYABLES AND OTHER LIABILITIES

	2019 €'000	2018 €'000
Current		
Trade payables	**7 147**	19 272
Wages and salaries payables	**396**	524
Deferred income	**1 616**	1 079
Accruals	**6 574**	1 830
Deposits received from tenants	**1 117**	838
Rental guarantees	**6**	1 340
Value added tax	**1 499**	1 284
Other	**6 704**	3 021
Deferred payment and working capital reconciliation 2nd tranche M1 transaction	**13 122**	–
Total current	**38 181**	29 188
Non-current		
Deposits received from tenants	**7 021**	9 733
Rental guarantees	**2 677**	2 250
Rent paid in advance	**3 536**	3 807
Other	**–**	545
Total non-current	**13 234**	16 335

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 30.

18. REVENUE

	2019 €'000	2018 €'000
Rental income and recoveries	**163 633**	157 506
Rental income	**141 629**	135 817
Straight-line rental income	**729**	1 950
Property tax recharge	**9 462**	8 696
Turnover rent	**1 234**	2 087
Parking income	**2 301**	2 152
Advertising	**1 153**	1 274
Guarantees	**5 247**	4 079
Property management	**1 878**	1 451
Service charge and recoveries income	**37 676**	39 610
Total revenues	**201 309**	197 116

Guarantees line consists of rental guarantee payments received from Chariot Top group B.V. in relation to M1 portfolio assets.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

19. ADMINISTRATIVE EXPENSES

	2019 €'000	2018 €'000
Wages and salaries	(2 889)	(1 844)
Long-term incentive plan	(2 802)	(4 107)
External services	(8 445)	(8 576)
Other administrative expenses	–	–
Selling costs	(1 603)	(1 294)
Total administrative expenses	**(15 739)**	(15 821)

The audit fees for group and statutory auditors included in the external services line amount to €498 000 (2018: €537 000).

20. FINANCE INCOME

	2019 €'000	2018 €'000
Interest on loans granted	1 694	1 600
Fair value remeasurement of ROFO loans (profit share)	4 058	3 087
Other	477	178
Total finance income	**6 229**	4 865

21. FINANCE COST

	2019 €'000	2018 €'000
Interest on bank loans	(33 202)	(30 877)
Amortised cost valuation	(4 976)	(3 259)
Cost of bank debt refinancing	(1 153)	(3 024)
Other interest expense (including not eliminated interest expense from related party)	(177)	(2 598)
IFRS 16 lease liability discount	(2 210)	–
Fair value measurement of loans	(1 927)	–
Total finance cost	**(43 645)**	(39 758)

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 or loss from the joint ventures. The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property and the occupier market it serves. Management considers that this is best achieved by aggregating into retail and office segments.

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

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

The group's administrative costs, finance revenue, finance costs and income taxes are not reported to the members of the executive management team on a segment basis. The operations between segments are eliminated for consolidation purposes. Segment assets represent investment property and the investment in the joint ventures. Segment liabilities represent loans and borrowing, as these are the only liabilities reported to the board on a segmental basis.

Cumulative top 10 retail and office tenants represent 32% of rental income.

	Retail €'000	Office €'000	Unallocated €'000	Total €'000
2019				
Segment profit				
Rent and recoveries income	177 268	22 432	1 609	201 309
Property operating expenses	(45 876)	(7 068)	(265)	(53 209)
Net property income	131 392	15 364	1 344	148 100
Investment in joint ventures	144 840	26 277	–	171 117
Investment property	2 182 488	138 896	–	2 321 384
Total segment assets	2 327 328	165 173	–	2 492 501
Bank borrowings	1 114 764	61 464	149 737	1 325 965
Total segment liabilities	1 114 764	61 464	149 737	1 325 965

	Retail €'000	Office €'000	Unallocated €'000	Total €'000
2018				
Segment profit				
Rent and recoveries income	162 256	33 402	1 458	197 116
Property operating expenses	(43 878)	(10 134)	(430)	(54 442)
Net property income	118 378	23 268	1 028	142 674
Investment in joint ventures	138 698	–	–	138 698
Investment property	1 885 337	316 400	–	2 201 737
Total segment assets	2 024 035	316 400	–	2 340 435
Bank borrowings	1 009 100	171 412	123 830	1 304 342
Total segment liabilities	1 009 100	171 412	123 830	1 304 342

All revenues were generated from external customers based in Poland.

All investment properties are located in Poland.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

23. INCOME TAX

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" ("GAV") 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 has no precedence in the Polish taxation regime.

The major components of income tax expense are:

	2019 €'000	2018 €'000
Statement of profit or loss		
Current income tax:		
Current income tax charge	**9 807**	8 914
Deferred income tax:		
Relating to origination and reversal of temporary differences	**11 808**	4 513
Income tax expense reported in the statement of profit or loss	**21 615**	13 427

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

	2019 €'000	2018 €'000
Accounting profit before tax	**87 780**	137 592
Income tax at Poland's statutory tax rate of 19%	**16 678**	26 142
Profits from joint ventures	**(646)**	(4 442)
Withholding tax charge presented in current tax line	**834**	1 674
Derecognition of previously recognised deductible temporary differences	**1 683**	–
Adjustments attributable to prior year tax	**1 344**	(4 130)
Difference in overseas tax	**2 465**	(2 037)
GAV	**271**	171
Previously unrecognised tax losses now recouped to reduce current tax expense	**(1 014)**	(3 951)
Income tax expense reported in the statement of profit or loss	**21 615**	13 427
Deferred tax assets/liabilities		
Deferred income tax assets	**687**	1 908
Deferred income tax liabilities		
Revaluation of investment property to fair value	**108 192**	97 645
Loans and borrowings (measurement, foreign exchange differences, etc)	**2 230**	(420)
Losses available for offsetting against future taxable income	**(1 049)**	(967)
Other	**70**	852
Deferred tax liabilities net	**109 443**	97 110

The deferred tax liability of €108.2 million 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.

23. INCOME TAX (continued)

In addition, IFRS also requires to assume that such envisaged transaction will be performed as a disposal of all asset subject to fair valuation. Any other possible transactions such as disposal of shares in entity owning the assets, which would result in a different taxation regime are being ignored from perspective of IFRS. The amount of unused tax losses for which no deferred tax asset is recognised is €18.4 million in 2019 and €13 million in 2018.

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

	2019 €'000	2018 €'000
Profit for the period attributable to EPP shareholders	**66 165**	124 165
Change in fair value of investment properties including JV net of tax	**(5 045)**	(36 711)
Change in fair value of investment properties including JV net of tax	**740**	(17 473)
Deferred tax on change in fair value of properties	**(141)**	3 320
Change in fair value of properties in JV	**(6 972)**	(27 849)
Deferred tax on change in fair value of properties in JV	**1 328**	5 291
Headline and diluted earnings attributable to EPP shareholders	**61 120**	87 454
Actual number of shares in issue	**907 946 793**	829 989 804
Shares in issue for distributable earnings	**907 946 792**	829 989 803
Weighted number of shares in issue	**883 598 583**	808 554 466
Basic and diluted earnings per share (€ cents)*	**7.49**	15.36
Headline earnings and diluted headline earnings per share (€ cents)**	**6.92**	10.82

** There are no dilutionary instruments in issue and therefore basic earnings and diluted earnings are the same.*
*** Calculated based on actual number of shares in issue as at 31 December 2019 and 31 December 2018 respectively.*

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:

	2019 €'000	2018 €'000
NAV attributable to ordinary equity holders of the parent (excluding deferred tax)	**1 196 129**	1 117 891
Net tangible asset value (excluding deferred tax)	**1 196 129**	1 117 891
Number of ordinary shares at the reporting date (thousands)	**907 947**	829 990
NAV per share (excluding deferred tax) (€)	**1.317**	1.347
Net tangible asset value per share (€)	**1.317**	1.347

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as at 31 December 2019 and for the year ended 31 December 2019

26. RELATED-PARTY DISCLOSURES

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

€'000	Sales to related parties	Purchases from related parties	Amounts due to related parties	Amounts due from related parties
Redefine				
2019	**–**	**–**	**–**	**–**
2018	–	746	–	–
Chariot Top group				
2019	**3 871**	**400**	**400**	**174**
2018	4 079	–	–	1 693
Echo Investment group*				
2018	4 661	1 236	n/a	n/a
Griffin RE group				**–**
2019	**–**	**901**	**–**	**–**
2018	–	2 966	–	–

** Echo Investment group was considered a related party in the year 2018 until the date of sale of shares in EPP (7 November 2018).*

€'000	Interest	Amounts due from related parties
Loans to related parties		
Long-term loans to JV		
2019	**1 478**	**28 650**
2018	1 151	25 562
Griffin RE group		
2019	**–**	**–**
2018	1 503	14 511

Loans to related parties are described in the note 9.

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 2019, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: €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.

26. 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 2019 and 31 December 2018 respectively:

	Directly	Indirectly	Total	Percentage[2]
2019				
Directors' interests				
Director				
Hadley Dean	**84 000**	**2 882 000**	**2 966 000**	**0.33**
Marc Wainer[1]	**–**	**22 774 899**	**22 774 899**	**2.51**
Robert Weisz	**34 000**	**–**	**34 000**	**0.00**
Jacek Bagiński	**1 350 000**	**–**	**1 350 000**	**0.15**
Total	**–**	**–**	**27 124 899**	**2.99**

[1] Marc Weiner held 40% of the equity in The Big Five International Limited, which held 13 054 899 EPP shares and he held equity in the Drawood Trust, which had 9 720 000 EPP shares as of 31 December 2019.
[2] The total percentage is calculated as total number of EPP shares held by EPP directors divided by the total number of shares.

	Directly	Indirectly	Total	Percentage[3]
2018				
Directors' interests				
Beneficially held				
Director				
Hadley Dean	84 000	2 082 000	2 166 000	0.26
Marc Wainer	–	31 626 753[1]	–	3.81
Andrew König	1 421 223	21 906 753[2]	1 421 223	2.64
Robert Weisz	34 000	–	34 000	0.00
Jacek Bagiński	900 000	–	900 000	0.11
Total	2 439 223	–	–	4.36

[1] Marc Wainer held 40% of the equity in The Big Five International Limited, which held 21 906 753 EPP shares and he held equity in the Drawood Trust, which had 9 720 000 EPP shares as of 31 December 2018.
[2] Andrew König held 19% of the equity in The Big Five International Limited, which held 21 906 753 EPP shares at 31 December 2018.
[3] The total percentage is calculated as total number of EPP shares held by EPP directors divided by the total number of 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 2019 and the date of these financial statements.

Directors' interests in transactions

Maciej Dyjas and Nebil Senman as direct beneficial shareholders of Griffin and indirect beneficial shareholders of Echo Investment had beneficial interest in the following transactions effected by the company in 2018 and 2019:

- Griffin advisory agreement
- ROFO projects acquisitions from Echo Investment
- Warsaw retail development site agreement (Towarowa 22)
- Loans granted to Aradiana Ltd and Kalisz Retail sp z o.o. and subsequent acquisition of Kalisz Retail sp z o.o.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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27. FUTURE OPERATING LEASE REVENUE

The group has entered into leases on its property portfolio. The commercial property leases typically have lease terms of between 5 and 15 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

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

	Retail €'000	Office €'000	Total €'000
2019			
Within one year	**142 783**	**8 523**	**151 306**
Between two and five years	**335 585**	**32 262**	**367 847**
Beyond five years	**151 436**	**5 625**	**157 061**
Total	**629 804**	**46 410**	**676 214**
2018			
Within one year	118 747	25 297	144 044
Between two and five years	379 790	62 441	442 231
Beyond five years	164 917	16 392	181 309
Total	663 454	104 130	767 584

28. DIRECTORS' REMUNERATION

The details of the directors' emoluments accrued or paid for the year ended 31 December 2019 and period to 31 December 2018 are set out in the table below:

	Fixed remuneration			Variable remuneration			
	Basic salaries €'000	Directors' fees €'000	Other[1] €'000	STI – bonuses and other performance payments €'000	LTI share-based payment[2] €'000	Total €'000	Proportion fixed/variable remuneration %
2019							
Executive directors							
Hadley Dean	**500**	**–**	**40**	**459**	**926**	**1 925**	**39**
Jacek Bagiński	**300**	**–**	**21**	**290**	**521**	**1 132**	**40**
Non-executive directors							
Robert Weisz	**–**	**100**	**–**	**–**	**–**	**100**	**100**
Marc Wainer	**–**	**70**	**–**	**–**	**–**	**70**	**100**
Marek Belka	**–**	**70**	**–**	**–**	**–**	**70**	**100**
Andrew König*	**–**	**30**	**–**	**–**	**–**	**30**	**100**
Taco de Groot**	**–**	**49**	**–**	**–**	**–**	**49**	**100**
Maciej Dyjas	**–**	**60**	**–**	**–**	**–**	**60**	**100**
Nebil Senman*	**–**	**35**	**–**	**–**	**–**	**35**	**100**
Pieter Prinsloo**	**–**	**53**	**–**	**–**	**–**	**53**	**100**
Dionne Ellerine	**–**	**80**	**–**	**–**	**–**	**80**	**100**
Andrea Steer	**–**	**90**	**–**			**90**	**100**
Peter Driessen*	**–**	**37**	**–**			**37**	**100**
James Templeton**	**–**	**35**	**–**			**35**	**100**
Total	**800**	**709**	**61**	**749**	**1 447**	**3 766**	

** Until 11 June 2019.*
*** From 11 June 2019.*

28. DIRECTORS' REMUNERATION (continued)

	Fixed remuneration			Variable remuneration			
	Basic salaries €'000	Directors' fees €'000	Other[1] €'000	STI – bonuses and other performance payments €'000	LTI share-based payment[2] €'000	Total €'000	Proportion fixed/ variable remuneration %
2018							
Executive directors							
Hadley Dean	500	–	22	500	987	2 009	35
Jacek Bagiński	300	–	19	300	568	1 187	37
Non-executive directors							
Robert Weisz	–	100	–	–	–	100	100
Marc Wainer	–	70	–	–	–	70	100
Marek Belka	–	70	–	–	–	70	100
Andrew König	–	60	–	–	–	60	100
Maciej Dyjas	–	60	–	–	–	60	100
Nebil Senman	–	70	–	–	–	70	100
Dionne Ellerine	–	80	–	–	–	80	100
Andrea Steer	–	100	–	–	–	100	100
Peter Driessen	–	84	–	–	–	84	100
Total	800	694	41	800	1 555	3 890	

**STI bonuses for the year 2018 were paid in the same amounts as accrued in the 2018 financial statements.*
[1] Other includes car lease expenses and medical insurance.
[2] The share-based payments represent the value of shares transferred to the board members in 2018

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 long-term incentive scheme are disclosed in note 14.

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29. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES

The group simplified it's legal structure in 2019, by liquidations and mergers of holding entities. The reorganisation did not have any impact on consolidated financial statements. The consolidated financial statements of the group include the financial statements of the company, the subsidiaries and joint ventures listed in the following table as at 31 December 2019:

	Name	Country of incorporation	Principal activities	Date of control	**Share 2019 %**	Share 2018 %
1	EPP N.V.	Netherlands	Parent			
2	EPP Finance B.V.	Netherlands	Holding company	22 March 2018	**100**	100
3	EPP GP B.V.	Netherlands	Holding company	20 September 2018	**100**	100
4	EPP (Cyprus) – 1 PLC	Cyprus	Holding company	14 December 2016	**100**	100
5	EPP (Cyprus) – 2 Limited	Cyprus	Holding company	14 December 2016	**100**	100
6	EPP Sp. z o.o.	Poland	Holding company	10 May 2016	**100**	100
7	EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Holding company	10 May 2016	**100**	100
8	EPP Retail – Veneda Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
9	EPP Retail – Galeria Sudecka Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
10	EPP Office – Astra Park Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
11	EPP Retail – Centrum Przemyśl Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
12	EPP Retail – Galaxy Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
13	EPP Retail – Galeria Amber Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
14	EPP Retail – Galeria Olimpia Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
15	EPP Retail – Outlet Park Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
16	EPP Retail – Pasaż Grunwaldzki Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
17	EPP Retail – Centrum Bełchatów Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
18	EPP Retail – Galeria Echo Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
19	Grupa EPP Sp. z o.o.	Poland	Holding company	12 May 2016	**100**	100
20	Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Holding company	12 May 2016	**100**	100
21	Norcross Sp. z o.o.	Poland	Holding company	25 November 2016	**100**	100
22	EPP Office – Symetris Business Park Sp. z o.o. (previously Orkney Sp. z o.o.)	Poland	Property investment	25 November 2016	**30**	100

29. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (continued)

	Name	Country of incorporation	Principal activities	Date of control	**Share 2019 %**	Share 2018 %
23	EPP Office – O3 Business Campus Sp. z o.o. (previously Otway Holdings Sp. z o.o.)	Poland	Property investment	25 November 2016	**30**	100
24	EPP Office – Malta Office Park Sp. z o.o.	Poland	Property investment	25 November 2016	**30**	100
25	EPP Office – Park Rozwoju Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
26	Pebworth Sp. z o.o.	Poland	Holding company	25 November 2016	**100**	100
27	Oxygen Szczecin Sp. z o.o.	Poland	Holding company	23 May 2016	**100**	100
28	Projekt Echo 138 Sp. z o.o.[1]	Poland	Holding company	22 December 2016	**70**	70
29	Trappaud Sp. z o.o.	Poland	Holding company	25 November 2016	**100**	100
30	EPP Office – Oxygen Sp. z o.o.	Poland	Property investment	25 November 2016	**100**	100
31	EPP Retail – Galeria Solna HoldCo Sp. z o.o.	Poland	Holding company	12 July 2017	**100**	100
32	Rosehill Investments Sp. z o.o.[2]	Poland	Holding company	31 May 2017	**70**	70
33	EPP Retail – Galeria Solna Sp. z o.o.	Poland	Property investment	12 July 2017	**100**	100
34	EPP – Oxygen Szczecin Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	**100**	100
35	Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. [1]	Poland	Property investment	22 December 2016	**53.74**	53.74
36	Berea Sp. z o.o.	Poland	Property investment	31 May 2017	**70**	70
37	EPP Retail – Zakopianka Sp. z o.o.	Poland	Property investment	25 April 2017	**100**	100
38	EPP Retail – Twierdza Kłodzko Sp. z o.o.	Poland	Property investment	14 June 2017	**100**	100
39	EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Poland	Property investment	14 June 2017	**100**	100
40	EPP Retail – Twierdza Zamość Sp. z o.o.	Poland	Property investment	14 June 2017	**100**	100
41	EPP Facility Management Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property management	1 July 2016	**100**	100
42	EPP Property Management – Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property management	1 July 2016	**100**	100
43	EPP Development 5 Sp. z o.o.	Poland	Holding company	14 November 2017	**100**	100
44	EPP Development 6 Sp. z o.o.	Poland	Property investment	24 November 2017	**30**	100
45	EPP Poznań Żonkil Sp. z o.o. (previously EPP Development 7 Sp. z o.o.)	Poland	Property investment	20 December 2017	**100**	100
46	EPP Development 8 Sp. z o.o.	Poland	Holding company	28 December 2018	**100**	100
47	EPP Development 1 Sp. z o.o.	Poland	Property investment	4 January 2018	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

29. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (continued)

	Name	Country of incorporation	Principal activities	Date of control	**Share 2019 %**	Share 2018 %
48	EPP Development 2 Sp. z o.o.	Poland	Property investment	4 January 2018	**100**	100
49	Galeria Sudecka Sp. z o.o.	Poland	Holding company	23 May 2016	**100**	100
50	Outlet Park Szczecin Sp. z o.o.	Poland	Holding company	23 May 2016	**100**	100
51	Malta Office Park Sp. z o.o.	Poland	Holding company	23 May 2016	**100**	100
52	EPP Development 3 Sp. z o.o.	Poland	Property investment	4 January 2018	**100**	100
53	EPP Development 4 Sp. z o.o.	Poland	Property investment	4 January 2018	**100**	100
54	EPP Retail – M1 Bytom Sp. z o.o.[4]	Poland	Property investment	27 June 2019	**100**	–
55	EPP Retail – M1 Częstochowa Sp. z o.o.[4]	Poland	Property investment	27 June 2019	**100**	–
56	EPP Retail – M1 Radom Sp. z o.o.[4]	Poland	Property investment	27 June 2019	**100**	–
57	EPP Retail – M1 Poznań Sp. z o.o.[4]	Poland	Property investment	27 June 2019	**100**	–
58	EPP Retail – Tęcza Kalisz Sp. z o.o.[5]	Poland	Property investment	12 November 2019	**100**	–

[1] *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.*
[2] *The group has 70% share in Rosehill Investments Sp. z o.o., a holding entity related to Galeria Młociny project, which under shareholders' agreement is a joint venture with Echo Investment group with equity-accounting method applied.*
[3] *On the 24 June 2019 EPP disposed 70% of shares and formed joint venture with Henderson Park.*
[4] *On 27 June 2019 EPP acquired 2nd tranche of M1.*
[5] *On 12 November 2019 EPP acquired shopping mall Tęcza Kalisz.*

30. 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 entity is exposed to interest rate risk and foreign exchange risk.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2019, after taking into account the effect of interest rate swaps, 84.3% of the group's borrowings are economically hedged (85.0% as at 31 December 2018 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.

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 basis points €'000	Effect on profit before tax €'000
2019		
EURIBOR	**30**	**–**
EURIBOR	**(30)**	**–**
WIBOR	**30**	**–**
WIBOR	**(30)**	**–**
2018		
EURIBOR	30	–
EURIBOR	(30)	–
WIBOR	30	–
WIBOR	(30)	–

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 the presentation currency.

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

- Cash and cash equivalent
- Trade receivables
- Trade payables

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange rate risk (continued)

	2019 **€'000**	2018 €'000
Consolidated statement of comprehensive income		
Polish Zloty strengthens by 10%	**3 155**	6 819
Polish Zloty weakens by 10%	**(2 582)**	(5 579)

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.

The credit exposure of the group arising from the financial assets as disclosed in note 8 and note 9, represents the maximum credit exposure due to financial assets.

As required by IFRS 9, the group used the simplified approach in calculating ECL for trade receivables that do not contain a significant financing component. The group applied the practical expedient to calculate ECL using a provision matrix.

In the simplified model, the group estimates the expected credit loss in the horizon up to maturity of the instrument.

The group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The group has identified the following groups for the purpose of that analysis:

- Rental revenues – office (O)
- Rental revenues – retail (R)
- Other revenues (Other)

The provision matrix is initially based on the group's historical observed default rates for each group of receivables adjusted for forward-looking factors specific to the debtors and the economic environment.

Tenant receivables

Tenants are assessed according to group criteria prior to entering into lease arrangements. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Credit risk is managed by requiring tenants to pay deposits or provide bank guarantees. 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 2019 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments:

	Up to 1 year €'000	1 to 3 years €'000	3 to 5 years €'000	>5 years €'000	Total €'000
2019					
Bank borrowings	**34 127**	**814 632**	**381 147**	**108 675**	**1 338 581**
Related-party financial liabilities	**–**	**–**	**–**	**–**	**–**
Deposits from tenants	**1 117**	**3 141**	**1 542**	**2 338**	**8 138**
Trade and other payables	**35 863**	**3 270**	**594**	**2 349**	**42 076**
2018					
Bank borrowings	29 766	902 282	386 429	–	1 318 477
Related-party financial liabilities	92				92
Deposits from tenants	838	4 153	3 479	2 101	10 571
Trade and other payables	28 350	3 688	587	2 327	34 952

The disclosed amounts for financial derivatives (included in bank borrowings) in the above table are the undiscounted cash flows.

Fair values

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

	Carrying value €'000	Fair value €'000
2019		
Financial assets		
Rent and other receivables	**10 491**	**10 491**
Tenants' deposits and other monetary assets	**20 208**	**20 208**
Cash and short-term deposits	**67 319**	**67 319**
Loans receivable	**6 723**	**6 723**
Loans granted to JV	**30 128**	**30 128**
Financial liabilities		
Interest-bearing loans and borrowings	**1 325 965**	**1 325 965**
Deposits from tenants	**8 138**	**8 138**
Trade and other payables	**42 076**	**42 076**
2018		
Financial assets		
Rent and other receivables	9 943	9 943
Tenants' deposits and other monetary assets	27 571	27 571
Cash and short-term deposits	60 340	60 340
Loans receivable	21 837	21 837
Loans granted to JV	25 562	25 562
Financial liabilities		
Interest-bearing loans and borrowings	1 304 342	1 304 342
Deposits from tenants	10 571	10 571
Trade and other payables	34 952	34 952

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy

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

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
2019				
Loans receivable	**–**	**6 723**	**–**	**6 723**
Trade and other payables	**–**	**42 076**	**–**	**42 076**
2018				
Loans receivable	–	21 837	–	21 837
Trade and other payables	–	34 952	–	34 952

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 2019 and 31 December 2018, 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 2019 and as at 31 December 2018.

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 ("LTV"), 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%.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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.

	2019 €'000	2018 €'000
Interest-bearing loans	**1 325 965**	1 304 342
Cash without tenants' deposits	**(67 319)**	(77 487)
Net indebtedness	**1 258 646**	1 226 855
Investment property	**2 321 384**	2 201 737
Investment in joint venture	**171 117**	138 698
Loans receivable and tenants deposits	**26 932**	21 837
Total investment assets	**2 519 433**	2 362 272
Loan-to-value ratio	**50.0%**	51.9%

31. EMPLOYEES

The average number of employees, expressed in full-time equivalents, in 2019 was 220 (2018: 198 respectively) and can be detailed as follows:

	Number of employees 2019	Number of employees 2018
Department		
Retail	**94**	95
Office	**9**	10
Other	**117**	93
Total	**220**	198

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

32. COMMITMENTS AND CONTINGENCIES

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

	Amount €'000	Maturity	Description
2019			
Bank Zachodni WBK S.A.	**23 870**	30 June 2020	Guarantee of borrower's obligations related to project Młociny (Berea Sp. z o.o.) resulting from agreement dated 17 October 2017.
IB 6 Fundusz Inwestycyjny Zamkniety Ak ywow Niepublicznych and GPF 3 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych	**72 000**	31 October 2021	Guarantee of borrowers obligations granted by EPP (Cyprus) – 1 PLC of bonds' redemption (Rosehill Sp. z o.o.) in case of the occurrence one of the guarantees acts described in the guarantee agreement dated 31 August 2017
Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP SA)	**203 547**	22 August 2023	Guarantee of borrower's obligations granted by EPP NV for obligations under the facility agreement dated 7 August 2018, and related finance documents, upon the occurrence of a building permit event (as defined in the guarantee agreement). The guarantee may be terminated and replaced by a support agreement after the lender receives title insurance for Kielce property covering risks connected with the building permit event, with appropriate endorsement of rights under such policy to the bank.
Griffin Finance III Sp. z o.o.	**27 000**	23 May 2029	Suretyship granted by EPP NV for the payment of the purchase price resulting from Towarowa acquisition agreement upon occurrence of the prerequisites envisaged in the agreement.
PGE Obrot SA	**1 349**	1 January 2021	Guarantee granted by EPP NV for the payment of obligations of companies: ◗ EPP Retail Galaxy Sp. z o.o., ◗ EPP Retail Galeria Echo Sp. z o.o., ◗ EPP Retail Pasaż Grunwaldzki Sp. z o.o., ◗ Kalisz Retial Sp. z o.o., to the energy provider PGE.
Chariot Top group B.V.	**43 800**	30 June 2020	Contingent commitment related to M1 acquisition: Tranche III (Power Park Olsztyn, Power Park Opole, Power Park Kielce, Power Park Tychy.

On the completion of the sale of the Henderson portfolio (as described in note 4) the group entered into 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.

32. COMMITMENTS AND CONTINGENCIES (continued)

	Amount €'000	Maturity	Description
2018			
Bank Zachodni WBK S.A.	23 870	30 June 2020	Guarantee of borrower's obligations related to project Młociny (Berea Sp. z o.o.) resulting from agreement dated 17 October 2017.
IB 6 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych and GPF 3 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych	72 000	31 October 2021	Guarantee of borrowers obligations granted by EPP (Cyprus) – 1 PLC of bonds' redemption (Rosehill Sp. z o.o.) in case of the occurrence one of the guarantees acts described in the guarantee agreement dated 31 August 2017.
Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP SA)	203 547	22 August 2023	Guarantee of borrowers obligations granted by EPP NV for obligations under the facility agreement dated 7 August 2018, and related finance documents, upon the occurrence of a building permit event (as defined in the guarantee agreement). The guarantee may be terminated and replaced by a support agreement after the lender receives title insurance for Kielce property covering risks connected with the building permit event, with appropriate endorsement of rights under such policy to the bank.
Fidelin Development spółka z ograniczoną odpowiedzialnością spółka komandytowa	42 000	23 May 2029	Suretyship granted by EPP NV for the payment of the purchase price resulting from Towarowa acquisition agreement upon occurrence of the prerequisites envisaged in the agreement.

The group's bank borrowings are secured on pledges on the respective investment properties.

With relation to the Facilities Agreement dated 31 October 2018 with CPPIB Credit Investments Inc. the borrowing is secured on pledges on shares held by EPP Finance BV, EPP GP BV and EPP (Cyprus) – 1 PLC and on first ranking registered pledges on respective bank accounts.

33. EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events do be disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

as at 31 December 2019 and for the year ended 31 December 2019

Signatures of members of board of directors:

Hadley Dean
Chief executive officer

Jacek Bagiński
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marek Belka
Independent non-executive director

Taco de Groot
Independent non-executive director

Maciej Dyjas
Non-executive director

Dionne Ellerine
Independent non-executive director

Pieter Prinsloo
Non-executive director

James Templeton
Independent non-executive director

Andrea Steer
Independent non-executive director

Marc Wainer
Non-executive director

Amsterdam, 10 March 2020

EPP N.V. STANDALONE FINANCIAL STATEMENTS

COMPANY STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

	2019 €'000	2018 €'000
Other results after taxation (refer to note 3)	**(17 334)**	(17 041)
Share in profit/(loss) of participating interests	**73 797**	153 605
Net profit/(loss)	**56 463**	136 564

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	31 December 2019 €'000	31 December 2018 €'000
ASSETS			
Financial fixed assets	4	**1 308 547**	1 219 717
Investments in subsidiaries		**1 308 547**	1 219 717
Current assets	5	**5 847**	10 482
Amounts receivable from group companies		**–**	757
Other amounts receivable		**186**	188
Prepayments		**55**	8 964
Other receivables		**1 004**	144
Cash at bank and in hand		**4 602**	429
Total assets		**1 314 394**	1 230 199
EQUITY AND LIABILITIES			
Shareholders' equity	6	**1 090 174**	1 035 133
Share capital		**735 437**	672 292
Share premium		**228 227**	203 318
Legal reserves		**206 936**	188 377
Retained earnings/(accumulated deficit)		**(136 889)**	(165 418)
Unappropriated result		**56 463**	136 564
Long-term liabilities	7	**–**	113 582
Amounts payable to group companies		**–**	113 582
Current liabilities	8	**224 220**	81 484
Amounts payable to credit institutions		**–**	–
Amounts payable to group companies		**223 010**	78 930
Amounts payable, accrued expenses and other		**1 210**	2 554
Total equity and liabilities		**1 314 394**	1 230 199

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION

The company financial statements are part of the 2019 financial statements of EPP N.V. ("the company"). The company's official seat *(statutaire zetel)* is in Amsterdam, the Netherlands, and its registered address is at Gustav Mahlerplein 28, 1082 MA Amsterdam, the Netherlands. The company is registered with the Dutch trade register under number 64965945.

Since EPP's N.V. profit and loss account for 2019 is recognised in the consolidated financial statements, it is sufficient (in the company's financial statements) to present a condensed profit and loss account in accordance with section 402 of Book 2 of the Dutch Civil Code.

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

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

The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the company makes use of the option provided in section 2:362(8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements are the same as those applied for the consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Standards ("IFRS") as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Please refer to note 3 of the consolidated financial statements for a description of these principles.

Participating interests in group companies

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

Investments with a negative net value asset are valued at nil. A provision is formed if and to the extent the company stands surety for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts. The provision is only formed if management expects an outflow of cash (or other assets) and the amount can be estimated reliable.

Share premium reserve

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

Translation reserve

The legal foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Participation interest reserve

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

2. PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT (continued)

Result of participating interests

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

Related-party transactions

Related-party transactions between subsidiaries, equity-accounted investees, investments, and with members of the board of directors and the ultimate parent company EPP N.V. are conducted on an arm's length basis with terms comparable to transactions with third parties.

Expected credit loss provision

ECL provisions for receivables from subsidiaries will be eliminated as inter-company positions. As a result changes in these ECL provisions will not impact the carrying amounts of the financial assets in the company statement of the financial position.

3. INCOME STATEMENT

Interest income and costs stem materially only from transactions with group companies. In 2019, the company was charged €11.1 million interest expenses by other group companies. In 2018 the amount was respectively €5.7 million, while the company charged €2.6 million to other group companies.

4. FINANCIAL FIXED ASSETS

	Total investments in subsidiaries €'000
Balance as at 1 January 2018	966 388
Cost of acquisition	32 522
Redemption/sale of shares	(29 616)
Loans provided	133 970
Contributions	(31 344)
Share in result of participating interests	153 605
Exchange differences	(5 808)
Balance as at 31 December 2018	1 219 717
Cost of acquisition	–
Redemption/sale of shares[1]	**(30)**
Contributions/incorporations[2]	**5 123**
Dividends received	–
Share in result of participating interests	**73 797**
Exchange differences	**9 940**
Balance as at 31 December 2019	**1 308 547**

1. On 20 of December 2019 Flaxton Investments SP. Z O.O. was liquidated.

2. On 1 of March 2019, the company contributed €2.2 million to EPP GP B.V. as share premium.
On 25 of July 2019, the company contributed €2.6 million to EPP SP. Z O.O. as share premium.
On 18 of November 2019, the company contributed €0.1 million EPP GP B.V. as share premium.
On 20 of December 2019, the company contributed €0.22 million EPP GP B.V. as share premium.

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL FIXED ASSETS (continued)

Investments in direct subsidiaries

As at 31 December 2019, the company held interests in the following direct subsidiaries:

Name	Country	**Ownership 2019**	Ownership 2018
EPP Finance B.V.	The Netherlands	**100%**	100%
EPP GP B.V.	The Netherlands	**100%**	100%
Grupa EPP Sp. z o.o.	Poland	**100%**	100%
EPP Sp. z o.o.	Poland	**100%**	100%
Projekt Echo 138 Sp. z o.o.	Poland	**70%**	70%
EPP (Cyprus) – 1 PLC	Cyprus	**–**	100%

Investments in indirect subsidiaries

As of 31 December 2019, the company held interests in the following indirect subsidiaries and joint ventures:

Name	Country of incorporation	**Ownership 2019**	Ownership 2018
EPP (Cyprus) – 1 PLC	Cyprus	**100%**	0%
EPP (Cyprus) – 2 Limited	Cyprus	**100%**	100%
EPP (Cyprus) – 3 Ltd	Cyprus	**–**	100%
EPP Spółka z ograniczoną odpowiedzialnością S.K	Poland	**100%**	100%
EPP Retail – Veneda Sp.z o.o.	Poland	**100%**	100%
EPP Retail – Galeria Sudecka Sp. z o.o.	Poland	**100%**	100%
EPP Office – Astra Park Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Centrum Przemyśl Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Galaxy Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Galeria Amber Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Galeria Olimpia Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Outlet Park Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Pasaż Grunwaldzki Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Centrum Bełchatów Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Galeria Echo Sp. z o.o.	Poland	**100%**	100%
Grupa EPP Sp. z o.o. S.K.	Poland	**100%**	100%
Norcross Sp. z o.o.	Poland	**100%**	100%
EPP Office – Park Rozwoju Sp. z o.o.	Poland	**100%**	100%
Pebworth Sp. z o.o.	Poland	**100%**	100%
Oxygen Szczecin Sp. z o.o.	Poland	**100%**	100%
Trappaud Sp. z o.o.	Poland	**100%**	100%
EPP Office – Oxygen Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Galeria Solna HoldCo Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Galeria Solna Sp. z o.o.	Poland	**100%**	100%
EPP – Oxygen Szczecin Spółka z ograniczoną odpowiedzialnością S.K.	Poland	**100%**	100%
EPP Retail – Zakopianka Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Twierdza Kłodzko Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Poland	**100%**	100%
EPP Retail – Twierdza Zamość Sp. z o.o.	Poland	**100%**	100%

4. FINANCIAL FIXED ASSETS (continued)

Investments in indirect subsidiaries (continued)

Name	Country of incorporation	**Ownership 2019**	Ownership 2018
EPP Facility Management Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	**100%**	100%
EPP Property Management – Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	**100%**	100%
EPP Development 5 Sp. z o.o.	Poland	**100%**	100%
EPP Poznań Żonkil Sp. z o.o. (previously EPP Development 7 Sp. z o.o.)	Poland	**100%**	100%
EPP Development 8 Sp. z o.o.	Poland	**100%**	100%
EPP Development 1 Sp. z o.o.	Poland	**100%**	100%
EPP Development 2 Sp. z o.o.	Poland	**100%**	100%
Galeria Sudecka Sp. z o.o.	Poland	**100%**	100%
Outlet Park Szczecin Sp. z o.o.	Poland	**100%**	100%
Malta Office Park Sp. z o.o.	Poland	**100%**	100%
EPP Development 3 Sp. z o.o.	Poland	**100%**	100%
EPP Development 4 Sp. z o.o.	Poland	**100%**	100%
EPP Retail – M1 Bytom Sp. z o.o.	Poland	**100%**	–
EPP Retail – M1 Częstochowa Sp z o.o.	Poland	**100%**	–
EPP Retail – M1 Radom Sp. z o.o.	Poland	**100%**	–
EPP Retail – M1 Poznań Sp. z o.o.	Poland	**100%**	–
EPP Retail – Tęcza Kalisz Sp. z o.o.	Poland	**100%**	–
Galeria Amber Sp. z o.o. (previously Echo – Galeria Amber Sp. z o.o.)	Poland	**–**	100%
Park Rozwoju Sp. z o.o. (previously Echo – Park Rozwoju Sp. z o.o.)	Poland	**–**	100%
Flaxton Investments Sp. z o.o.	Poland	**–**	100%
Pasaż Grunwaldzki Sp. z o.o. (previously Magellan West Sp. z o.o).	Poland	**–**	100%
Galaxy Szczecin Sp. z o.o. (previously Projekt Echo – 106 Sp. z o.o.)	Poland	**–**	100%
Galeria Echo Sp. z o.o. (previously Projekt Echo – 109 Sp. z o.o.)	Poland	**–**	100%
Centrum Przemyśl Sp. z o.o. (previously Projekt Echo – 118 Sp. z o.o.)	Poland	**–**	100%
Oxygen Szczecin Sp. z o.o. (previously Projekt Echo – 125 Sp. z o.o.)	Poland	**–**	100%
Astra Park Kielce Sp. z o.o. (previously Projekt Echo – 69 Sp. z o.o.)	Poland	**–**	100%
Galeria Veneda Sp. z o.o. (previously Projekt Echo – 97 Sp. z o.o.)	Poland	**–**	100%
Galeria Olimpia Sp. z o.o. (previously Projekt Echo – 98 Sp. z o.o.)	Poland	**–**	100%
Ventry Investments Sp. z o.o.	Poland	**–**	100%
Verwood Investments Sp. z o.o.	Poland	**–**	100%

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL FIXED ASSETS (continued)

Investments in indirect subsidiaries (continued)

Name	Country of incorporation	**Ownership 2019**	Ownership 2018
Centrum Bełchatów Sp. z o.o. (previously Vousoka Polska Sp. z o.o.)	Poland	–	100%
Wisbech Sp. z o.o.	Poland	–	100%
EPP – Astra Park Kielce Spółka z ograniczoną odpowiedzialnością S.K.(previously Astra Park – Projekt Echo – 69 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Centrum Przemyśl Spółka z ograniczoną odpowiedzialnością S.K. (previously Centrum Przemyśl – Projekt Echo – 118 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K. (previously Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Park Rozwoju Spółka z ograniczoną odpowiedzialności S.K. (previously Echo – Park Rozwoju Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością S.K. (previously Echo Pasaż Grunwaldzki Magellan West Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Malta Office Park Spółka z ograniczoną odpowiedzialnością S.K. (previously Farrina Investments – Projekt Echo – 124 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
Flaxton Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	–	100%
EPP – Galaxy Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Galeria Echo Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Galeria Olimpia Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%
EPP – Galeria Sudecka Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Sudecka – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	–	100%

4. FINANCIAL FIXED ASSETS (continued)

Investments in indirect subsidiaries (continued)

Name	Country of incorporation	**Ownership 2019**	Ownership 2018
EPP – Outlet Park Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	**–**	100%
EPP – Galeria Veneda Spółka z ograniczoną odpowiedzialnością S.K. (previously Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	**–**	100%
Ventry Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	**–**	100%
EPP – Centrum Bełchatów Spółka z ograniczoną odpowiedzialnością S.K. (previously Vousoka Polska Spółka z ograniczoną odpowiedzialnością S.K.)	Poland	**–**	100%
EPP Office – Malta Office Park Sp. z o.o.*	Poland	**–**	100%
Orkney Sp. z o.o.*	Poland	**–**	100%
Otway Holdings Sp. z o.o.*	Poland	**–**	100%
EPP Development 6 Sp. z o.o.*	Poland	**–**	100%
Paars Sp. z o.o.	Poland	**–**	100%
Goud Sp. z o.o.	Poland	**–**	100%
Groen Sp. z o.o.	Poland	**–**	100%
Grijs Sp. z o.o.	Poland	**–**	100%

* *Indirect subsidiaries to joint ventures.*

Indirect investments in joint ventures

As at 31 December 2019, the company held interests in the following joint ventures:

Name	Country	**Ownership 2019**	Ownership 2018
HP-EPP Office Venture B.V.	Warsaw, Poland	**30%**	–
Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**53.74%**	53.74%
Berea Sp. z o.o.	Warsaw, Poland	**70%**	70%
Rosehill Investments Sp. z o.o.	Warsaw, Poland	**70%**	70%

5. CURRENT ASSETS

Other receivables

	31 December 2019 €'000	31 December 2018 €'000
VAT receivable	**69**	44
Other receivables	**935**	100
Total	**1 004**	144

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

5. CURRENT ASSETS (continued)

Cash at bank and in hand

	31 December 2019 €'000	31 December 2018 €'000
Current account HSBC Bank (EUR)	**856**	5
Current account HSBC Bank (PLN)	**139**	–
Current account Investec Bank (ZAR)	**3 464**	49
Brokerage account Anchor	**143**	88
Current account Rabobank (EUR)	**–**	270
Current account Rabobank (PLN)	**–**	17
Total	**4 602**	429

The total amount of the cash at bank and in hand is freely available to the company.

6. SHAREHOLDERS' EQUITY

The authorised share capital amounts to €2 083 842 984.60 divided into 2 572 645 659 authorised shares and one preference share. All shares have a par value of €0.81. As per 31 December 2019, 907 946 793 (31 December 2018: 829 989 804) shares have been placed and fully paid-up. For fiscal purposes, the share capital is considered fully paid-up.

Reconciliation of movement in capital and reserves

	Issued share capital €'000	Share premium €'000	Foreign currency translation reserve €'000	Partici-pation interest reserve €'000	Retained earnings/ (accumu-lated deficit) €'000	Unappro-priated result €'000	Total equity attributable to the owners of the company €'000
Balance as at 1 January 2018	571 026	147 534	(343)	103 149	(112 409)	124 911	833 868
Appropriated profit	–	–	–	–	124 911	(124 911)	–
Issue of ordinary shares	101 266	56 234	–	–	–	–	157 500
Transaction cost related to issuance of shares	–	(450)	–	–	–	–	(450)
Acquisition of own shares	–	–	–	–	(2 312)	–	(2 312)
Share-based payments expenses	–	–	–	–	4 107	–	4 107
Translation results	–	–	(5 808)	–	–	–	(5 808)
Participation interest reserve movement*	–	–	–	91 380	(91 380)	–	–
Divided to equity holders	–	–	–	–	(88 334)	–	(88 334)
Result for the year	–	–	–	–	–	136 564	136 564
Balance as at 31 December 2018	672 292	203 318	(6 151)	194 528	(165 418)	136 564	1 035 133

6. SHAREHOLDERS' EQUITY (continued)

Reconciliation of movement in capital and reserves (continued)

	Issued share capital €'000	Share premium €'000	Foreign currency translation reserve €'000	Partici-pation interest reserve €'000	Retained earnings/ (accumu-lated deficit) €'000	Unappro-priated result €'000	Total equity attributable to the owners of the company €'000
Appropriated profit	–	–	–	–	136 564	(136 564)	–
Issue of ordinary shares	63 145	26 343	–	–	–	–	89 488
Transaction cost related to issuance of shares	–	(1 434)	–	–	–	–	(1 434)
Acquisition of own shares	–	–	–	–	(2 142)	–	(2 142)
Share-based payments expenses	–	–	–	–	2 802	–	2 802
Translation results	–	–	9 940	–	–	–	9 940
Participation interest reserve movement*	–	–	–	8 619	(8 619)	–	–
Divided to equity holders	–	–	–	–	(100 076)	–	(100 076)
Result for the year	–	–	–	–	–	56 463	56 463
Balance as at 31 December 2019	**735 437**	**228 227**	**3 789**	**203 147**	**(136 889)**	**56 463**	**1 090 174**

The statement of changes in equity and disclosure to that statement are included in the consolidated financial statements. Details regarding the issue of ordinary shares can be found in note 12 of the consolidated financial statements. Further details about share-based payments and treasury shares can be found in note 14 of the consolidated financial statements.

Profit-sharing certificates and similar rights

The company has issued one preference share to Echo Prime Assets B.V. The holder of the preference share was 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 was payable to the holder of the preference share, if:

(a) an occupancy permit in relation to a given extension has been granted by the relevant authority irrespective of whether such permit contains any conditions or post-issuance obligations; and

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

(c) Echo 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).

As of 31 December 2019 the preference share does not give any rights to the holder.

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

6. SHAREHOLDERS' EQUITY (continued)

Share premium

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

Legal reserves

Foreign currency translation reserve

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

Legal reserves for participation interests

The legal reserve includes the result of unrealised gains on investment properties owned by the subsidiaries. As the subsidiaries cannot distribute these unrealised gains (according to Dutch Law), until these are realised, the company recorded a legal reserve. Additionally, this reserve relates to the results of joint ventures from which we cannot enforce payment of dividends.

Proposal for profit appropriation

The General Meeting will be asked to approve the following appropriation of the 2019 profit after tax: an amount of €52 864 000 to be paid out as dividend for the second half of 2019, the remainder will be added to other reserves.

Reconciliation of retained earnings and equity with consolidated financial statements

Net result can be reconciled with the consolidated profit and loss as follows:

	2019 €'000	2018 €'000
Profit for the period as per consolidated statement of profit or loss	**66 165**	124 165
Realised results of subsidiaries with a negative equity from prior years	**(9 711)**	(47)
Net asset value of subsidiaries with a negative equity that had positive NAV in prior years	**9**	12 446
Net profit as per company income statement	**56 463**	136 564

The equity can be reconciled with the consolidated statement of financial position as follows:

	31 December 2019 €'000	31 December 2018 €'000
Equity as per consolidated statement of financial position	**1 087 372**	1 022 688
Difference results of subsidiaries with a negative net asset value	**2 802**	12 445
Equity as per company balance sheet	**1 090 174**	1 035 133

7. LONG-TERM LIABILITIES

Amounts payable to group companies

There were no long-term liabilities as at 31 December 2019.

As at 31 December 2018 the amounts payable to group companies were as follows:

	Outstanding principal €'000	Accrued interest €'000	Total €'000	Maturity	Loan terms
Group company as per December 2018					
EPP (Cyprus) – 3 Ltd	9 573	112	9 685	2 January 2023	EURIBOR 3M+ 2.7%
EPP Finance B.V.	102 000	1 897	103 897	26 July 2020	EURIBOR 3M+ 6.5%
Total amount	111 573	2 009	113 582		

8. CURRENT LIABILITIES

Due to credit institutions

There were no amounts due to credit institutions as at 31 December 2019.

Amounts payable to group companies

The amounts to group companies are detailed as follows:

	Outstanding principal €'000	**Accrued interest €'000**	**Total €'000**	Maturity	Loan terms
Group company as per December 2019					
EPP Finance B.V.	**149 100**	**1 542**	**150 642**	26 July 2020	EURIBOR 3M+ 6.5%
Echo Polska (Cyprus) PLC	**3 000**	**110**	**3 110**	31 March 2020	EURIBOR 3M+ 2.25%
EPP (Cyprus) – 2 Limited	**12 300**	**805**	**13 105**	31 December 2020	EURIBOR 3M+ 3.5%
EPP (Cyprus) – 1 Limited	**8 100**	**152**	**8 252**	31 March 2020	EURIBOR 3M+ 3.5%
Centrum Bełchatów sp. z o.o.	**170**	**11**	**181**	31 December 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**47 450**	**270**	**47 720**	30 September 2020	EURIBOR 3M+ 2.25%
Total amount	**220 120**	**2 890**	**223 010**		

As at 31 December 2018 the amounts payable to group companies were as follows:

	Outstanding principal €'000	Accrued interest €'000	Total €'000	Maturity	Loan terms
Group company as per December 2018					
EPP (Cyprus) – 3 Ltd	65 200	855	66 055	30 September 2019	EURIBOR 3M+ 3.5%
EPP (Cyprus) – 2 Ltd	12 300	376	12 676	30 September 2019	EURIBOR 3M+ 3.5%
Centrum Bełchatów sp. z o.o.	170	6	176	30 September 2019	EURIBOR 3M+ 2.7%
Galeria Olimpia sp. z o.o.	3	–	3	n/a	n/a
EPP Sp. z o.o.	20	–	20	n/a	n/a
Total amount	77 693	1 237	78 930		

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

8. CURRENT LIABILITIES (continued)

Amounts payable and accrued expenses

	31 December 2019 €'000	31 December 2018 €'000
Accounts payable	**877**	1 724
Accrued expenses	**333**	830
Total	**1 210**	2 554

9. AUDIT FEES

The audit fees can be detailed as follows:

	Ernst & Young Accountants LLP €'000	**Associated Ernst & Young Companies €'000**	**Total 2019 €'000**
Audit fees – annual report	**186**	**206**	**392**
Other audit fees	**37**	**19**	**56**
Services related to taxes and advisory	**–**	**632**	**632**
Total	**223**	**857**	**1 080**

	Ernst & Young Accountants LLP €'000	Associated Ernst & Young Companies €'000	Total 2018 €'000
Audit fees – annual report	154	186	340
Other audit fees	115	82	197
Services related to taxes and advisory	21	775	796
Total	290	1 043	1 333

Group-wide totals have been presented. The audit fees include the costs for the legal audit of the annual report by Ernst & Young Accountants LLP, being the ultimate external auditor (EY Netherlands), Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (EY Poland) and Ernst & Young Inc. (EY South Africa) (together the "Auditors") in the total amount of €392 000 (2018: €340 000). The other audit fees amounted to €56 000 (2018: €197 000). The auditors or associated companies rendered tax, advisory and other services in the total amounts to €632 000 (2018: €796 000). No other services were provided by the auditors or associated companies.

The audit fees for the annual report contains the amounts attributable to the fiscal year.

10. EMPLOYEES

The average number of employees on the company's payroll, expressed in full-time equivalents amounts to 0.6 while in 2018 this was nil.

11. COMMITMENTS AND CONTINGENCIES

	Amount €'000	Maturity	Description
2019			
Bank Zachodni WBK S.A.	**23 870**	30 June 2020	Guarantee of borrower's obligations related to project Młociny (Berea Sp. z o.o.) resulting from agreement dated 17 October 2017.
Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP SA)	**203 547**	22 August 2023	Guarantee of borrower's obligations granted by EPP NV for obligations under the facility agreement dated 7 August 2018, and related finance documents, upon the occurrence of a building permit event (as defined in the guarantee agreement). The guarantee may be terminated and replaced by a support agreement after the lender receives title insurance for Kielce property covering risks connected with the building permit event, with appropriate endorsement of rights under such policy to the bank.
Griffin Finance III Sp. z o.o.	**27 000**	23 May 2029	Suretyship granted by EPP NV for the payment of the purchase price resulting from Towarowa acquisition agreement upon occurrence of the prerequisites envisaged in the agreement.
PGE Obrot SA	**1 349**	01 January 2021	Guarantee granted by EPP NV for the payment of obligations of companies: ◆ EPP Retail Galaxy Sp. z o.o., ◆ EPP Retail Galeria Echo Sp. z o.o., ◆ EPP Retail Pasaż Grunwaldzki Sp. z o.o., ◆ Kalisz Retail Sp. z o.o., to the energy provider PGE.

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

11. COMMITMENTS AND CONTINGENCIES (continued)

	Amount €'000	Maturity	Description
2018			
Bank Zachodni WBK S.A.	23 870	30 June 2020	Guarantee of borrower's obligations related to project Młociny (Berea Sp. z o.o.) resulting from agreement dated 17 October 2017.
IB 6 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych and GPF 3 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych	72 000	31 October 2021	Guarantee of borrower's obligations granted by EPP (Cyprus) – 1 PLC of bonds' redemption (Rosehill Sp. z o.o.) in case of the occurrence of one of the guarantee's acts described in the guarantee agreement dated 31 August 2017.
Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP SA)	203 547	22 August 2023	Guarantee of borrowers obligations granted by EPP NV for obligations under the facility agreement dated 7 August 2018, and related finance documents, upon the occurrence of a building permit event (as defined in the guarantee agreement). The guarantee may be terminated and replaced by a support agreement after the lender receives title insurance for Kielce property covering risks connected with the building permit event, with appropriate endorsement of rights under such policy to the bank.
Fidelin Development spółka z ograniczoną odpowiedzialnością spółka komandytowa	42 000	23 May 2029	Suretyship granted by EPP NV for the payment of the purchase price resulting from Towarowa acquisition agreement upon occurrence of the prerequisites envisaged in the agreement.

Please refer to note 32 of the consolidated financial statements for more information of the commitments and contingencies.

12. BOARD OF MANAGEMENT

As per 12 August 2016, the company is led by a one-tier board. As per the balance sheet date it exists of the following current (non-) executive directors.

Executive directors

Hadley Dean
Jacek Bagiński

Non-executive directors

Taco de Groot
James Templeton
Andrea Steer
Dionne Ellerine
Maciej Dyjas
Pieter Prinsloo
Robert Weisz
Marek Belka
Marc Wainer

12. BOARD OF MANAGEMENT (continued)

Please be referred to section V of the directors' report for information on the directors' remuneration policy.

The details of the directors' emoluments accrued or paid for the year ended 31 December 2019 and period to 31 December 2018 are set out in the tables below:

€'000	Basic salaries	Directors' fees	Bonuses and other performance payments	Share-based payment	Other	Total
2019						
Executive directors						
Hadley Dean	**500**	**–**	**459**	**926**	**40**	**1 925**
Jacek Bagiński	**300**	**–**	**290**	**521**	**21**	**1 132**
Total	**800**	**–**	**749**	**1 447**	**61**	**3 057**
Non-executive directors						
Robert Weisz	**–**	**100**	**–**	**–**	**–**	**100**
Marc Wainer	**–**	**70**	**–**	**–**	**–**	**70**
Marek Belka	**–**	**70**	**–**	**–**	**–**	**70**
Andrew König*	**–**	**30**	**–**	**–**	**–**	**30**
Taco de Groot**	**–**	**49**	**–**	**–**	**–**	**49**
Maciej Dyjas	**–**	**60**	**–**	**–**	**–**	**60**
Nebil Senman*	**–**	**35**	**–**	**–**	**–**	**35**
Pieter Prinsloo**	**–**	**53**	**–**	**–**	**–**	**53**
Dionne Ellerine	**–**	**80**	**–**	**–**	**–**	**80**
Andrea Steer	**–**	**90**	**–**	**–**	**–**	**90**
Peter Driessen*	**–**	**37**	**–**	**–**	**–**	**37**
James Templeton**	**–**	**35**	**–**	**–**	**–**	**35**
Total	**–**	**709**				**709**
2018						
Executive directors						
Hadley Dean	500	–	500	987	22	2 009
Jacek Bagiński	300	–	300	568	19	1 187
Total	800	–	800	1 555	41	3 196
Non-executive directors						
Robert Weisz	–	100	–	–	–	100
Marc Wainer	–	70	–	–	–	70
Marek Belka	–	70	–	–	–	70
Andrew König	–	60	–	–	–	60
Maciej Dyjas	–	60	–	–	–	60
Nebil Senman	–	70	–	–	–	70
Dionne Ellerine	–	80	–	–	–	80
Andrea Steer	–	100	–	–	–	100
Peter Driessen	–	84	–	–	–	84
Total	–	694				694

* *Until 11 June 2019.*
** *From 11 June 2019.*

EPP N.V. STANDALONE FINANCIAL STATEMENTS (CONTINUED)

12. BOARD OF MANAGEMENT (continued)

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 basic salaries and directors' fees, as outlined in the previous tables reflect periodical payments to the non-executive directors. No costs have been accrued in relation to pension charges in the reporting period. No loans, deposits or guarantees have been provided to the (non-) executive directors by the company and its (in) direct subsidiaries in the reporting period.

	Number outstanding shares granted but not yet transferred at 31 December 2018	**Number granted in 2019***	**Number transferred**	**Adjustment**	**Number outstanding shares granted but not yet transferred at 31 December 2019****	**Fair value of transferred shares per share**
Director						
Hadley Dean	800 000	**800 000**	**(800 000)**	**–**	**800 000**	**€1.16**
Jacek Bagiński	350 000	**450 000**	**(450 000)**	**–**	**350 000**	**€1.16**

* *We refer to note 14 of the consolidated financial statements for further details regarding terms and conditions of the long-term incentive plan. The company will grant and transfer, free of charge, shares to the abovementioned directors.*
** *The total maximum number of shares according to the plan is 8 000 000 for Hadley Dean and 4 500 000 for Jacek Bagiński.*

Reference is also made to notes 14 and 28 of the consolidated financial statements.

SUBSEQUENT EVENTS

For more information on the events after the reporting period, please refer to note 33 to the consolidated financial statements.
Signatures of members of board of directors:

Hadley Dean
Chief executive officer

Jacek Bagiński
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marek Belka
Independent non-executive director

Marc Wainer
Non-executive director

Pieter Prinsloo
Non-executive director

Maciej Dyjas
Non-executive director

James Templeton
Independent non-executive director

Dionne Ellerine
Independent non-executive director

Andrea Steer
Independent non-executive director

Taco de Groot
Independent non-executive director

Amsterdam
10 March 2020


MARS
Multikino
Bilety

06

OTHER INFORMATION

Galeria Amber

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG ACCOUNTANTS LLP

To: the shareholders and non-executive directors of EPP N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE INTEGRATED REPORT

Our opinion

We have audited the financial statements 2019 of EPP N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of EPP N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of EPP N.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company statement of financial position as at 31 December 2019
- The company statement of profit or loss for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of EPP N.V. in accordance with the *Wet toezicht accountantsorganisaties* (Wta, Audit Firms Supervision Act), the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the *Verordening gedrags- en beroepsregels accountants* (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	**€10 100 000 (2018: €10 100 000)**
Benchmark applied	**1% of equity**
Explanation	**We considered the equity measurement base to be the most appropriate benchmark for materiality. Equity of an investment entity is viewed as a measure of importance to the primary users as equity reflects the investor's interest in the investment entity the best.**

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

We agreed with the non-executive directors that misstatements in excess of € 505 000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

Our group audit mainly focused on significant group entities. We considered entities to be significant based on size or the existence of significant risks. We have used the work of other EY firms regarding the audit of the consolidated financial statements of EPP N.V. for group entities as included in note 29 of the consolidated financial statements, except for EPP Finance B.V. for which we performed the audit procedures ourselves. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

The scope to significant group entities represents 100% of the group's total assets and 100% of revenues, which consists of full scope and specific scope audit procedures.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the non-executive directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters regarding Henderson Park and the remuneration policy and report are new in 2019 as these consist of new events. In the prior year we identified key audit matters which are not applicable this year, which were related to the M1 acquisition Tranche 1 and specific related-party transactions in 2018.

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG ACCOUNTANTS LLP (CONTINUED)

Fair value of investment properties (notes 4 and 5)	
Risk	The investment properties of EPP N.V. comprise income generating assets in Poland. Total investment properties as of 31 December 2019 amounts to €2.3 billion (2018: €2.2 billion), representing 89% (2018: 89%) of total assets. The portfolio consists of both retail properties and office properties. Furthermore, total net asset value of investments in joint ventures as of 31 December 2019 amounts to €171 million (2018: €139 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 €791 million as per 31 December 2019 (2018: €430 million). Fair value is determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the properties and estimates of the suitable discount rate for these cash flows. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties. Valuation techniques for investment properties are subjective in nature and involve various assumptions regarding pricing factors. These assumptions include the capitalisation rate, market rental income, market-derived discount rate, projected net operating income, vacancy levels, estimate of the reversion/terminal value, rent-free period, letting fee, letting voids and fit-out allowance for vacant space or renewals. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The fair value of investment properties remains a key audit matter in the current year as this is an area of significant management judgement and for which new valuations are done each year. The valuation of investment properties continues to be significant to the audit of the financial statements due to the extent of audit effort that it requires.
Our audit approach	Our audit procedures included, among others, the following: ◗ We obtained an understanding and evaluated the design of the controls related to the internal process for determining the fair value of investment properties; ◗ For each investment property measured at fair value, we obtained the valuation performed by management's external valuator; ◗ We determined that the valuator used by management for external valuation is RICS certified, JSE acceptable and independent of EPP; ◗ We involved EY valuation specialists to assist with the audit of the valuation of a sample of investment properties based on their specific experience and knowledge in the local markets; ◗ We performed procedures to determine that the specialists involved (EY and management specialists) have sufficient knowledge, qualifications and experience to perform the valuations; ◗ We obtained information about the real estate projects (rent-rolls, vacancy, weighted average unexpired lease term, ageing of agreements) and for a sample, we assessed the validity and accuracy of the information by, where possible, testing it to available market data; ◗ We assessed the input parameters used for the valuation on a sample basis (selection based on risk analysis, outcome of analytical review and professional judgement); ◗ We performed a benchmark study for net realisable value (NRV) and yields applied in management's valuations; ◗ We inspected whether the accounting treatment of the groups' investment properties is in line with the group's accounting policies; and ◗ We evaluated the disclosures included in notes 4 and 5 to the consolidated financial statements against the requirements of IFRS and agreed them to the accounting records.
Key observations	We consider management's estimates and key assumptions underlying the valuation of investment properties used to be within an acceptable range and we assessed the disclosures as being appropriate.

Sale of 70% shares in HP-EPP Office Venture B.V. (note 4)	
Risk	EPP N.V. concluded a share sale agreement to dispose of a 70% share in three of its office properties with a gross lettable area ("GLA") of 86,000 m². The sale was made to their joint venture partner Henderson Park Private Equity Fund, a pan-European private equity real estate platform. EPP N.V. will retain the asset management and property management responsibilities over these assets. The share sale agreement was concluded on 24 June 2019 and the transaction closed on the same date. The aggregate purchase consideration of €60 million, which is based on the estimated net asset value of HP-EPP Office Venture B.V., was paid in cash by the purchaser to EPP N.V. on the closing date. The purchase consideration was determined by using the preliminary accounts prepared by EPP N.V. for the purposes of the share sale agreement. The final purchase consideration is subject to a post-closing date adjustment, considering any difference between the preliminary accounts and the closing accounts. We considered this transaction to be significant to the audit, and therefore a key audit matter, due to the extensive audit effort and use of specialists which was required to address the risks, including: the risk that this transaction was not conducted at arm's length that the transaction is incorrectly classified in accordance with IFRS, and that the post-closing adjustment was not accounted for correctly.
Our audit approach	Our audit procedures included, among others, the following: ◗ We obtained an understanding and evaluated the design of the controls related to the internal process for accounting for the joint venture transaction; ◗ We obtained audit evidence that the transaction was approved in accordance with internal procedures by obtaining and reading minutes of relevant board meetings and contracts relevant to the share sale. We also considered if the appropriately authorised key personnel were involved in approving the transaction; ◗ We tested whether the transaction price was determined on an arm's length basis by comparing the transaction price to the relevant supporting documentation, including valuations performed by management's external valuators close to the transaction date; ◗ We assessed the competence and objectivity of the external experts engaged by management to perform the external valuations; ◗ We evaluated the rights and obligations per the terms and conditions of the agreements, and assessed whether the transaction was recorded appropriately on the date risk and rewards transferred; ◗ We evaluated the accounting treatment for the transaction: we considered management's assessment of whether the transaction is correctly classified as a joint venture in terms of the requirements of IFRS 11 *Joint Arrangements*; ◗ We tested managements calculation of the post-closing adjustment by comparing the preliminary accounts to the closing accounts and agreed the adjustment to the accounting records; and ◗ We evaluated the appropriateness of the disclosures included in note 4 to the consolidated financial statements.
Key observations	We assessed that the transaction is conducted at arm's length and that the accounting treatment of the rights and obligations of the transaction as well as the accounting treatment of the deal, classified as joint venture, is appropriate. Furthermore we assessed the disclosures regarding the transaction as being appropriate.

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG ACCOUNTANTS LLP (CONTINUED)

Remuneration policy and report (integrated report)	
Risk	In 2019, the Nomination and Remuneration Committee reviewed the remuneration policy, supported by an external advisor, including the impact on the remuneration report to be included in the Integrated Report 2019. As a result of the review, the Nomination and Remuneration Committee is in the process of preparing an updated remuneration policy with regard to the board of directors and which is intended to be approved and implemented in 2020. Furthermore, in 2019 the EU Shareholders Rights Directive II became effective and the applicability for EPP is considered by the board of directors (including the Nomination and Remuneration Committee) including the consequences for the remuneration disclosure in the Integrated Report. The board of directors concluded that the EU Shareholders Rights Directive II is not applicable for EPP N.V. and is therefore not applied in 2019. Considering the importance of the remuneration policy and report, the proposed revision of the remuneration policy and the discussions held during 2019 we considered this a key audit matter.
Our audit approach	Our audit procedures included, among others, the following: ◗ We obtained an understanding of the process including the corporate governance structure related to the remuneration policy and remuneration report; ◗ We evaluated whether the conclusions reached by the board of directors that the EU Shareholders Right Directive II is not applicable to EPP N.V., including consequences on the remuneration report, of the EU Shareholders Right Directive II are appropriate; ◗ We evaluated whether the remuneration report in the Integrated Report complies with the Dutch Corporate Governance Code and is sufficiently transparent and adequate; and ◗ We evaluated whether issues of non-compliance to the Dutch Corporate Governance Code are sufficiently explained.
Key observations	We assessed the remuneration report as included in the Integrated Report as being appropriate and in accordance with the Dutch Corporate Governance code. Furthermore, we assessed the conclusions reached by the board of directors regarding the impact of the EU Shareholders Rights Directive II as being appropriate.

REPORT ON OTHER INFORMATION INCLUDED IN THE INTEGRATED REPORT

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

Directors' report; consisting of:
- EPP at a glance
- Our operating environment
- Performance
- Accountability

Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the non-executive directors as auditor of EPP N.V. on 31 October 2016, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The non-executive board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG ACCOUNTANTS LLP (CONTINUED)

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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

We provide the non-executive board 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 non-executive board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Utrecht, 10 March 2020

Ernst & Young Accountants LLP
J.H.A. de Jong

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG INC.

To the shareholders of EPP N.V.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of EPP N.V. and its subsidiaries ("the group") set out on pages 83 to 138, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2019, 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 sections 290 and 291 of the Independent Regulatory Board for *Auditors' Code of Professional Conduct for Registered Auditors* (revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (revised November 2018) (together "the IRBA Codes") and other independence requirements applicable to performing audits of financial statements of the group and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA code)* and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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 financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG INC. (CONTINUED)

Key audit matter	How the matter was addressed in the audit
Fair value of investment property (notes 4 and 5)	
The investment properties of EPP N.V. comprise of income generating assets in Poland. Total investment properties as of 31 December 2019 amounts to €2.3 billion (2018: €2.2 billion), representing 89% (2018: 89%) of total assets. The portfolio consists of both retail properties and office properties. Furthermore, total net asset value of investments in joint ventures as of 31 December 2019 amounts to €171 million (2018: €139 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 €791 million as per 31 December 2019 (2018: €430 million). Fair value is determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the properties and estimates of the suitable discount rate for these cash flows. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties. Valuation techniques for investment properties are subjective in nature and involve various assumptions regarding pricing factors. These assumptions include the capitalisation rate, market rental income, market-derived discount rate, projected net operating income, vacancy levels, estimate of the reversion/terminal value, rent-free period, letting fee, letting voids and fit-out allowance for vacant space or renewals. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The fair value of investment properties remains a key audit matter in the current year as this is an area of significant management judgment and for which new valuations are done each year. The valuation of investment properties continues to be significant to the audit of the financial statements due to the extent of audit effort that it requires.	Our audit procedures included, among others, the following: ◗ We obtained an understanding and evaluated the design of the controls related to the internal process for determining the fair value of investment property; ◗ For each investment property measured at fair value, we obtained the valuation performed by management's external valuator; ◗ We determined that the valuator used by management for external valuation is RICS certified, JSE acceptable and independent of EPP; ◗ We involved EY valuation specialists to assist with the audit of the valuation of a sample of investment properties based on their specific experience and knowledge in the local markets; ◗ We performed procedures to determine that the specialists involved (EY and management specialists) have sufficient knowledge, qualifications and experiences to perform the valuations; ◗ We obtained information about the real estate projects (rent-rolls, vacancy, weighted average unexpired lease term, ageing of agreements) and for a sample, we assessed the validity and accuracy of the information by, where possible, testing it to available market data; ◗ We assessed the input parameters used for the valuation on a sample basis (selection based on risk-analysis, outcome of analytical review and professional judgement); ◗ We performed a benchmark study for net realisable value (NRV) and yields applied in management's valuations; ◗ We inspected whether the accounting treatment of the groups' investment properties is in line with the group's accounting policies; and ◗ We evaluated the disclosures included in notes 4 and 5 to the consolidated financial statements against the requirements of IFRS and agreed them to the accounting records.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Sale of 70% shares in HP-EPP Office Venture B.V. (note 4)</td></tr>
<tr><td>EPP N.V. concluded a share sale agreement to dispose of a 70% share in three of its office properties with a gross lettable area (“GLA”) of 86 000 m². The sale was made to their joint venture partner Henderson Park Private Equity Fund, a pan-European private equity real estate platform. EPP N.V. will retain the asset management and property management responsibilities over these assets.

The share sale agreement was concluded on 24 June 2019 and the transaction closed on the same date. The aggregate purchase consideration of €60 million, which is based on the estimated net asset value of HP-EPP Office Venture B.V., was paid in cash by the purchaser to EPP N.V. on the closing date.

The purchase consideration was determined by using the preliminary accounts prepared by EPP N.V. for the purposes of the share sale agreement. The final purchase consideration is subject to a post-closing date adjustment, considering any difference between the preliminary accounts and the closing accounts.

We considered this transaction to be significant to the audit, and therefore a key audit matter, due to the extensive audit effort and use of specialists which was required to address the risks, including: the risk that this transaction was not conducted at arm’s length that the transaction is incorrectly classified in accordance with IFRS, and that the post-closing adjustment was not accounted for correctly.</td><td>Our audit procedures included, among others, the following:
◗ We obtained an understanding and evaluated the design of the controls related to the internal process for accounting for the joint venture transaction.
◗ We obtained audit evidence that the transaction was approved in accordance with internal procedures by obtaining and reading minutes of relevant board meetings and contracts relevant to the share sale. We also considered if the appropriately authorised key personnel were involved in approving the transaction.;
◗ We tested whether the transaction price was determined on an arm’s length basis by comparing the transaction price to the relevant supporting documentation, including valuations performed by management’s external valuators close to the transaction date;
◗ We assessed the competence and objectivity of the external experts engaged by management to perform the external valuations;
◗ We evaluated the rights and obligations per the terms and conditions of the agreements, and assessed whether the transaction was recorded appropriately on the date risk and rewards transferred;
◗ We evaluated the accounting treatment for the transaction: we considered management’s assessment of whether the transaction is correctly classified as a joint venture in terms of the requirements of IFRS 11: Joint Arrangements We tested managements calculation of the post-closing adjustment by comparing the preliminary accounts to the closing accounts and agreed the adjustment to the accounting records; and
◗ We evaluated the appropriateness of the disclosures included in note 4 to the consolidated financial statements.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the 186-page document titled “Integrated Report 2019”. The other information does not include the consolidated financial statements and our auditor’s reports 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, 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.

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG INC. (CONTINUED)

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.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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 EPP N.V. for four years.

Ernst & Young Inc.

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

10 March 2020

SECTION 13 DISCLOSURES

Retail

Asset name	Location	**Fair value as at 31 December 2019 (€ m)**	Rentable area (m^2)	Weighted average rental per m^2 for rentable area (€)
Galeria Młociny	Warsaw	**423.0**	80 828	16.70
Galaxy	Szczecin	**288.8**	56 332	23.10
Pasaż Grunwaldzki	Wrocław	**258.2**	48 106	21.20
Galeria Echo	Kielce	**233.9**	71 929	14.20
M1 – Czeladź	Czeladź	**130.2**	50 080	12.60
M1 – Kraków	Kraków	**130.1**	48 652	13.60
King Cross Marcelin	Poznań	**104.6**	45 395	13.10
Outlet Park	Szczecin	**97.4**	28 138	15.90
Galeria Amber	Kalisz	**95.2**	33 546	13.90
M1 – Poznań	Poznań	**89.9**	44 486	10.90
M1 – Zabrze	Zabrze	**83.2**	49 149	9.10
Galeria Sudecka	Jelenia Góra	**61.6**	30 266	10.70
M1 – Radom	Radom	**60.5**	36 092	9.30
Galeria Solna	Inowrocław	**59.8**	23 524	13.90
Zakopianka	Kraków	**59.5**	26 188	17.50
Galeria Olimpia	Bełchatów	**55.6**	32 703	10.03
Twierdza Zamość	Zamość	**55.1**	23 806	13.90
Twierdza Kłodzko	Kłodzko	**53.4**	23 038	11.90
Wzorcownia	Włocławek	**51.1**	25 428	14.50
M1 – Częstochowa	Częstochowa	**49.3**	29 067	9.10
Galeria Veneda	Łomża	**41.4**	15 026	14.20
M1 – Łódź	Łódź	**39.3**	36 616	6.80
M1 – Bytom	Bytom	**30.4**	27 277	6.10
Galeria Tęcza	Kalisz	**23.4**	15 930	10.90
Echo Przemyśl	Przemyśl	**4.9**	5 759	6.60
Total		**2 579.8**	907 361	13.57

Office

Asset name	Location	Fair value as at 31 December 2019 (€ m)	Rentable area (m^2)	Weighted average rental per m^2 for rentable area (€)
Park Rozwoju	Warsaw	**73.6**	34 231	13.19
Malta Park	Poznań	**62.7**	28 330	13.60
O3 II	Kraków	**46.5**	18 969	13.53
O3 I	Kraków	**44.7**	18 910	13.48
O3 III	Kraków	**44.3**	18 961	13.48
Astra Park	Kielce	**31.9**	14 269	13.63
Oxygen	Szczecin	**28.2**	13 926	14.08
Symetris II	Łódź	**21**	9 667	13.15
Symetris I	Łódź	**18.9**	9 593	13.10
Total		**371.8**	166 855	13.47

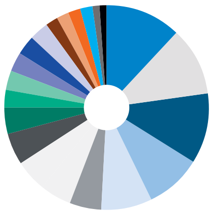
Developments

Asset name	Location	Fair value as at 31 December 2019 (€ m)	Rentable area (m^2)
Towarowa 22	Warsaw	**105**	210 000
Total developments		**105**	210 000

SECTION 13 DISCLOSURES (CONTINUED)

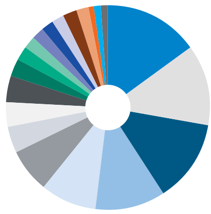
Geographical profile by rentable area and revenue

SPLIT BY GLA %



Kraków	12%	Bytom	3%
Warsaw	11%	Radom	3%
Poznań	11%	Jelenia Góra	3%
Szczecin	9%	Bełchatów	3%
Kielce	8%	Włocławek	2%
Łódź	5%	Inowrocław	2%
Czeladź	5%	Zamość	2%
Zabrze	5%	Kłodzko	2%
Kalisz	5%	Łomża	1%
Wrocław	4%	Przemyśl	1%
Częstochowa	3%		

SPLIT BY RENTAL %



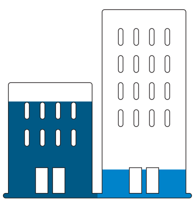
Kraków	15%	Inowrocław	2%
Warsaw	13%	Zamość	2%
Szczecin	13%	Radom	2%
Poznań	11%	Jelenia Góra	2%
Kielce	9%	Bełchatów	2%
Wrocław	7%	Kłodzko	2%
Łódź	4%	Częstochowa	1%
Czeladź	4%	Bytom	1%
Kalisz	4%	Łomża	1%
Zabrze	3%	Przemyśl	0%
Włocławek	2%		

Sectoral profile by rentable area and revenue

Sector	Rentable area	Rental income
Retail	84%	87%
Office	16%	13%
Total	100%	100%

RENTABLE AREA (m^2)

84%
Retail

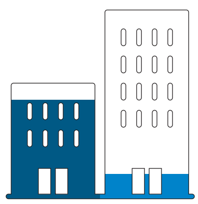


16%
Office

Assumption 100% ownership

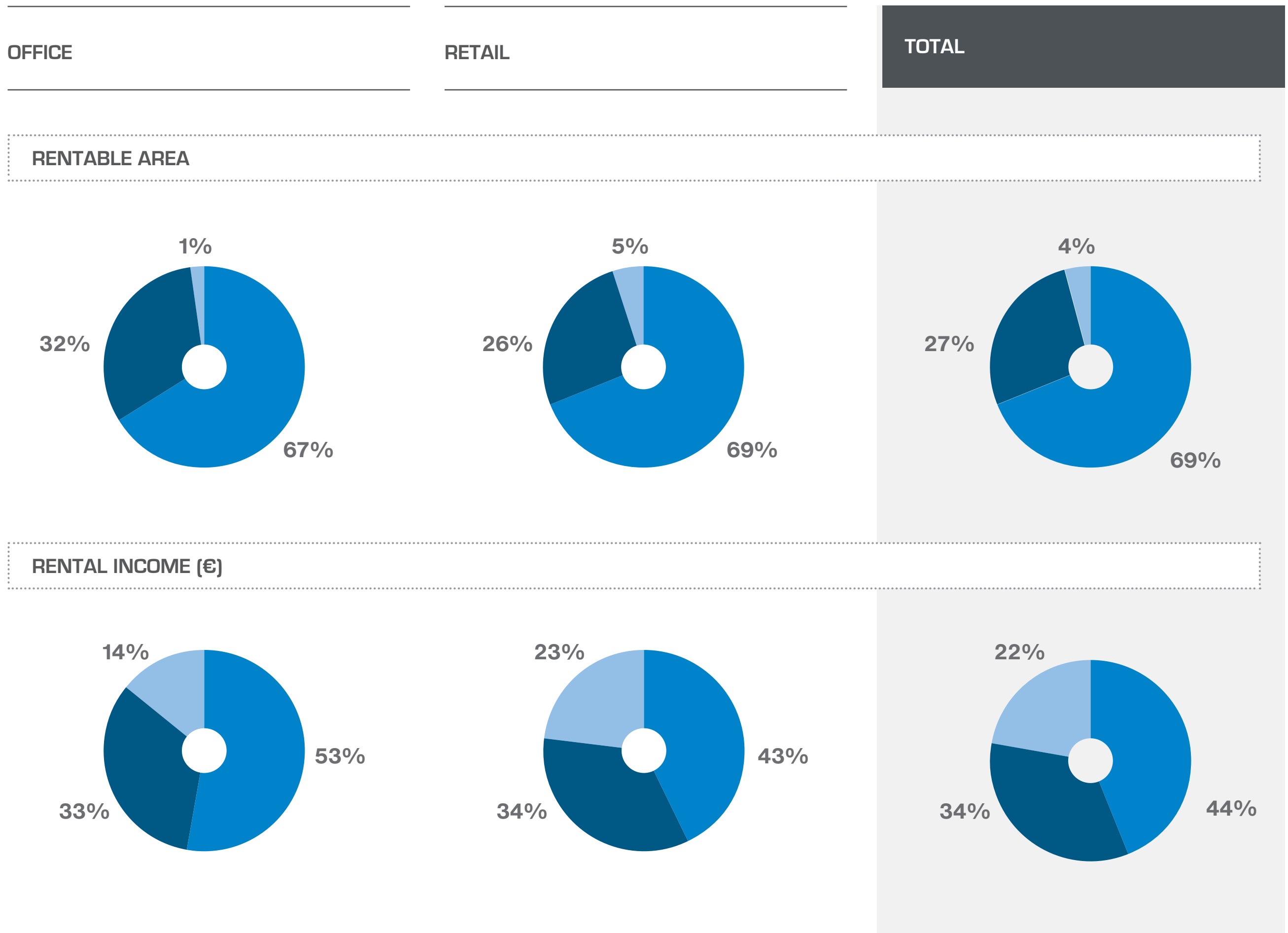
RENTAL INCOME

87%
Retail



13%
Office

Tenant profile based on existing leases by tenant grading



- 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 461; Office 13).

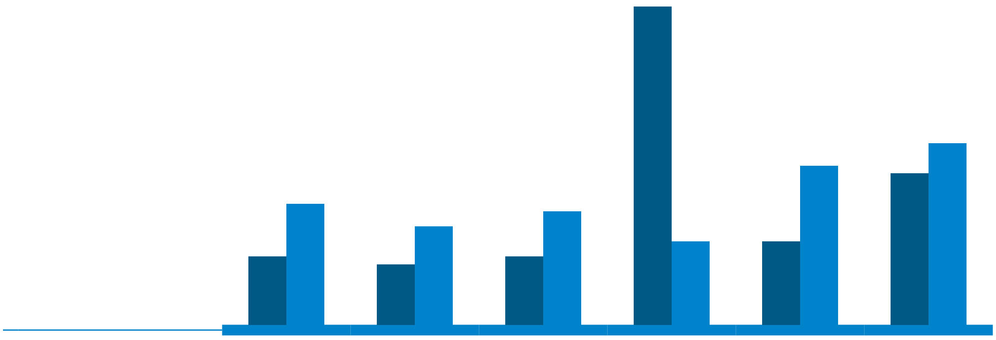
SECTION 13 DISCLOSURES (CONTINUED)

Vacancy profile by sector and rentable area

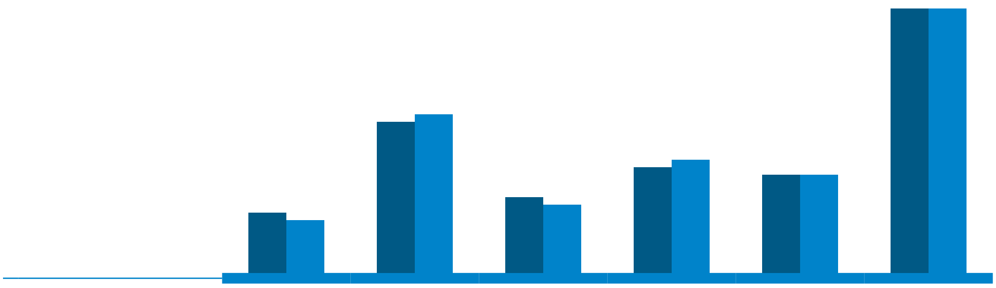
Sector	Rentable area (m^2) – vacant	% of total rentable area
Retail*	4 561	0.50%
Office	6 502	3.90%
Total	**11 063**	**1.03%**

** Including M1 portfolio.*

Lease expiry profile by revenue and rentable area by sector



	2020	2021	2022	2023	2024	2024>
Retail by GLA	9%	8%	9%	42%	11%	20%
Retail by rent	16%	13%	15%	11%	21%	24%



	2020	2021	2022	2023	2024	2024>
Office by GLA	8%	20%	10%	14%	13%	35%
Office by Rent	7%	21%	9%	15%	13%	35%

Weighted average rental per m² by rentable area per sector

Sector	2019 weighted average rental/m² (€ m)
Retail	**13.57**
Office	**13.47**

Weighted average rental escalation profile by sector

Sector	2019
Retail	**1.50%**
Office	**1.50%**

Average annualised property yield

The average annualised portfolio yield was 6.45% (2018: 6.50%).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07

SHAREHOLDER INFORMATION

Galeria Młociny

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2019

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	1 090	19.11%	549 137	0.06%
1 001 – 10 000	3 348	58.71%	12 973 848	1.43%
10 001 – 100 000	951	16.68%	26 738 881	2.94%
100 001 – 1 000 000	240	4.21%	68 960 116	7.60%
Over 1 000 000	74	1.30%	798 724 810	87.97%
Total	5 703	100.00%	907 946 792	100.00%
Distribution of shareholders				
Assurance companies	34	0.60%	9 961 272	1.10%
BEE entities	2	0.04%	4 663	0.00%
Close corporations	53	0.93%	844 572	0.09%
Collective investment schemes	248	4.35%	132 183 840	14.56%
Control accounts	4	0.07%	21 682	0.00%
Custodians	17	0.30%	13 118 484	1.44%
Foundations & charitable funds	84	1.47%	4 487 091	0.49%
Hedge funds	4	0.07%	146 236	0.02%
Insurance companies	4	0.07%	61 500	0.01%
Investment partnerships	24	0.42%	542 032	0.06%
Managed funds	31	0.54%	9 947 077	1.10%
Medical aid funds	15	0.26%	1 960 828	0.22%
Organs of state	6	0.11%	61 640 634	6.79%
Private companies	209	3.66%	122 549 103	13.50%
Public companies	10	0.18%	441 021 412	48.57%
Public entities	2	0.04%	272 495	0.03%
Retail shareholders	3 973	69.67%	20 882 116	2.30%
Retirement benefit funds	189	3.31%	58 392 841	6.43%
Scrip lending	11	0.19%	3 238 235	0.36%
Stockbrokers & nominees	19	0.33%	4 995 917	0.55%
Trusts	763	13.38%	21 674 757	2.39%
Unclaimed scrip	1	0.02%	5	0.00%
Total	5 703	100.00%	907 946 792	100.00%
Shareholder type				
Non-public shareholders	6	0.11%	403 248 417	44.41%
Directors and associates (direct and indirect)	5	0.09%	27 124 899	2.99%
Redefine Properties Ltd (holders > 10%)	1	0.02%	376 123 518	41.43%
Public shareholders	5 697	99.89%	504 698 375	55.59%
Total	5 703	100.00%	907 946 792	100.00%

		Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares			
Public Investment Corporation		54 849 252	6.04%
Sesfikile Capital		35 295 420	3.89%
Total		90 144 672	9.93%
Beneficial shareholders with a holding greater than 3% of the issued shares			
Redefine Properties Ltd		412 568 785	45.44%
Tensai Investments (Pty) Ltd		69 738 742	7.68%
Government Employees Pension Fund		54 507 197	6.00%
Total		536 814 724	59.12%
Total number of shareholdings	5 703		
Total number of shares in issue	907 946 792		

SHARE PRICE PERFORMANCE

Opening price 2 January 2020	R18.75
Closing price 31 December 2019	R17.15
Closing high for period	R20.22 (28 June 2019)
Closing low for period	R16.75 (17 December 2019)
Number of shares issued as at December 31 2019	907 946 792
Volume traded during period	118 704 035
Ratio of volume traded to shares issued (%)	13.07
Rand value traded during the period	2 223 986 537
Price/earnings ratio as at 29 December 2019 (%)	14.07
Earnings yield as at 29 December 2019 (%)	7.11
Dividend yield as at 29 December 2019 (%)	8.79
Market capitalisation at 31 December 2019	R15 571 287 483.00

SHAREHOLDERS' DIARY

Financial year-end	31 December
Preliminary annual results announcement	12 March 2020
Annual integrated report published	12 March 2020

DISTRIBUTION DETAILS

	2019 (€ cents per share)	2018 (€ cents per share)
Six months ended		
30 June	**5.80**	5.82
31 December	**5.82**	5.78
12 months ended 31 December	**11.62**	11.60

DEFINITIONS

Board	The board of directors of EPP N.V.
CEE	Central Eastern European
CSI	Corporate Social Investment
DPS	Dividend per share
Dutch Code	The Dutch corporate governance code
Echo Investment	Echo Investment S.A.
EPP or the company	EPP 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	Johannesburg Stock Exchange on which EPP is listed in the Real Estate Holdings and Development Sector
King IV or King IV Report	King Report on Corporate Governance for South Africa 2016
LFL	Like-for-like
LTV	Loan-to-value
LuxSE	Luxembourg Stock Exchange on which EPP is listed on the Euro MTF market
NAV	Net asset value
NOI	Net operating income
NPI	Net property income
NRI	Net rental income
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

DEFINITIONS (CONTINUED)

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
SENS	Securities Exchange News Service of the JSE
The year	The year ended 31 December 2019
WALT	Weighted average lease term

DIRECTORS' CVs

DIRECTORATE

Hadley Dean (48)

Chief executive officer

British

Appointed: 1 June 2016 (term expires 2020)

BSc (University of Newcastle-upon-Tyne), Property Valuation and Management degree (Sheffield Hallam University)

Hadley has more than 21 years of real estate experience. Prior to joining EPP he was Chief Executive Officer of Compass Offices' European, Middle Eastern and African operations, where he 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 businesses across 12 countries, 16 offices, and more than 750 employees. He was also Colliers' EMEA Management Board Member.

Skills brought to EPP: Real estate, business management, strategy, board experience.

Jacek Bagiński (50)

Chief financial officer

Polish

Appointed: 19 May 2017 (term expires 2022)

Masters (SGH Warsaw School of Economics)

Jacek is a senior financial executive with over 21 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. He was a member of a number of management boards and Chief Financial Officer of companies, controlled by the largest private equity funds operated in CEE countries, listed on the Warsaw Stock Exchange. 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 Chief financial officer of Empik Media & Fashion S.A., one of the largest holding companies controlling a group of retail, e-commerce and service operations.

Skills brought to EPP: Finance business development, strategy, board experience.

INDEPENDENT NON-EXECUTIVE

Robert Weisz (70)

Chairman

Dutch

Appointed: 12 August 2016 (term expires 2022)

MBA, CA (Royal Institute of Chartered Surveyors RICS)

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 a 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 also the co-author of three textbooks on property investment.

Skills brought to EPP: Commercial property investment, urban planning design, property finance and valuation, strategy, board experience.

DIRECTORS' CVs (CONTINUED)

Andrea Steer (49)

South African/Irish

Appointed: 12 August 2016 (term expires 2021)

BCom (University of the Witwatersrand), LLB (Unisa)

Andrea was admitted as an Attorney, Notary and Conveyancer of the High Court of South Africa after completing her degree. 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.

Skills brought to EPP: Legal, HR services, strategy, board experience.

Dionne Ellerine (53)

South African

Appointed: 1 June 2016 (term expires 2021)

BCom LLB (University of the Witwatersrand)

Dionne was admitted as an Attorney of the Supreme Court of South Africa after completing her degree. She then 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.

Skills brought to EPP: Legal, property investment, strategy, board experience.

Marek Belka (68)

Polish

Appointed: 12 August 2016 (term expires 2021)

Economics MA, PhD and Habilitacja (higher degree common in continental Europe)

Marek is a former Prime Minister of Poland (2004 to 2005) and President of Narodowy Bank Polski (Polish Central Bank) (2010 to 2016). 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 the 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.

Skills brought to EPP: Political advisory, economics, strategy, finance, board experience.

NON-EXECUTIVE
James Templeton (46)
South African

Appointment: 11 June 2019 (term expires 2022)

BCom (Honours) University of KwaZulu-Natal, CFA charterholder

James serves as the Chief Executive Officer of Castleview Property Fund Limited, a fund focusing on retail property investments in South Africa which is listed on the JSE. Previously James was the chief executive officer of Emira Property Fund Limited which brought him extensive real estate experience in a JSE-listed property company for 11 years across retail, offices and industrial property sectors. James was also employed as an equities analyst at Barnard Jacobs Mellet, a prominent South African stockbroker from 1996 to 2003 where he covered various sectors including real estate.

Skills brought to EPP: board experience ,commercial property investment, equities analysis.

Maciej Dyjas (57)
German

Appointed: 1 June 2016 (term expires 2020)

Mathematics, IT and Management (University of Warsaw) (University of Stuttgart)

Maciej is a Co-Managing Partner and Co-Chief Executive Officer of Griffin Real Estate, a leading 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 Chief Executive Officer 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.

Skills brought to EPP: Property investment, management, strategy, board experience.

Marc Wainer (71)
South African

Appointment: 1 June 2016 (term expires 2020)

Until August 2014, Marc was chief executive officer of Redefine Properties Limited, before moving into his role as executive chairman until his retirement in August 2019. He has 41 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.

Skills brought to EPP: Real estate, acquisitions and disposals, strategy, board experience.

DIRECTORS' CVs (CONTINUED)

Pieter Prinsloo (54)

South African

Appointment: 11 June 2019 (term expires 2022)

BSc Quantity Surveyor cum laude University of Pretoria

Pieter serves as Chief Executive Officer of Redefine Europe B.V., a subsidiary of Redefine Properties Ltd. Previously Pieter held the position of Chief Executive Officer of Hyprop Investments Ltd in South Africa, which brought him extensive real estate experience in a JSE listed REIT for more than 14 years. Earlier, Pieter was involved in private property development and management for New Africa Developments, and gained extensive know-how in commercial and structured property finance with ABSA Bank and Standard Bank in South Africa. Pieter has received awards from the Association of South African Quantity Surveyors.

Skills brought to EPP: Board experience, commercial property investment, private property development

Taco de Groot (56)

Dutch

Appointment: 11 June 2019 (term expires 2022)

Masters Dutch Law Utrecht University, Masters Real Estate (MRE) Amsterdam University, various INSEAD and Rotterdam University programmes

Taco holds the position of Chief Executive Officer/Chairman of the board of Vastned Retail N.V., a listed investment fund (NYSE Euronext Amsterdam AMX) with assets in the Netherlands, Belgium, France and Spain. Here he introduced and implemented to the company a new strategy attracting large institutional investors. Earlier, Taco was a founding partner/non-executive member of the board of MSeven Real Estate in London, a specialised fund and asset management organisation focusing on the UK. Prior to that Taco was a founding partner of GPT/Halverton LLP in London, a fund and asset management company active in Europe, and founded Rubens Capital Partners with a portfolio of residential and retail assets for family offices and wealthy private investors. Taco holds the position of non-executive director at Tritax EuroBox Plc listed on the London Stock Exchange, and is a visiting lecturer at ASRE/University Amsterdam and Hogeschool Rotterdam. Taco is a member (chartered surveyor) and assessor of RICS Netherlands.

Skills brought to EPP: Board experience, commercial property investment, strategy, asset management.

Key to committees

- Audit and risk committee
- Nomination and remuneration committee
- Social and ethics committee
- Investment committee
- Committee chairperson

CONTACT DETAILS

EPP N.V.
Registration number: 64965945
Incorporated on 4 January 2016 in
The Netherlands

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COMPANY SECRETARY
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JSE SPONSOR
Java Capital Trustees and Sponsors
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