YEARS EPP 5

INTEGRATED REPORT 2020

SHAPING THE FACE OF RETAIL IN POLAND

Galeria Młociny

CONTENTS

ABOUT THIS REPORT

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

Pasaż Grunwaldzki

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 m². 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").

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 in 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 193 and 194 apply throughout the report.

REPORTING SCOPE AND BOUNDARY

This is EPP's fifth integrated report and covers our performance for the year ended 31 December 2020 and follows our report for the previous year published in March 2020. This report includes material information that informs our stakeholders about our financial, economic, social and environmental performance for the year under review. It also demonstrates our performance against our previously stated plans, providing a view of where we achieved our goals and where we can improve. The content encompasses all divisions and subsidiaries of the company across all regions of operation in Poland.

In telling our story, we provide insights into matters of importance to our stakeholders, highlighting how the organisation is governed, the material matters we identified, and the risks and opportunities that could impact our business. We set out how we believe these factors influence our business model, strategic objectives and future plans, which play out in the context of creating and sustaining value for our stakeholders.

REPORTING PRINCIPLES AND FRAMEWORK

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 of 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 96 to 152.)

MATERIALITY

The report discloses the group's approach to sustainability, identifies and explains the material ESG issues concerning 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 COVID-19 pandemic had a material effect on the business. Our agile response to the impacts of the pandemic is covered in detail on page 16.

The issues we have identified as material in terms of the impact on EPP's short-term and long-term sustainability include:

- Distributions
- Capital allocation for acquisitions and disposals
- People skills
- Access to capital
- Reducing LTV
- Lease expiry profile
- Managing the impact of COVID-19 and lockdown restrictions

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.

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ABOUT THIS REPORT (CONTINUED)

SIX CAPITALS

In line with the International Integrated Reporting Council's 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	▪ Business model and strategy ▪ CFO's report ▪ Annual financial statements
Manufactured capital *(Portfolio capital)*	Physical infrastructure used	▪ Our geographical footprint ▪ Section 13 disclosures
Intellectual capital *(People and platform capital)*	Organisational knowledge, systems, protocols, expertise	▪ Business model and strategy ▪ Trends driving our business ▪ CEO's report
Human capital *(People and platform capital)*	Competency, capability and experience of the board, management and employees	▪ CEO's report ▪ Our people ▪ Stakeholder engagement
Social and relationship capital *(Stakeholder capital)*	Relationship and engagement with broader society and communities impacted by the company	▪ Chairman's report ▪ CEO's report ▪ Ethical leadership ▪ Our impacts ▪ Social and ethics committee report ▪ Stakeholder engagement
Natural capital *(Environment capital)*	Company's use of natural resources	▪ Our impacts ▪ Environmental report

ASSURANCE

To comply with the Dutch Law and the JSE Listings Requirements, the company's financial statements (comprising the consolidated financial statements and the company 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 170 to 182. The scope of their audit is limited to the information set out in the annual financial statements on pages 96 to 152.

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 and EU Green building certificates

FORWARD-LOOKING STATEMENTS

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 December 2020. 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.

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 company statement of financial position at 31 December 2020, the consolidated and company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 1 January 2020 to 31 December 2020 and the notes to the consolidated financial statements and company 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.

Tomasz Trzósło
CEO

Jacek Bagiński
CFO

Taco de Groot
Chairman audit and risk committee

CEO AND CFO RESPONSIBILITY STATEMENT IN TERMS OF SECTION 3.84 (K) OF THE JSE LISTINGS REQUIREMENTS

The directors, whose names are stated below, hereby confirm that

(a) the annual financial statements set out on pages 96 to 152, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Tomasz Trzósło
CEO

Jacek Bagiński
CFO

CORPORATE INFORMATION

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

FEEDBACK

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

We are committed to improving this report each year. Therefore, we appreciate and encourage constructive feedback. Please forward comments to: ir@epp-poland.com

2020 HIGHLIGHTS

SALIENT FINANCIAL FEATURES

Distributable earnings per share amounted to **€5.56 cents** exceeding guidance range of €4.75 to €5.25 cents

Net property income declined to **€114.2 million**
(2019: €148.1 million) due to COVID-19 impact and rental concessions

Investment properties declined to **€2.13 billion**
(2019: €2.32 billion) due to COVID-19 impact

Administrative expenses declined to **€13.7 million**
(2019: €15.7 million)

Cash and cash equivalents amounted to **€152 million**
(2019: €67 million)

Net finance costs increased to **€42.7 million**
(2019: €37.4 million)

Net loan to value increased to **54.8%**
(2019: 50.0%)

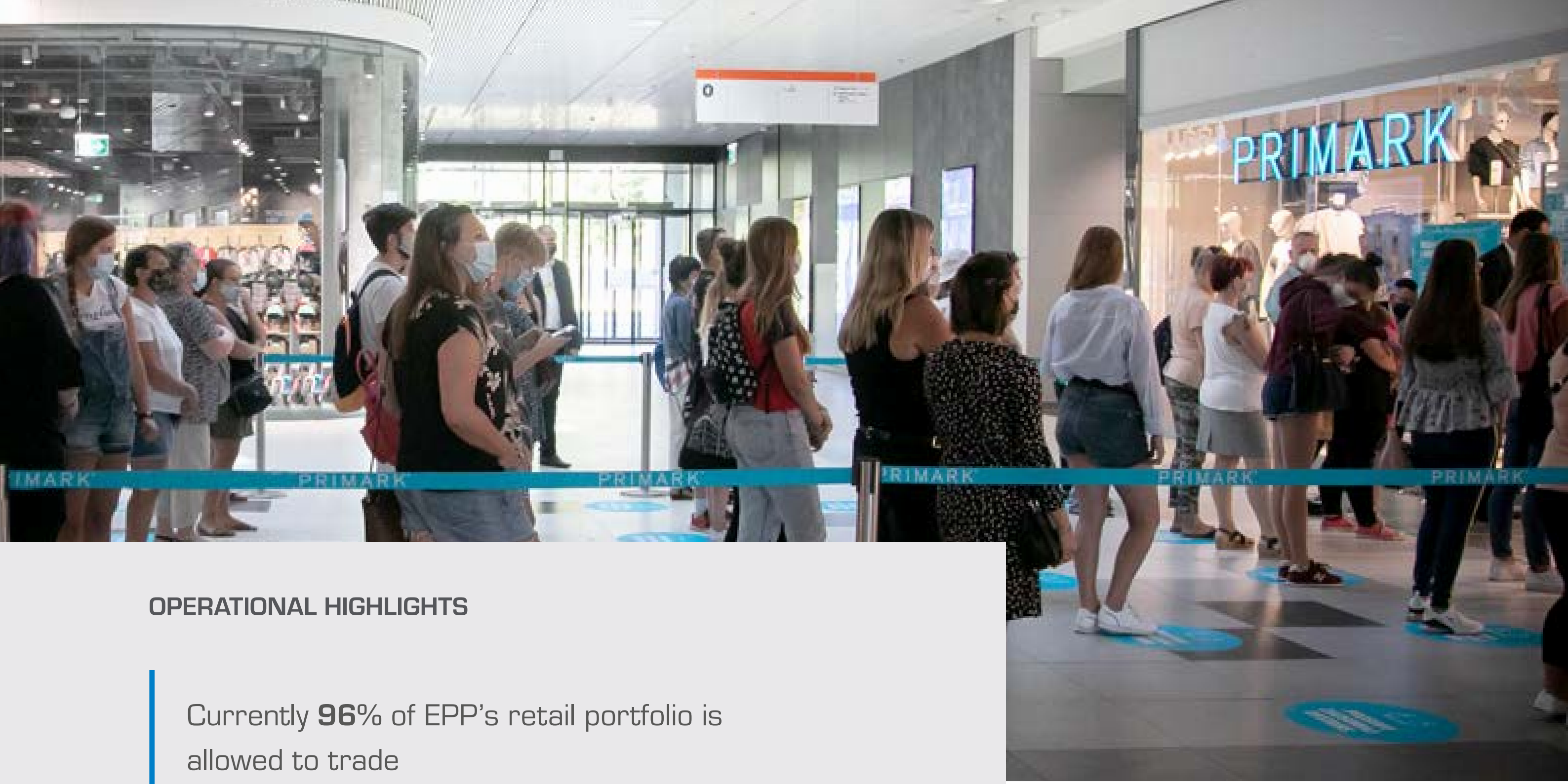
Cost of debt remained stable at **2.6%**
(2019: 2.5%)

Weighted average debt maturity **2.3 years**
(2019: 3.3 years)

Hedging remains high at **84%**
(2019: 84%)

Net asset value per share declined to **€1.09**
(2019: €1.32)

Distributable earnings declined to **€50.5 million**
(2019: €105.5 million)



OPERATIONAL HIGHLIGHTS

Currently **96%** of EPP's retail portfolio is allowed to trade

Retail occupancy remained stable in the portfolio at **96%**

Retail WALT amounted to **5.3 years** up from 4.7 years in May 2020

Higher conversion rates seen post lockdowns with tenant sales growth outperforming footfall growth

First Primark in Poland opened in Galeria Młociny and many more tenants continued to open new stores in the portfolio – Modivo, eobuwie.pl, PEPCO, Sephora, Martes Sport, CCC, Carrefour, KIWI etc.

CHAIRMAN'S REPORT

To say that the past year since the onset of the COVID-19 pandemic has been a challenging period for Polish businesses, and especially for the retail property sector, would be an understatement.

Robert Weisz
Chairman

While we see "normality" returning as lockdown restrictions are incrementally lifted in most parts of the world, we cannot as yet predict with certainty what the longer-term effects of the COVID-19 pandemic will be.

Poland was one of the first European countries to enter into a hard lockdown and it was also one of the first to reopen its economy. Unfortunately, a second wave resulted in shopping centres closing again in November and later over the end of December 2020 and January 2021 and reopening only in February 2021. EPP was faced with managing the challenge of continued costs and expenses with no supplementary income. We acted swiftly and implemented a strict reduction in costs and proactively managed ongoing expenses and negotiations with tenants. Operating costs were optimised during this period and part of this process was the temporary reduction in salaries throughout the company. We worked hard on both the management of the shopping centres and negotiations with lenders.

Although the listed property markets all over the Western world underperformed and showed signs of volatility since the pandemic, the Polish economy is still strong and investment in Poland remained high, supported by government aid packages for the wider economy which were highly regarded. Poland is also expected to be one of the least impacted economies in Europe.

Investors have been very clear that high leverage is still a key issue and we strongly acknowledge this issue. Therefore one of the main strategic objectives for the board over the coming years will be to bring down the LTV by materially reducing debt (see CEO and CFO reports on pages 48 to 55 for further detail). Part of this focus area includes advancing our divestment strategy and bringing in new equity from other sources. The board will address this objective with high importance and we believe we have the team to achieve this.

In 2021 we will continue to focus on delivering a quality shopping experience as we have been doing over the past five years. As one of the largest shopping centre investment companies in Poland we will remain focused on providing our shoppers with a safe shopping environment with a constant level of high service and experience.

CHANGES TO THE BOARD

As already announced to the market, Tomasz Trzósło was appointed as new CEO effective from the annual general meeting on 25 June 2020, although he joined the executive team in March already. It was a baptism by fire as he joined at the onset of the COVID-19 pandemic. He is a very capable high calibre executive with extensive experience in the Polish property and investment market, which served him well in managing this crisis.

Notwithstanding our solid pre-existing foundation for business continuity, Tomasz did an excellent job cooperating within the organisation as well as with board members in managing the challenges and consequences of the pandemic. He has been a positive influence and has brought an encouraging team spirit within the company during a difficult time.

It was with great sadness that we learnt of non-executive director Marc Wainer's passing in April 2020. He was instrumental in the incorporation and listing of EPP on the JSE and his contribution to the board was greatly valued. Marc will be sorely missed. We welcomed back another seasoned property expert Andrew König as non-executive director and we are pleased to be working together with him again.

Andrea Steer stepped down as a non-executive director and therefore the composition of the remuneration committee, which she had chaired, changed. Progress in finding a suitable female candidate is well advanced.

GOVERNANCE

Operating as a good corporate citizen remains a critical factor 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 66).

This year we received positive responses from stakeholders that governance at the company has improved. This is very important to us and we are constantly working on further improvements in our governance.

DIVIDENDS

Given the unprecedented and uncertain impact and duration of the COVID-19 pandemic the board decided it was prudent to refrain from paying a dividend during the year. The board decided it was in the best interests of the company and all its stakeholders to preserve the company's financial liquidity as the current environment continues to stabilise.

OUTLOOK

The pandemic has had an unprecedented and profound effect on the economy and this will have an impact on the property industry for years to come, especially retail which will therefore have a strong impact on EPP's business going forward. We will need to adapt to this changing environment and we believe we have the relevant asset base and team to meet this challenge. Most importantly we will need to focus on restoring EPP's operations to pre-pandemic levels especially in light of the December and January lockdowns. We are encouraged by the reopening of shopping centres in February and hope to build on this positive momentum in the future.

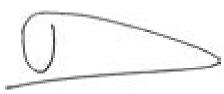
EPP is exploring joint ventures with parties whereby we will divest certain assets and maintain the asset management of these properties. This will allow the business to continue its dominance as a retail landlord and will assist in reducing the debt levels in the company.

We will also advance the strategy regarding the largescale Towarowa 22 development project. This remains one of the most exciting development opportunities in Warsaw and we will endeavour to maximise profit and generate revenue from the site by either working with joint venture partners or an outright sale. Ultimately, if the decision is made to sell this asset it would contribute to lowering the LTV of our company.

In 2021 we will continue to focus on delivering a quality shopping experience as we have been doing over the past five years. As one of the largest shopping centre owners in Poland we will remain focused on providing our shoppers with a safe shopping environment and a constant level of high service and unbeatable shopping experience.

APPRECIATION

On behalf of the board, I thank Tomasz and the executive team for having done a fantastic job in steering EPP during these challenging times. I also extend my appreciation to all management and staff for their considerable efforts during a difficult year. They went above and beyond in adapting to the challenges of the pandemic. I also thank our stakeholders for their support and my fellow board members for their guidance and counsel.



Robert Weisz
Chairman

8 March 2021

01

EPP IN A SNAPSHOT

Good destinations continue to attract tenants – in the past year EPP shopping centres welcomed many new brands, with the first Primark in Poland at Galeria Młociny. In the week following the Irish clothing brand's debut, our Warsaw centre was visited by over 200 000 customers.

INVESTMENT CASE

Leading retail landlord in Poland in terms of retail GLA

- Predictable cash flows
- Active balance sheet management
- Platform for organic growth
- Diversified tenant base geared towards growth
- Secured pipeline
- Resilient business model

SNAPSHOT

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

EPP is the only JSE-listed property company with a retail focus on Poland. Our portfolio spans 25 retail properties, six offices and one development project across Poland.

- Leading retail landlord in Poland in terms of GLA > €2 billion income generating portfolio
- > 1 million m² total GLA
- 212 employees

OUR MISSION

To be the leading retail landlord in Poland that leverages both its scale and relationships to deliver consistent returns to shareholders through: asset management, acquisitions, developments and extensions and asset recycling.

- Focus on portfolio integration
- Asset management
- Focus on diversifying debt resources and equity sources
- Governance
- Continue to focus on LTV reduction

OUR GEOGRAPHICAL FOOTPRINT

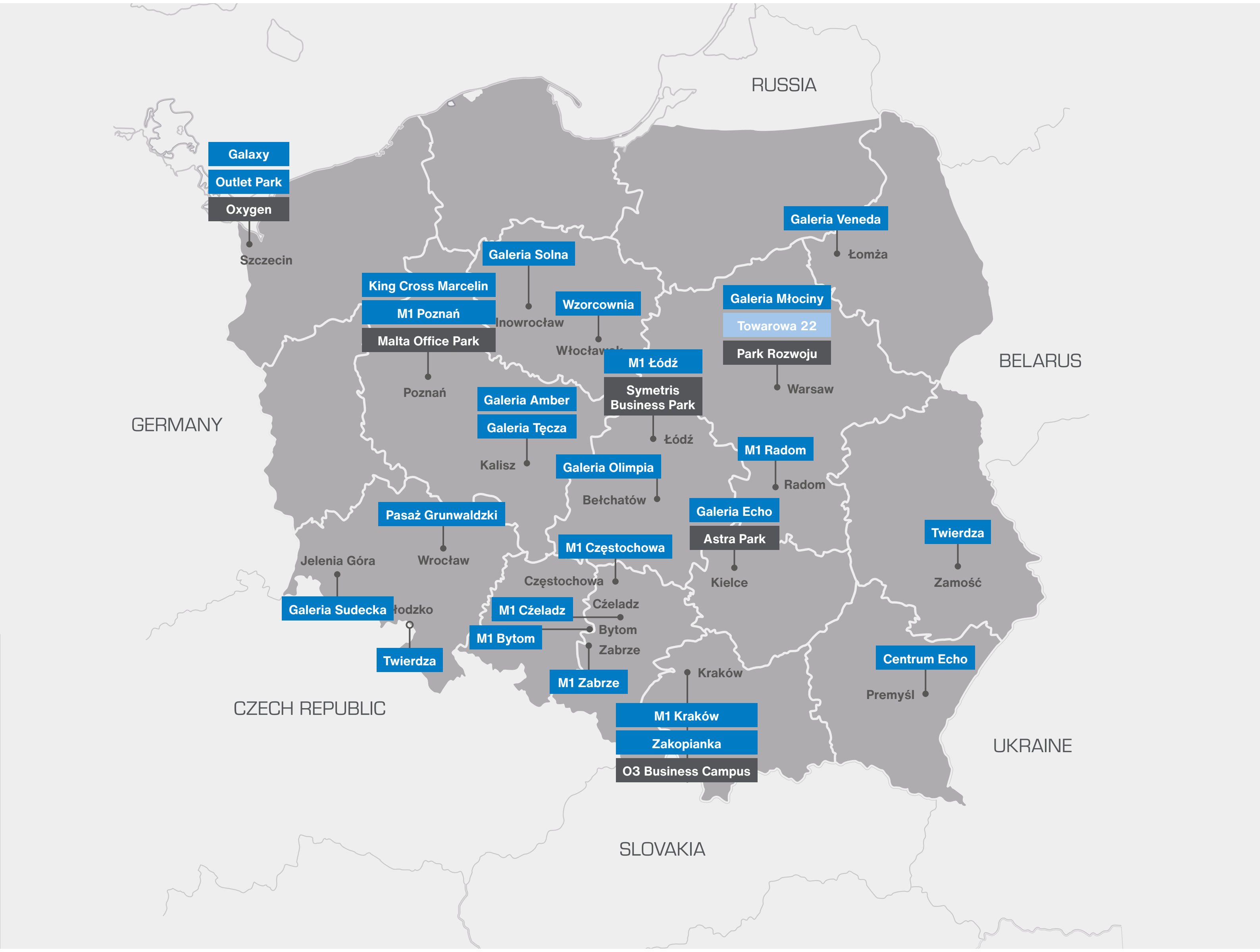
PORTFOLIO

25 retail assets

6 office projects

1 development

Over **1 million m²** GLA



OUR MILESTONES

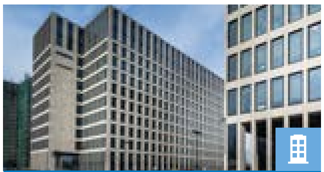
MARKING FIVE YEARS

EPP registered and incorporated in The Netherlands as a private limited liability company on 4 January 2016 and then converted to a public company on **12 August 2016**

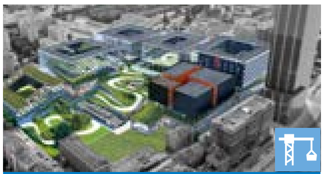
EPP lists on the Luxembourg Stock Exchange (LuxSE) on **30 August 2016**

EPP lists on the JSE in the Real Estate – Real Estate Holdings and Development sector on **13 September 2016**

Employee numbers: over 100



O3 Business Campus
Kraków
19 095 m²
Acquired: October



Towarowa 22 development land
Warsaw
210 000 m² mixed-use project
Acquired: December

Tryton Business House
Gdansk
23 676 m²
Acquired: December

Symetris
Łódź
9 499 m²
Acquired: December

2016

307 487 m² GLA | 214 359 m² GLA

521 946 m² GLA

444 351 m² GLA | 137 359 m² GLA

2017

Exceeded first full year distribution guidance

Zakopianka
Kraków
26 188 m²
Acquired: May

Wzorcownia
Włocławek
25 409 m²
Acquired: June

Twierdza Zamość
Zamość
23 806 m²
Acquired: June

Twierdza Kłodzko
Kłodzko
23 038 m²
Acquired: June

Galeria Młociny development
Warsaw
80 755 m²
Acquired: May

Galeria Solna
Inowrocław
23 524 m²
Acquired: July

Tryton Business House
Gdansk
23 997 m²
Disposed: December

West Gate
Katowice
16 646 m²
Disposed: December

A4 Business Park (I, II, III)
Katowice
30 556 m²
Disposed: December

Corporate | Disposals | Acquisitions | Office | Retail | Development

Second year in a row full guidance was met and was the best performing property stock on the JSE

Four assets under tranche 1 of M1 portfolio

Czeladź, Kraków, Łódź, Zabrze
184 342 m²
Acquired: January

King Cross Marcelin

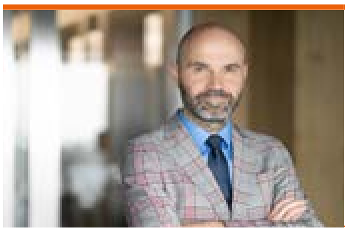
Poznań
45 395 m²
Acquired: July

2018

683 833 m² GLA | 147 462 m² GLA

The first Primark store in Poland opened at Galeria Młociny in **August 2020**

Employee numbers: 212



Tomasz Trzósło appointed new CEO of EPP, leading retail landlord in Poland in **June 2020**

Exceeded distributable earnings guidance

2020

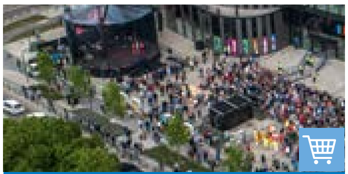
907 756 m² GLA | 166 855 m² GLA

1 074 611 m² GLA

907 361 m² GLA | 166 855 m² GLA

2019

Third year in a row that distribution guidance was met

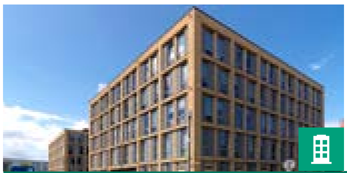


Galeria Młociny

Warsaw opened in May
80 755 m²

Four assets under tranche 2 of M1 portfolio

137 779 m²
Acquired: June



Disposal of a 70% stake | **JV partnership with Henderson Park (70/30)** | **GLA: 86 300 m²**

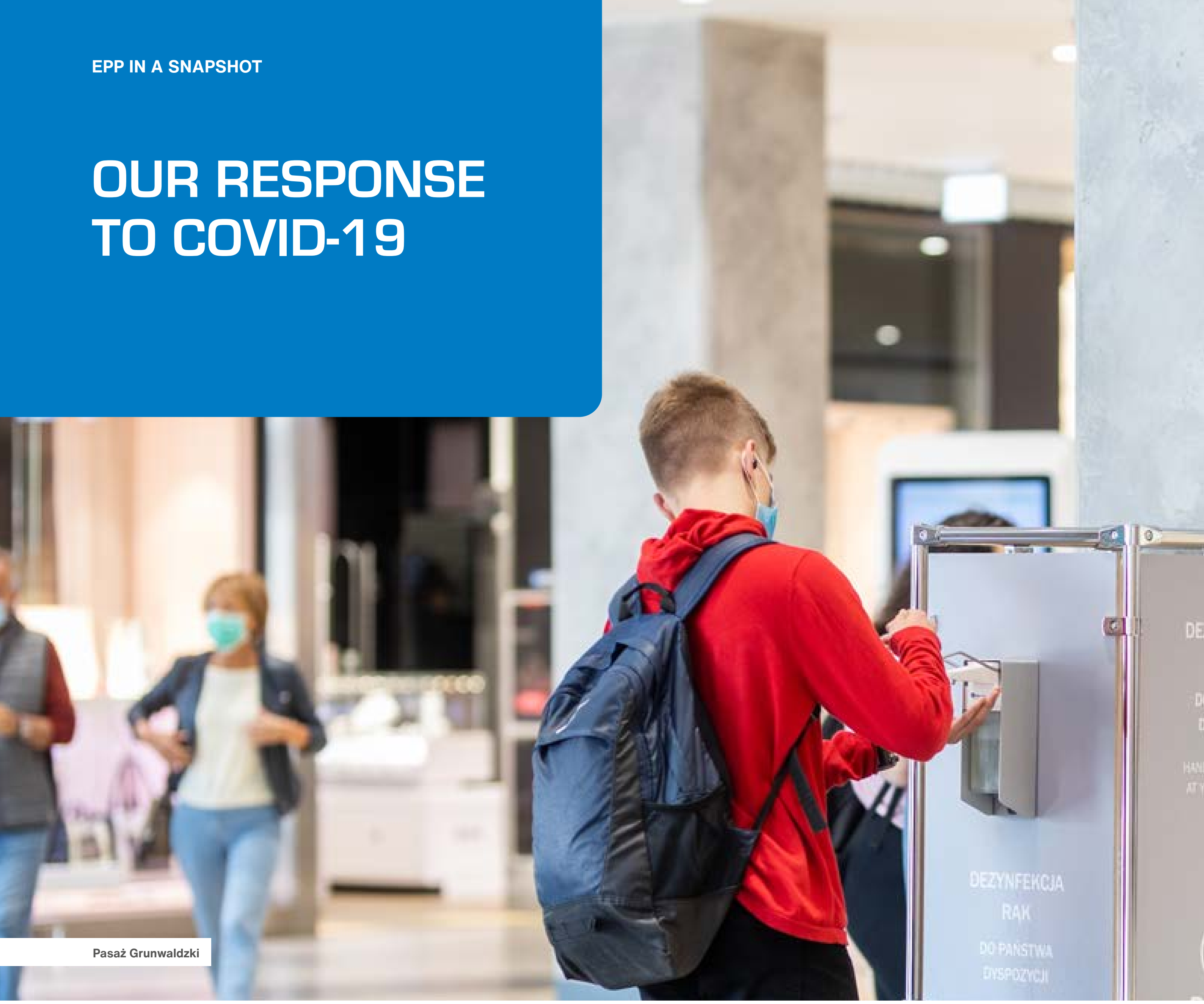
Malta
Poznań
Disposed: June

Symetris (I,II)
Łódź
Disposed: June

O3 Business Park (I, II)
Kraków
Disposed: June

GLA per asset reflected is at year end 2020. Annual total per year is as of each respective year's date's GLA.

OUR RESPONSE TO COVID-19



Pasaż Grunwaldzki

PANDEMIC OUTBREAK AND MANAGEMENT IN POLAND

From early 2020 the world was becoming aware of a new global challenge, the COVID-19 pandemic. Countries started imposing measures from travel bans to lockdowns to help curb the rising infection numbers. The Polish government acted swiftly by closing borders in March and implementing a seven-week lockdown, which particularly impacted the retail and leisure industries. However, once the first wave of infections abated, the shopping centres in Poland were opened in May, earlier than in some other European countries and welcomed shoppers under strict health and sanitation protocols. The advent of the second wave in October and November again led to certain closures of retail and leisure outlets for three weeks, although those limitations were at a reduced rate and shorter than during the first lockdown. A third lockdown followed in January 2021, with restrictions on shopping centres lifted in February 2021.

To strengthen and protect the economy, the Polish government introduced a financial relief programme named anti-crisis shield in March 2020 amounting to €47 billion with an additional €22 billion financial shield launched in April 2020. It was intended to support various industries impacted by the pandemic with the aim of preserving liquidity and protecting jobs. As limitations remain, the Polish government continues to work on additional aid packages to support industries which further assists in the recovery of businesses and the economy. In addition, as a member of the European Union, Poland will benefit from the €750 billion EU recovery fund as well as the €1.1 trillion EU seven-year budget. The COVID-19 vaccination programme was launched on 27 December 2020 in Poland and continues to progress well. As at 27 February 2021, 3.3 million vaccine doses had been administered.

HOW WE RESPONDED

At the outbreak of the pandemic in Poland, EPP's financial, operations and legal teams met on a frequent basis to formulate the best strategy to mitigate the impact of COVID-19. From an operational perspective, EPP immediately introduced plans to optimise costs and alleviate the impact of the lockdown, including reductions in capital expenditure and discretionary operational costs. In addition, the company implemented a temporary salary cut for all employees, including all board members and its executive directors.

From a balance sheet perspective, the immediate focus was to secure the liquidity of the business to ensure a safe landing and to mitigate as many of the risks arising as a result of the lockdown. Part of this process was to draw down on the available corporate credit facilities in addition to the earnings retention of the second half of 2019.

EPP's portfolio is currently funded by a diversified group of lenders comprising Polish, European and international financial institutions. The company actively communicated with all of them during the outbreak of the pandemic and discussions have been constructive throughout this period and the pragmatic approach resulted in the majority of the lending institutions agreeing to a temporary waiver of capital amortisation for the year.

With uncertainty about the future impact of the pandemic, EPP will continue to focus on the liquidity of the business until economic stabilisation returns.

TENANT NEGOTIATIONS

The Polish government was one of the few countries that provided legal regulation on the rental obligations of tenants during the lockdown periods. According to the regulation landlords were not allowed to charge rental and maintenance costs during the Polish government enforced lockdowns (see timeline on page 20), and in return would receive an extension of the lease terms for a period of six months plus the lockdown period (calculated separately for each lockdown period). It should be noted that the regulation is only applicable to tenants that could not legally trade as stipulated by the decree for each lockdown period. Notably if tenants do not decide to extend their leases, they would be obliged to pay the required rent and maintenance costs during the period of lockdown.

In addition to the above, it was necessary to provide some temporary rental relief to tenants after the end of the spring lockdown, as both footfall and turnovers have materially decreased. EPP has approached such tenant negotiations on a case-by-case basis and has considered multiple factors, such as the analysis of the tenant's financial situation, potential government support received, historical sales performance and the type of industry in which the tenant operates (fashion outlets, restaurants and cinema and leisure facilities were impacted more than others). In line with EPP's strategy, discounts or deferrals were offered to tenants with the aim of extending lease periods and increasing long-term rentals.

EPP's approach during this period was to take a longer-term view in order to maintain the current attractive full offering to customers, which management believes was the right one in the context of delivering longer sustainable returns to all stakeholders (see the CFO's report on page 52).

The lockdown restrictions imposed by the Polish government did not affect EPP's office portfolio. All office tenants were legally obliged to pay their rent in full, however, certain immaterial discounts were offered to tenants where applicable.

The majority of lease negotiations were concluded and it was pleasing to see that the average collections of rents agreed with tenants were in line with historical norms of nearly 100% in

To strengthen and protect the economy, the Polish government introduced a financial relief programme named anti-crisis shield in March 2020 amounting to €47 billion with an additional €22 billion financial shield launched in April 2020.

Pasaż Grunwaldzki

OUR RESPONSE TO COVID-19 (CONTINUED)

Health and sanitation response – meeting and exceeding requirements

- Controlling the number of customers in the shopping centres to comply with one person per 15 m^2 rule
- Disinfection of surfaces touched by customers – handles, buttons, handrails and toilets minimum every hour
- Increased number of dispensers with disinfectant liquid
- Maintaining a distance of at least two metres in common areas in the shopping centres
- Increased number of trained staff paying attention to customer behaviour
- Voice messages reminding of the DDM (disinfect, distance and masks) principle at least once every half hour
- Posters, stickers, pictograms, films, educational graphics
- Masks available for anyone who needs one
- Extended opening hours of the shopping centres before Christmas

September and October. The rent collection rates have reduced in November and December as a result of the new lockdowns imposed by the Polish government. As a result of the discounts provided to tenants in return for further extensions of their leases, the WALT by GLA in the EPP retail portfolio improved from 4.7 years (May 2020) to over five years as at year-end December 2020. The retail occupancy rate remains stable at 96%.

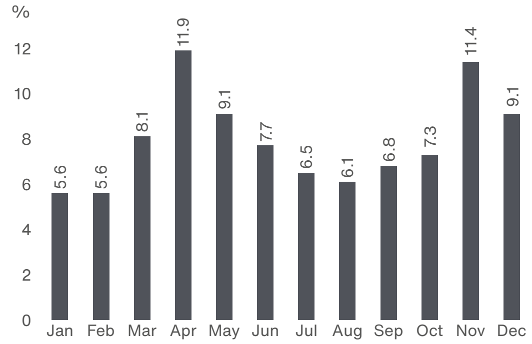
As at the date of this report the majority of the portfolio is allowed to trade representing 96% of EPP's retail GLA.

OPERATIONAL PERFORMANCE

Despite the temporary disruption in operations EPP's results remained quite robust and exceeded industry expectations. Post the first lockdown footfall averaged approximately 80% compared to 2019 levels for the months June to September. The footfall figures show that Poles are returning to shopping centres after consecutive periods of limited operations and this happened faster with every subsequent lockdown. More importantly tenant turnover figures were more robust over the same period at 90% compared to prior year which is evidence of higher conversion rates. It was also pleasing to see how quickly customers returned to stores which was reflected in the e-commerce penetration levels dropping significantly upon reopening (see page 19).

Testament to the strong portfolio and retailers' belief in the future performance of EPP's shopping centres is that many tenants continued to open new stores notwithstanding the disruption caused by COVID-19. Since the beginning of the year the following brands opened their stores in EPP's retail projects: Levi's, Sephora, Martes Sport, CCC, PEPCO, Carrefour, KIWI, Hebe, W.KRUK, Super-Pharm, 50 style, eobuwie.pl, Modivo and the first Primark in Poland at Galeria Młociny.

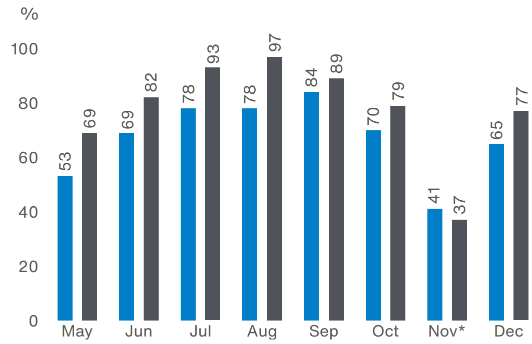
E-COMMERCE IN POLAND



Share of e-commerce in total retail sales (%)

Source: Statistics Poland

EPP FOOTFALL AND TENANT TURNOVER SINCE REOPENING OF SHOPPING CENTRES



% of 2019 footfall ■ % of 2019 turnover

* *Second lockdown*

REGULAR, FAST AND TAILORED COMMUNICATIONS TO ALL STAKEHOLDERS

Communication is crucial in challenging periods and we paid a lot of attention to it throughout 2020. EPP ensured a continuous, timely and transparent communication with all stakeholders.

Investors

Regular SENS updates as well as virtual results and pre-close presentations. As the majority of our investors are not located in Poland, we paid particular attention to updating them on specific impacts and implications for the Polish market to ensure investors are well informed.

Tenants

One-on-one engagement and negotiations, regular and timely information by letters, emails, SMS, phone calls and message platforms on restrictions implemented by government, their impact on the tenant operations as well as sanitary and safety guidelines.

Employees

Regular information session were held with employees to keep them abreast of the company's response to the pandemic as well as its performance. A great deal of effort has been made to communicate the pandemic safety rules and procedures which are in place regularly and promptly, as well as the restrictions being imposed on the retail industry and Polish inhabitants.

Shoppers

Clear and consistent signage was displayed in all shopping centres to ensure communication of valid health and sanitary protocols. This was repeated through various channels, especially social media, websites, the media and voice systems. Joint communications by EPP and tenants was conducted on safe shopping habits. We also cooperated with the government by broadcasting voice messages and providing instructions and posters prepared by the state sanitary authorities and police in our shopping centres.

Communities

See page 62 for the CSR initiatives run during the year.

Industry

We actively participated in the Polish Council of Shopping Centres' response to the pandemic with an EPP representative appointed to the council's management board. Communication with the authorities included regular reporting on the scale of infections in shopping centres and the condition and performance of the industry during the pandemic. Proactive efforts were also made to avoid further restrictions on shopping centres, formulating and consulting on sanitary protocols being introduced for shopping centres and new legislation affecting the sector. The council also ran an intensive campaign to consumers to promote safe shopping behaviour and engaged in a vaccination promotion project both in collaboration with the government.

OUR RESPONSE TO COVID-19 (CONTINUED)

RESTRICTIONS ON OPERATIONS OF SHOPPING CENTRES FROM MARCH 2020

EPP's approach throughout the crisis has been to take proactive steps to minimise the negative impact of COVID-19 on our business and employees, tenants, shoppers and communities, while also communicating timeously with all stakeholders. We believe our prompt actions have ensured that we successfully navigated through this challenging period and have strengthened relationships with our stakeholders.

We will continue to ensure a safe and healthy environment for employees, tenants and shoppers and to keep investors informed of new developments as and when they arise.

14 March 2020
Closure of all retail and service venues in shopping centres except: grocery shops, pharmacies, beauty supply stores, laundries, banks and financial institutions

31 March 2020
The President signed a law suspending tenants' obligations under lease agreements applicable to shopping centres with an area exceeding 2 000 m² during the lockdown period

1 April 2020
Only stores that had been open since 14 March 2020, as well as DIY stores, pet shops and newsagents can operate in shopping centres under the previous rules

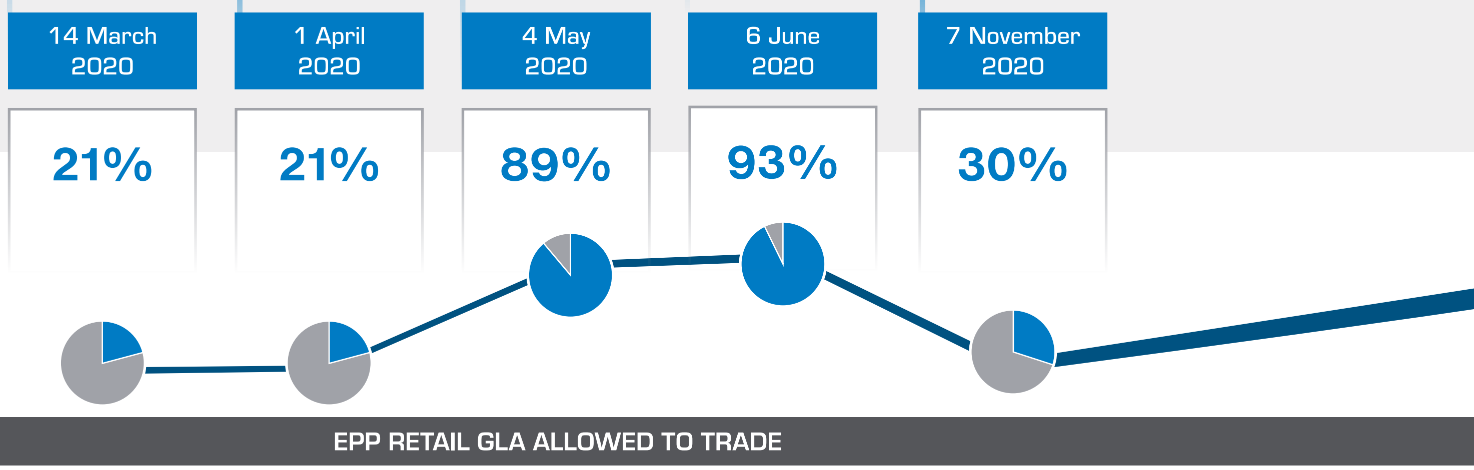
Launch of the anti-crisis shield supported by the State Development Fund and Bank Gospodarstwa Krajowego

4 May 2020
Reopening of all stores with customer limits (one person per 15 m² of space or four persons per one service station) except for travel agencies, hairdressing salons, fitness clubs, cinemas and playrooms. Food service activities still limited to take away and delivery meals

30 May 2020
End of customer limits of one person per 15 m² of space or four persons per one service station; two weeks earlier, stationery, F&B, hairdressing and beauty services were reopened

6 June 2020
Reopening of gyms, playrooms, swimming pools and fitness clubs

7 November 2020
Restrictions on the operations of shopping centres – only certain service venues, pharmacies, grocery, beauty supply, DIY, animal products stores and newsagents remain open; food service activities limited to the sale of take away and delivery meals



CORPORATE SOCIAL RESPONSIBILITY

Two-fold approach supporting both tenants and local communities

Supporting the communities in the areas in which our retail properties operate remains a significant pillar in our CSR policy and our commitment increased through a number of actions during the pandemic:

- EPP's shopping centres donated 17 000 face masks to local hospitals in 13 cities, which were purchased from one of our tenants, who at the time could not operate its stationery stores.
- The company also provided meals to medical staff as part of the #property4heroes campaign, involving some of the biggest players from the commercial property sector in Poland. The meals were purchased from the restaurants operating in EPP's shopping centres and office buildings.
- An important target group for EPP's activities included seniors and quarantined persons, who were lacking contact with their loved ones and relatives. Several hundred books and games were distributed to this group.
- Separately EPP's employees collected money for the medical services by taking part in the #Hot16Challenge2 initiative.
- Additionally, after the reopening of the EPP's shopping centres approximately 12 500 protective masks were distributed to its customers, employees of tenants and cleaning and security services.

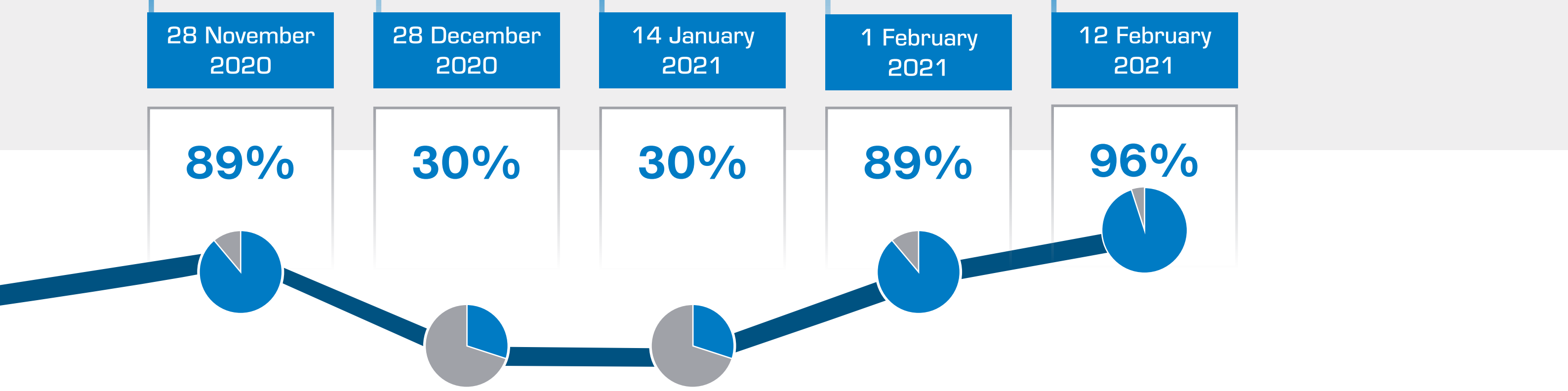
28 November 2020
Reopening of all shops under a sanitary regime (one person per 15 m²), except for fitness clubs, cinemas and playrooms. Food service activities still limited to take away and delivery meals

28 December 2020
Lockdown implemented limiting shopping centre operation. Only grocery stores , DIY stores, furniture stores, pharmacies, cosmetics shops, pet stores, bookstores and service points able to continue trading

14 January 2021
Extension of lockdown until 31 January

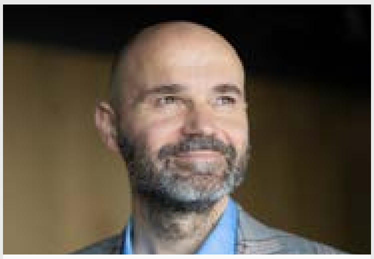
1 February 2021
Reopening of all shops under a sanitary regime (one person per 15 m²), except for fitness clubs, cinemas and playrooms. Food service activities still limited to take away and delivery meals

12 February 2021
Cinemas are allowed to resume operations, 50% of seats may be occupied, masks mandatory, consumption of food and drinks prohibited



DIRECTORATE

EXECUTIVE



Tomasz Trzósło (45) *CEO* ✚
Polish

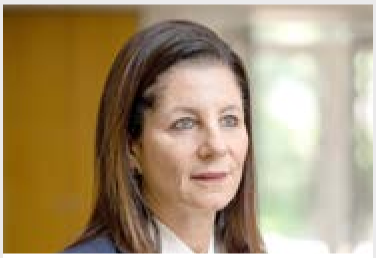
Jacek Bagiński (51) *CFO*
Polish

Please see pages 195 to 198 for a detailed CV of each director.

INDEPENDENT NON-EXECUTIVE

Robert Weisz (71) *Chairman* ✱ ●
Dutch

James Templeton (47) ✚̲ ●
South African



Dionne Ellerine (54) ■ ●̲
South African

Taco de Groot (57) ✱̲ ✚
Dutch

Marek Belka ■
(69) Polish

KEY TO COMMITTEES

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

NON-EXECUTIVE

Andrew König (52)
South African

Maciej Dyjas (57)
German

Pieter Prinsloo (54) ✱ ■
South African

IN MEMORIAM

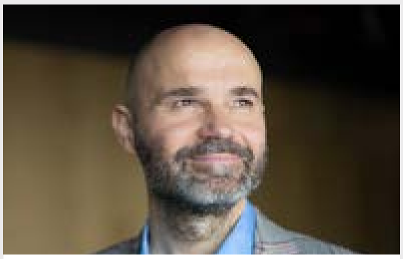
Marc Wainer was a director on EPP's board since the company's listing in September 2016 and was instrumental in the establishment of EPP and its subsequent listing on the Luxembourg Stock Exchange and the JSE Limited.

The listed entity that is EPP was Marc's brainchild – a chance encounter in London, with EPP's former CEO Hadley Dean, led to Marc being the driving force behind putting together what is now EPP and providing South African investors with an opportunity to invest in a pure Polish retail property play.

He was the founder and former executive chairman and CEO of Redefine and a doyen of the South African property industry. He built Redefine into one of the largest REITs in South Africa and played a crucial role in the company's international expansion, which included the investment in EPP. With his wealth of property experience, he made a critical contribution to the board over the past four years.

EPP extends its deepest sympathies to Marc's family, friends and colleagues.

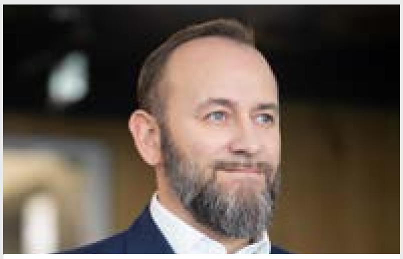
EXECUTIVE MANAGEMENT



Tomasz Trzósło
Chief Executive Officer

Jacek Bagiński
Chief Financial Officer

Wojciech Knawa
Head of Property Management



Michał Świerczyński
Head of Asset Management

Rafał Kwiatkowski
Chief Operations Officer and Company Secretary

02

OUR BUSINESS AND HOW WE CREATE VALUE

Providing a safe environment for shoppers, tenants and staff is EPP's top priority. High sanitary standards will stay with us at least until the end of the pandemic. EPP's shopping centres operate under the DDM principle: Distance, Disinfection, Masks.

BUSINESS MODEL AND STRATEGY

WHAT WE AIM TO DO

Our long-term business strategy **is to own a retail dominant portfolio** comprising > 70% of quality shopping centres situated in Poland and be positioned to attract new quality concepts and flagship stores and become preferred locations for local and international brands with the remainder comprised of other asset classes, especially high-quality office blocks, as well as potentially residential for rent or student housing, which will generate stable and growing cash flows.

Manage and grow through continuous assessment of the capital allocation decision within the portfolio that will drive selections surrounding acquisition, divestment and development opportunities. Asset management decisions will be focused around improving the footfall in our shopping centres by providing a diversified offering mixing retail with services and adding food and beverage (F&B) and entertainment offerings that will deliver an enhanced "experience" for customers. In addition, the company will focus on future-proofing by adapting centres to support omni-channel retail, and providing the best match for the requirements of our tenants. These have the ultimate aim of creating an attractive environment for customers within our centres leading to increased dwell times and spending which in turn will drive growth in 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 increase in distributions for long-term value creation.

CAPITALS @ EPP

These are the key drivers of our business strategy

Funding capital

- Corporate credit facilities
- Established relationships with investors and lenders
- Debt management

Portfolio capital

- Largest retail landlord in Poland by GLA (>900 000 m²) with 25 shopping centres dominant in their catchment areas
- Owner and manager of six well-located office complexes, three of them with a JV partner (GLA over 160 000 m²)
- Towarowa 22 mixed-use development, Warsaw (currently planned for around 210 000 m²); world-renowned architects; currently in the process of permitting

People and platform capital

- 212 employees across Poland
- Depth of skills, knowledge and experience in our quality teams
- Proprietary systems to facilitate efficient and quick response to changing trends

Stakeholder capital

- Engagement and communications with our tenants, communities, investors and employees

Environmental capital

- Adherence to environmental regulations
- Environmental certification of properties

POLAND

Polish GDP growth rate for 2021 3.8%, 2022 4.6% – *Oxford economics* Retail sales growth rate for 2021 3.9% and 2022 3.4%	The majority of retail spend occurs in shopping centres (lack of high streets) and this is expected to continue in the long term	Prime shopping centre yields 5.25% *(JLL estimate)*	Trend shifts, e.g. e-commerce (digital platforms and click-and-collect services), alternative use trends – last mile logistics, services, mixed-use schemes to add to the footfall dynamic of shopping centres, i.e. office, residential, retail all in one.

HOW WE DID IN FY20

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

- Fully utilised the corporate credit facilities of €95 million to ensure the company was well capitalised to weather the pandemic
- Operational costs reduced at a property level and temporary reduction of staff costs as a response to the lower than expected rental levels
- Capital expenditure optimisation to limit non-essential capital outlays.
- Retention of earnings to ensure the liquidity of the business
- Achieved distributable earnings per share guidance of between €4.75 and €5.25 with a final earnings per share of €5.56 cents
- LTV increased to 54.8% as a result of devaluations due to COVID-19 pandemic
- Support from all lending partners and stakeholders during this period to ensure optimal capital allocation and keep the business within desired capital objectives

Looking ahead:

- LTV target of between 40% and 45%
- Exploring alternative sources of financing through sale of part stakes to long-term joint venture partners in order to reduce leverage
- Delivering sustainable earnings and distribution growth

- Property valuations impacted by the COVID-19 pandemic as shopping centre trading was restricted for more than 10 weeks during 2020
- >80% retail focused by GLA
- On-boarding first time brands in Poland such as Primark and Modivo at EPP's flagship Warsaw property – Galeria Młociny
- Expansion of F&B and entertainment offering with the opening of Foodport in Galaxy in 2020 and continuation of the shopping centre activation programme (cultural, sport, educational events) prior to the commencement of the pandemic

Looking ahead:

- Remain retail dominant in the overall 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
- Maintain dominance in the Polish retail market as the one-stop shop for local and international retailers

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- Additional experience added to the board with the appointment of two industry veterans Tomasz Trzósło (CEO) and Andrew König (non-executive board member)
- Hours skills – average training was around 4.5 hours for both women and men (decline due to pandemic)
- COVID-19 wellness initiatives
  - Psychological support and webinars on stress management and wellbeing
  - Introduction of regular online meetings with board members and staff to keep them updated on current and future plans of the company

Looking ahead:

- Retain and attract best talent (post year-end appointment of industry leader as chief divestment and investment officer)
- Low staff turnover

- Active engagement with industry bodies such as the Polish Council of Shopping Centres
- CSR strategy supporting local communities and charities which were impacted by COVID-19
- Active communications with tenants, banks and government authorities
- EPP University assisted tenants in strategies to drive sales
- Increased investor communications and transparency
  - Regular SENS updates to the market
  - Increased PR and IR communications with annual, interim and pre-close updates in June and December
  - Virtual presentations and meetings which were attended by over 200 investors

Looking ahead:

- Long-term value creation for all stakeholders
  - Tenants – attractive shopping centres
  - Communities – become a leader in the community in line with the company's CSR strategy
  - Shareholders – ensure up to date information

- Increasing BREEAM and green building certifications – currently 24 buildings in the portfolio meet this criteria

Looking ahead:

- All properties to have a BREEAM and green building certification
- Reduce carbon footprint of the business in the long term
- Introduction of longer term ESG strategy for the business

STAKEHOLDER ENGAGEMENT

The board views engagement with our stakeholders as imperative for our sustainability and business strategy. We are committed to ensuring consistent, timeous and open communication with all stakeholders and regularly engage with various stakeholder groups. Feedback from these engagements is communicated to the board and this informs our key strategic decisions and the identification of our material issues.

We communicate with stakeholders through our website, regular newsletters, presentations, interaction with the media, one-on-one meetings, ongoing informal and formal discussions and site visits. Due to the COVID-19 outbreak and subsequent restrictions, no site visit was held this year.

See page 16 in Our response to COVID-19 for detail on how we communicated with stakeholders regarding COVID-19.

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

WHAT MATTERS TO THEM	HOW WE ENGAGE
Shareholders, providers of capital and financial institutions	
▪ Accessibility to management including succession planning ▪ Strategic execution and performance ▪ Portfolio growth funding and interest rates ▪ Capital appreciation ▪ Timely servicing of debt ▪ LTV ▪ Credit rating ▪ Governance and sustainability	▪ Investor relations and engagement plan ▪ One-on-one discussions ▪ Bi-annual results presentations ▪ Pre-close presentations ▪ SENS and media releases ▪ Regular SENS updates regarding COVID-19 impact ▪ Website ▪ Newsletters ▪ Social media channels ▪ Investor site visits to Poland (prior to travel restrictions) ▪ Regular availability of management in South Africa (prior to travel restrictions) and via conferencing facilities from Poland
Stock exchanges (JSE; LuxSE)	
▪ Compliance ▪ Sustainability ▪ Credibility ▪ Shareholder returns	▪ Supervised compliance ▪ Transparent, timely and regular communications
Employees	
▪ Career development ▪ Communications ▪ Fair remuneration and reward ▪ Quality and safe workplace environment	▪ Annual company meeting ▪ Quarterly CEO meetings with the HQ staff ▪ Ask a CEO – questions can be submitted to CEO ▪ Company intranet providing the latest news on the company and its operations, management comments for the media, various activities and events hosted by EPP's shopping centres and retail industry update and trends to keep employees up to date ▪ Monthly summary of the top articles on EPP published by the media sent to employees

WHAT MATTERS TO THEM	HOW WE ENGAGE
Media (South Africa, Poland, Europe)	
▪ Timely, relevant and open communications ▪ Accessibility of the management team	▪ Media engagement as per established channels and regional programmes
Tenants	
▪ Tenant mix ▪ Redevelopments and enhancement ▪ Cleanliness ▪ Security and maintenance ▪ Communication	▪ Transparent and timely communications ▪ Sector-related B2B events ▪ EPP University
Real estate sector	
▪ New legislation ▪ Global and local industry trends ▪ Sector-specific issues	▪ Sector events (awards, panel, conferences, fairs) ▪ Regular local media engagement ▪ Member of the Polish Council of Shopping Centres and PINK Association ▪ Regular communication with industry representatives and valuators
Local communities	
▪ Environmental impact ▪ Responsible corporate citizenship	▪ Events at shopping centres ▪ CSR events and initiatives

Our stakeholder engagement is further enhanced through our membership in industry associations such as the Polish Council of Shopping Centres and PINK Association. We played an active role in the council during the pandemic. See Our response to COVID-19 on pages 16 to 21 for more detail.

OUR TENANTS

Tenants are at the centre of our strategy as a company and we constantly engage with them to better understand the changing retailer environment and how we can assist in creating the most optimal environment for them to grow. The current environment further emphasised focus on our tenants. Open and regular communications with tenants during this challenging period allowed EPP to retain its attractive tenant base to ensure outperformance of peers in the future.

EPP UNIVERSITY

One of our responses to tenants' needs is our proprietary **EPP University**. This unique concept was established to assist tenants in all aspects of creating an ideal environment for business growth for both them and EPP. It demonstrates our commitment to supporting the company's business partners. The initiative is headed by a seasoned expert with great insight in customers' desires and knowledge on how to improve their engagement.

At EPP we consider retail an art rather than a science. We know that the way in which a company presents its offering and interacts with shoppers makes a world of difference to whether customers will remain loyal or not. Knowing the structure of the customer market and understanding its mechanisms remains crucial to determining the best way to meet the clients' needs. EPP University trains our tenants' staff in effective visual merchandising and sales techniques designed to improve the retailer's performance. We have seen a significant improvement in tenants' KPIs after completing the training. Retailers have demonstrated significant demand to join the programme as they acknowledge its value.

The **EPP University** remains a key pillar of the company's long-term strategy in order to improve the attractiveness of EPP's facilities to tenants. However, its activity was limited in 2020 due to COVID-19.

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.

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.

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

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 as well as divestment programme 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 we ensure 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.

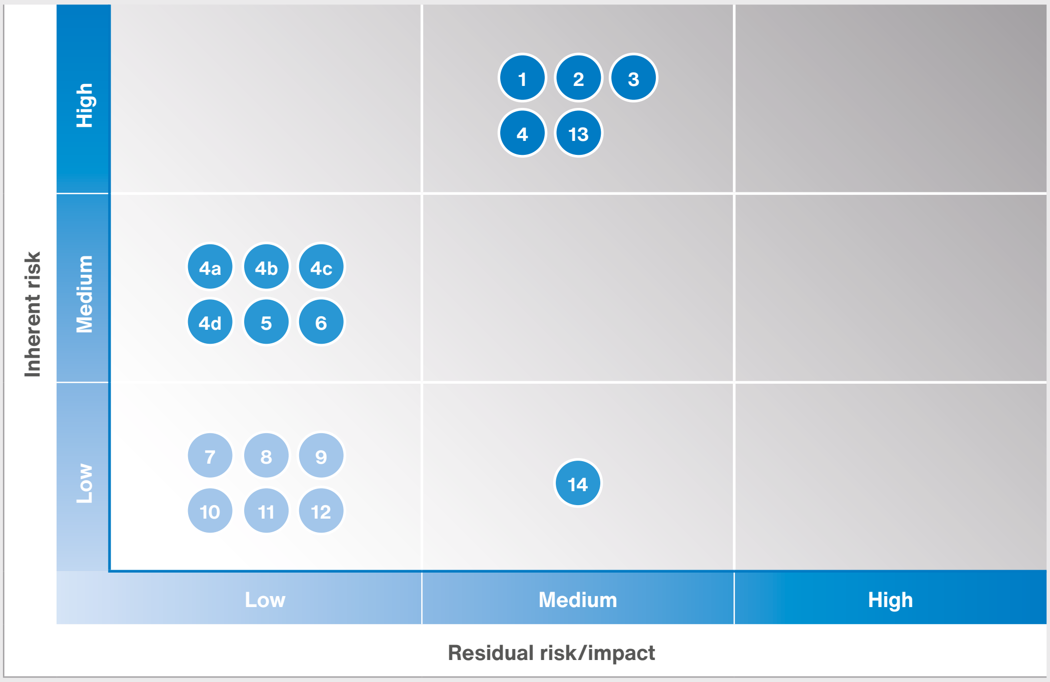
The group's exposure to foreign exchange rate risk is significantly decreased by borrowings denominated in euro. The group is exposed to foreign currency risk on receivables and payables denominated in a currency other than euro, being the functional and the presentation currency. The group's policy is to hedge expected significant transactions in currencies other than euro, 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.

The key risks and steps we take to mitigate these are set out on page 31. Our risk matrix was assessed and adjusted in light of the COVID-19 pandemic.

Galeria Młociny

RISK HEAT MAP

The key risks 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*
4a	Interest rate risks
4b	Foreign exchange rate risk
4c	Credit risk – tenant receivables, financial instruments and cash deposits and liquidity risk
4d	Capital management
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	Global disruption event or financial crisis (COVID-19)
14	JV: Development risk (Towarowa zoning plan)

Financial volatility section (see note 31 in the annual financial statements).

RISK MANAGEMENT (CONTINUED)

STRATEGIC RISK DASHBOARD

Rank	Risk name	Risk category	Risk appetite	Inherent risk	Control effectiveness	Residual risk	Tolerable risk	Risk tolerance
1	Tenant concentration and pressure	Operations	Medium	High	Good	Medium	Medium	Within tolerance
2	Lack of distribution and NAV growth	Financial	Medium	High	Good	Medium	Medium	Within tolerance
3	Market value of the portfolio	Strategic	Medium	High	Good	Medium	Medium	Within tolerance
4	Financial market volatility*	Financial	Medium	High	Good	Medium	Medium	Within tolerance
4a	Interest rate risks	Financial	Medium	Medium	Satisfactory	Low	Low	Within tolerance
4b	Foreign exchange rate risk	Financial	Medium	Medium	Satisfactory	Low	Low	Within tolerance
4c	Credit risk – tenant receivables, financial instruments and cash deposits and liquidity risk	Financial	Medium	Medium	Satisfactory	Low	Low	Within tolerance
4d	Capital management	Financial	Medium	Medium	Satisfactory	Low	Low	Within tolerance

Financial volatility section (see note 31 in the annual financial statements).

Risk response	
▪ Extending and improving lease portfolio ▪ Ongoing review of portfolio with the view to retain or dispose of certain properties ▪ Ongoing monitoring of tenant concentration risk	▪ Various scenarios of alternative uses for property and prospective tenants identified ▪ Monitoring and understanding 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 and acquisitions at distribution enhancing yields Refer also to controls for "financial market volatility" below
▪ 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 and increasing the entertainment space at shopping centres ▪ 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 and diversifying lending base ▪ Enhance efficiency to maintain margins ▪ Exchange rate risk management	▪ Pipeline projects hedge risk ▪ Ongoing discussions with banks and credit institutions to ensure liquidity in the business ▪ Managing LTV levels ▪ Ability (capacity) to finance short-term capital requirements ▪ Availability of undrawn finance facilities
▪ 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	
▪ The group is exposed to foreign currency risk on receivables and payables denominated in a currency other than euro, being the presentation currency. The period where EPP is exposed is very low.	
▪ 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 2020 and 31 December 2019, 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
▪ 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

RISK MANAGEMENT (CONTINUED)

Rank	Risk name	Risk category	Risk appetite	Inherent risk	Control effectiveness	Residual risk	Tolerable risk	Risk tolerance
5	Impact of disruptive technologies (e-commerce)	Strategic	Medium to high	Medium	Satisfactory	Low	Medium	Within tolerance
6	Inability to effectively manage our reputation	Operations	Low	Medium	Satisfactory	Low	Low	Within tolerance
7	Information security resilience	Crime	Medium (moderate)	Low	Satisfactory	Low	Low	Within tolerance
8	Failure to comply with local and international laws and regulations	Legal and Compliance	Medium to high	Low	Satisfactory	Low	Low	Within tolerance
9	Damage to property and security-related threats	Crime	Low	Low	Satisfactory	Low	Low	Within tolerance
10	Inability to maintain strong ethical and governance culture	Legal and Compliance	Low (conservative)	Low	Good	Low	Low	Within tolerance
11	Impact of acquisitions and disposals to operational efficiency	Operations	Medium	Low	Satisfactory	Low	Low	Within tolerance
12	Inability to attract or retain skilled employees	People	Low to medium	Low	Satisfactory	Low	Low	Within tolerance
13	Global disruption event or financial crisis (COVID-19)	Operations, Financial and People	Medium to low	High	Satisfactory	Medium	Medium	Within tolerance
14	JV: Development risk (Towarowa zoning plan)	Development	Medium	Medium	Good	Low	Low	Within tolerance

Risk response
▪ Ongoing monitoring of sales for each asset and sector (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 sustainable innovations, e.g. online, exploring alternative 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 ▪ Refurbishment of food courts and increasing the entertainment component in the shopping centres
▪ Stakeholder engagement process with adequate crisis management and response plan ▪ Adequate PR communication strategy ▪ Regular communication to investors ▪ Accuracy of financial reporting ▪ Transparency for shareholders
▪ Enhanced data governance and privacy practices ▪ Proactive management of cooperation with third parties ▪ Comprehensive IT security policy ▪ Improved security standard on all architectural layers
▪ Development of a robust regulatory and compliance risk management framework ▪ Strengthen governance mechanisms to provide oversight and monitoring ▪ Dedicated risk and compliance complicity in place to oversee compliance risk management ▪ Compliance officer overseeing the compliance risks ▪ External specialist tax advisors and legal advisors
▪ Effective security and health and safety programme ▪ Close liaison with police and communities ▪ Properties insured against threats such as damage, fire, flood and terrorist threat
▪ Review of board composition and introduction of new independent non-executives ▪ Code of Conduct implementation ▪ Whistle-blower policy ▪ Anti-bribery policy and related training
▪ 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) ▪ Responsible/proactive management of the long-term incentive programme ("LTIP") ▪ Succession planning and 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
▪ Direct communication and involvement with the industry and government to ensure support for the sector ▪ Strong relationships with financing institutions to ensure the liquidity of the business ▪ Strict compliance with health ministry guidelines to ensure safety of customers and staff in shopping centres and offices to ensure the safety of tenants, customers and employees ▪ Proactive monitoring of regulatory developments, including taxes, government support and legal requirements regarding all stakeholders
▪ Partnership dialogue and cooperation with city authorities ▪ Procedures and strategy plan in place to apply and obtain administrative decision on zoning plan

03

OUR OPERATING ENVIRONMENT

The introduction of omnichannel concepts – eobuwie.pl and Modivo – is our response to the trend of combing online and brick-and-mortar shopping. At Modivo customers select products with a tablet, which are then automatically delivered to a fitting room where concierge services and a stylist's advice are provided.

OUR MACRO ENVIRONMENT

Galeria Młociny

Poland, like other Central Eastern Europe states, is a steadily developing market with long-term potential. Its economy presents a great capacity for both foreign and domestic investments. For the last few decades the local authorities have been gradually modifying the framework to the laws around investing in order to make the market a friendlier environment.

Poles show a strong demand for tailored products and services when it comes to daily consumption. Fundamentals of this approach are embedded in the country's history. Notably, the older and middle-aged generations have experienced a difficult past with limited access to multiple goods. Nonetheless, the majority now have a better purchasing power as the standard of living continuously rises. Generation Z on the other hand, has grown up within modern surroundings and perceives retail assets as a place for shopping and social gatherings.

The general trend of improvement within the economy can be seen despite the COVID-19 pandemic. The Polish market was supported by the €70 billion worth governmental anti-crisis shield, aimed at protecting companies and their employees. Poland is also a large beneficiary of the €1.1 trillion EU seven-year budget and the €750 billion EU recovery fund.

The Polish economy is considered to be a stable and predictable one in the longer term, making it a safe and secure venture destination for investors. Its strength lies mainly in consumption which accounts for 58% of GDP according to Oxford Economics. This makes Poland more resilient to external shocks, proven not only in the time of pandemic, but also during the global crisis in the years 2007 to 2009. Poland was the only European economy that avoided the recession.

The long-term positive trend in the Polish economy is also reflected in the declining unemployment level. In spite of various bumps in Poland's history, this rate has been steadily decreasing for the last 30 years reaching 6.2% at the end of 2020.

The European commercial real estate market is estimated to represent some €7.27 trillion of assets. This sector however, has not yet been fully realised in Poland, offering scope for future changes for developments and shows great potential in absorbing new investments.

RETAIL INVESTMENT MARKET

Demand and rents

The drop in footfall numbers during the pandemic in the majority of shopping centres combined with a drop in turnover, as well as negotiations between tenants and landlords, have caused the temporary suspension of development plans. However, as far as the withdrawal of some retail chains from the Polish market is concerned, the decisions were taken based on the overall global situation of these brands and were not only specific to the Polish market.

Despite an uncertain future as a result of COVID-19, a number of international retailers decided to open their first stores in Poland in 2020. These include, among others: fashion giants Primark, Urban Outfitters, American Vintage, Falconeri, beauty store Armani Beauty, homeware chain Mömax and hard discount store Mere.

Supply

The local and convenience trend, which existed before COVID-19, has been boosted by the pandemic, and is reflected in the new retail supply. In 2020, developers in Poland completed 430 000 m² of modern retail space both in large-scale projects (GLA > 5 000 m²) and convenience centres (GLA of between 2 000 m² and 4 999 m²). Of the new space delivered in 2020, 41% was located in retail parks and another 28% in convenience centres. Shopping centres, which are still the most widespread format on the market, delivered a mere 86 000 m².

The pandemic has highlighted the challenges that the market has been facing for a long time. It is not only about the need to increase the e-commerce and omni-channel activity of retail chains, but also about seeking out alternative location types that will allow brands to attract new target groups. Although e-commerce is now very much developing in Poland, traditional retailing is still the first choice for most consumers and a key sales channel for retailers.

Investment market

Despite the uncertainty surrounding the COVID-19 pandemic, 2020 turned out to be robust in the investment market, exceeding expectations from the onset of the crisis. Investment turnover in 2020 totalled €5.6 billion proving to be the third best result ever.

Poland continued its dominance with 57% of total CEE volume and notably a strong year in logistics. Q1 was very active with roll-over deals from 2019 but as the year progressed volumes declined compared to previous years with a country total of €5.6 billion, showing a 30% decline from 2019, which was still the third highest volume on record. Despite the challenging year approximately €650 million of retail deals closed.

The arrival of the COVID-19 pandemic in March 2020 has impacted the CEE real estate market across all sectors. Some with positive gains, such as in the logistics sector, but others with clear adverse impact, such as retail and tourism.

Investors are still deeply interested in some asset classes, such as retail parks, convenience stores, DIY stores and food stores. Deals in the retail sector predominantly focused on these areas for repositioning, repurposing or operator change. Despite lack of any transactional evidence in the shopping centre sector, the markets expect prime shopping centre yields to contract to the level of 5.25%, driven entirely by sentiment, according to JLL.

Outlook

Much hinges on the universal vaccination programme, which has already commenced. Its success will trigger the return to offices, full activity of shopping centres, full return of students and a revival of the hotel, gastronomy, entertainment and conference sectors. Consequently, a pent-up demand of both consumers and investors will be released, boosting the investment market.

Investments in the shopping centre segment are likely to gradually return when shopping centres resume full operations.

Sources: JLL and Oxford Economics.

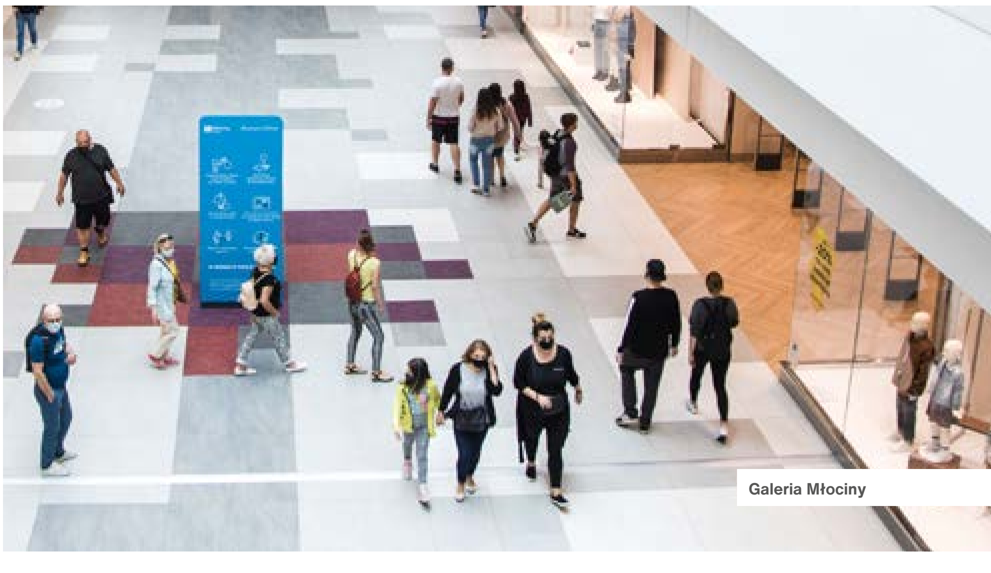
OFFICE MARKET

Office assets were the second most traded product in 2020. With nearly €2 billion transacted, the sector represented 36% of the total investments in Poland. Warsaw raised the vast majority of this outcome with Kraków taking the remaining part. At the end of 2020, prime office yields in Warsaw were at 4.50%, whereas yields in the core regional cities (Kraków and Wrocław) stood at 5.75% collectively.

An unprecedented home office experiment that impacted most companies to some extent during lockdown put a question mark over the future of office demand. There is a continuing debate around the impact on the office occupational markets where we have seen falling demand and increasing vacancy rates and an increase in sub-leasing activity.

It is expected that the offices sector will start to recover as we go back to our office workplaces following the anticipated successful roll-out of the vaccination programme throughout 2021.

Sources: JLL, Colliers International



Galeria Młociny

TRENDS DRIVING OUR BUSINESS

COVID-19 pandemic influencing trends

The retail space is constantly changing in Poland and Europe as a whole and prior to the COVID-19 pandemic was growing particularly in CEE where demand and purchase power is at its highest level. The periodic, partial closure of thousands of stores caused by the pandemic has resulted in unprecedented disruption in the entire retail sector. The introduction of many restrictions related to the COVID-19 pandemic has forced retail chains to make quick decisions to maintain sales continuity and minimise costs. At the end of 2020 the opening of malls did not cause an increase in COVID-19 cases, confirming that shopping malls are a safe place for tenants and shoppers from a sanitary perspective.

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 OMNI-CHANNEL

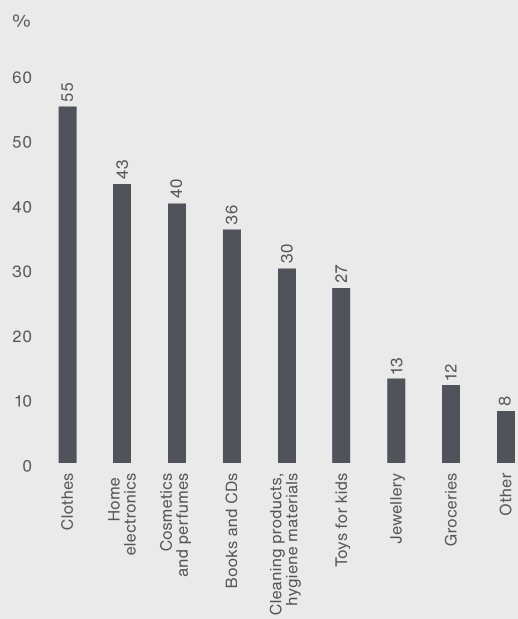
Shopping centres in Poland have undergone a massive transition since the appearance of the first modern facilities in the 1990s. Over the years, they have evolved from the infrastructure with the dominant function of a hypermarket, through the gradual expansion of the boutique section, to community centres with a rich entertainment and food offering. More recently we have also observed a significant and dynamic increase in e-commerce in addition to regular shopping.

E-commerce is an element of ongoing transformation of the retail sector and is associated with the development of technology and changes in consumer behaviour. The pandemic has accelerated this ongoing change.

Many retailers rely on having a network of stores in great locations, near to their target consumers so they can come and purchase things on offer, which can complement e-commerce.

Some retailers are not present directly in a market but are instead present through a franchise partner, who may also operate several brands. Quite often franchise partners do not have control or the rights to the e-commerce platform of the parent brand,

PRODUCTS THAT ARE BOUGHT ONLINE OFTEN



Source: Colliers

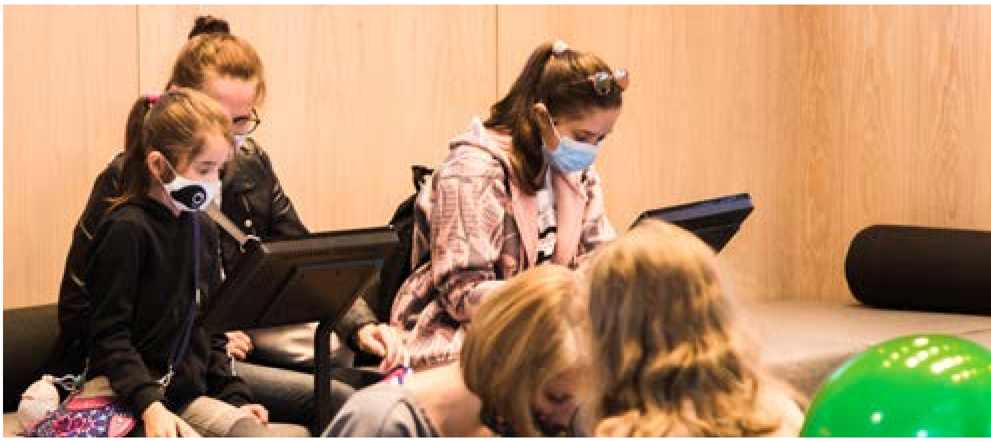
thus limiting their ability to sell online. Franchisees can establish their own channels but also face some restrictions on using or presenting "the brand".

With technological progress and changing consumer habits omnichannel retailing combining various sales channels (physical and digital) gains even more importance. It offers consumers freedom of choice, flexibility and a seamless "experience" regardless of how they interact with the brand, so they are likely to finalise the deal and return. These models also provide valuable insight into consumer behaviour. As a customer focused model it encourages brand loyalty and the highly valuable free social marketing.

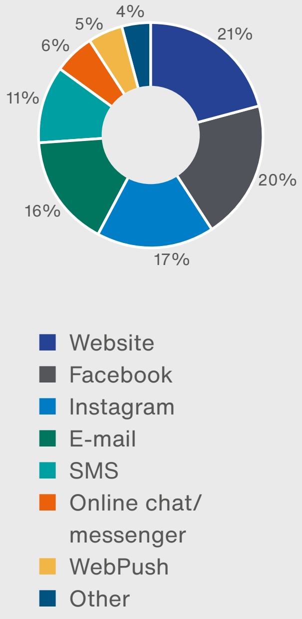
According to Colliers International's latest e-commerce report for Europe, online shopping spend in Poland will grow by 31.4% over 2020 compared to 16% growth in 2019 and will likely exceed €15.3 billion.

From the beginning of the year to the end of April 2020, the number of online stores in Poland increased by 1 700. 15 000 new companies started selling on the Allegro platform (a Polish online e-commerce platform). In turn, data from Shoper platform (a Polish online e-commerce platform), on which over 14 000 stores operate, shows that in April 2020 the number of transactions in grocery stores increased by 374%, and in drugstores by 126%.

With technological progress and changing consumer habits omnichannel retailing combining various sales channels (physical and digital) gains even more importance.

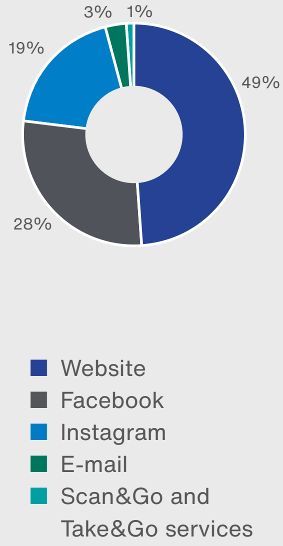


CHANNELS USED TO COMMUNICATE WITH CUSTOMERS



Source: Colliers

DELIVERY SERVICES USED BY CUSTOMERS



Source: Colliers

TRENDS DRIVING OUR BUSINESS (CONTINUED)

HOW EPP IS RESPONDING

We continue to look for innovative ways to support our tenants especially those with limited online presence and intend making further progress in 2021. The omni-channel approach has been proven to be not only a great defence mechanism to minimise the impact of e-commerce on brick-and-mortar 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 physical presence and the halo effect that stores have on online traffic. This is no different in Poland where online only retailers are opening physical stores. A prime example would be Modivo, the Polish premium fashion multi-brand of CCC Group, which decided to open its first shop in Galeria Młociny towards the end of 2020. The physical store with tablet self-service sets an essential example of the brand's presence in all available distribution channels. Clearly, omnichannel retailing is not only about e-commerce.

From our conversations with our tenants we often hear that e-commerce clearly improves their offline performance. In addition a consumer analysis conducted by EPP showed how important the experience and physical contact with the product or salesperson is for the consumer. This critical connection is difficult to find online.

It became evident during the pandemic that customers prefer both methods as witnessed by the change in online penetration rates in Poland pre- and post-lockdown restrictions.

Many retailers are also trying to drive consumers towards the click-and-collect option. This provides more control over customer behaviour as well as encouraging additional purchases.

As a retail property owner, we provide a variety of factors to foster success such as a good property in a good location along with tenants that attract good footfall. EPP's approach in this sector is to flexibly adjust its actions to emerging trends by developing and implementing innovative solutions for its tenants to support retail and effectively combine the online and offline shopping. EPP will continue to work on its digital strategy during the year to create further ways and methods to assist tenants with their sales, both offline and online, to improve capability in terms of click-and-collect at our centres, and in such ways to further promote increasing footfall in our centres.

CHANGING DEMOGRAPHICS

According to the long-term population forecast for Poland, prepared by the Statistics Poland for 2014-2050, the population will gradually decline until 2030 at an average rate of 0.17% year-on-year. According to CBRE, in 2030 the number of inhabitants in the country will amount to approximately 37.3 million compared to 37.9 million forecast at the end of 2020. Conversely, the percentage of elderly people will grow systematically and within 10 years, the share of seniors in the total population will increase from 19% to 23%.

Despite an ageing population, Generation Z will be the key retail chain customers within the next decade. As the largest group in the labour market, they will have the greatest purchasing power and will consequently shape consumer behaviour in the retail sector. Generation Z brings together people born after 1995 who grew up surrounded by digital technologies. It is the first generation ever for whom the digital world has always existed.

HOW EPP IS RESPONDING

ADDING MORE SERVICES IN SHOPPING CENTRES TO APPEAL TO ALL GENERATIONS

We aim to make our shopping centres modern, attractive and easily accessible places for everyone. Therefore in order to appeal to all generations we implement new solutions and use cutting-edge technology to upgrade our malls and connect the real world with virtual reality.

We are adapting our shopping centres to the needs of customers with various special needs such as the blind, deaf or disabled, as well as families with children, pregnant women and the growing group of seniors. We are committed to ensuring that the level of accessibility of our shopping centres takes into account the diverse and special needs of different people and is gradually increased. Our goal is to remove barriers and create a friendly space for everyone who uses it.

To meet the expectations of the youngest customers, EPP continues to implement a high-end innovative solutions dedicated to assisting them while shopping. We would like to equip our clients and tenants with multiple tools combining the traditional shop with a modern digital world. Part of this approach will also include providing access to offerings from strong omnichannel brands and promoting such concepts. It will make our shopping centres an appealing environment for Generation Z.

TRENDS DRIVING OUR BUSINESS (CONTINUED)

ALTERNATIVE USES WITHIN RETAIL PROPERTIES

The Polish retail market, together with chain brands, tends to match the customer requirements by creating engaged communities and mixed-use locations.

In response to the conditions of today, vending machines and self-service mini shops are becoming popular in different retail groups. H&M and other stores are testing vending concepts with beauty products in Paris. Recently, a 24h self-service Ruch kiosk was opened in Warsaw, with both food and non-food products.

Some chains are diversifying their business portfolios and the 4F Polish sports brand has already opened its first 4F Café in Warsaw, a combination of healthy food with a fitness area, a showroom for the 4F products and a collect point for online orders.

The trend for conscious and discerning consumption is gaining followers, which is reflected in the increasing boom in re-commerce (product reuse). IKEA opened a pilot store in Sweden with second-hand furniture of the brand, while Zalando launched the pre-owned platform with second-hand clothing in Poland. H&M offers consumers the option to return used clothes, which they can then transform into one new garment. Slow fashion, closed loop use of goods and zero waste philosophy are winning fans, which is reflected in the opening of concepts such as City Bazaar in EPP's Galeria Młociny. The above is also the result of growing environmental awareness and business responsibility within communities.

The trend for conscious and discerning consumption is gaining followers, which is reflected in the increasing boom in re-commerce (product reuse).

HOW EPP IS RESPONDING

In November the City Bazaar second-hand goods exchange opened in Galeria Młociny. The concept is a convenient and safe environment dedicated to selling and buying used merchandise which links online and offline, distinguishing it from the second-hand selling of the past. The products sold include clothes, accessories and shoes as well as books, cosmetics and interior design items. Sellers rent a rack via the City Bazaar's website, then complete an online form to list the items they want to sell. They bring the goods into the store, place them on the assigned shelf, and the store's employees take care of the sales.

This is an original concept for customers who understand the environmental, social and economic benefits of reusing goods through the second-hand market. At EPP, we embrace original concepts and strive to respond to the very latest consumer trends and collaborate to keep surprising our customers with new ideas that match their lifestyles. The City Bazaar is based on the sharing economy and giving a second life to things – a way of living that so many people in Poland and around the world are passionate about. EPP is likeminded about environmental responsibility and committed to playing our part in making a positive impact.

EPP will continue to add concepts like the City Bazaar to our shopping centres, and explore creative tenanting in the form of additional services, tenants and alternative use purposes, such as outlet concepts, last-mile logistics tenants, and general mixed-use components to ensure we provide the most attractive centres for our customers and tenants.

Galeria Młociny

Sources: Colliers International, CBRE

04

PERFORMANCE

The COVID-19 pandemic forced us to implement changes in our centres to provide distance between customers and employees. These included the introduction of plexiglass screens or customer counting systems.

Floor stickers indicating distances is now a normal part of the mall landscape.

CEO'S REPORT

It was important to us to get the right message across to government in how we as the industry in Poland manage our shopping centres with strict sanitary protocols in place, to ensure we could safely open up our centres.

Tomasz Trzósło
CEO

THE YEAR IN REVIEW

I am pleased to present my first report as CEO in what has been a challenging year navigating an unprecedented global pandemic. I joined the executive management team in presenting EPP's 2019 results in South Africa in March 2020, and immediately thereafter started with a consulting mandate at EPP, before officially being appointed as CEO at the AGM in June 2020. Therefore, I hit the ground running in April 2020 with a big task of immediately responding to the impact of COVID-19 on the business.
I believe that together with the members of EPP's executive team we did that well. Being new to EPP, it was also very important for me to take a detailed look at all aspects of the company, from its assets, clients and systems to our people. Despite being aware of the company's properties and certain team members I have been very impressed with the quality of people and initiatives we have in place, and I am excited to take these forward.

The year has been dominated by the impact of COVID-19 and the consequence of the resultant lockdowns for all retail property owners including EPP. It was important to us to get the right message across to government in how we as the industry in Poland manage our shopping centres with strict sanitary protocols in place, to ensure we could safely open up our centres. We did succeed in getting the right message across, as evidenced by the centres in Poland being allowed to reopen ahead of most other European countries. Importantly, an EPP representative was appointed to the board of the Polish Shopping Centre Council to ensure we contributed to the industry voice in speaking to government.

More detail on the impact of the pandemic and our response can be found on page 16.

One of the pertinent concerns in times like these is of course liquidity and cash flow management. I believe the company has made the right decisions in order to ensure the long-term sustainability of the business, including both the drawdowns of available financing to ensure liquidity, and the extension of the leases in return for the necessary rental reductions during 2020. More detail on our approach in this regard can be found in the CFO's report on page 52.

WHAT SETS EPP APART

In normal business having the right people is important and it becomes even more critical at challenging times such as these. The quality of the people at EPP is one of our main strengths and a crucial factor going forward. While many real estate companies may have quality assets it is EPP's combination with quality people and platform that differentiates us. We have built a great team at EPP and intend to continue doing so. This is evident in the recent appointment of leading industry expert Agata Sekuła as EPP's chief divestment and investment officer.

This also applies to our approach to finding co-investors. While the assets are important the people involved in a joint venture are critical in delivering the business plan and the future long-term strategic objectives of the business.

The quality people are complemented by our systems and technology platforms. We are currently finalising an upgrade to our current dashboard financial management system which we expect to be fully operational in 2021. This upgraded system will provide data collection and presentation dashboards across the company providing all departments from property management, asset management and finance to executives with access to real-time information in a clear and readable dashboard format. This means we can access the right information much quicker and therefore respond more efficiently and foster more thought-through decisions at all levels.

OUR STRATEGY

In the last months we have been busy working on various omnichannel solutions which we aim to offer to both our tenants and end buyers. It is in the early stages and we will provide further details as the project develops. However, the pandemic made it even more evident that facilitating e-commerce is paramount and we need to speed up our response to adapt to this trend. Our main focus of the platform is promoting the click-and-collect activities in order to increase the frequency of customer visits in the centres.

Looking at longer term trends we will need to provide more services in shopping centres and not only traditional retail to ensure consistent and growing footfall. We are therefore looking at the best possible way to incorporate alternative tenant categories, with examples such as outlet concepts or discount retailers, as well as bringing in services such as "last mile logistics" into our shopping centres.

Diversification of asset class within the existing portfolio will also remain an option. While our current portfolio will remain retail dominant, the M1 portfolio provides an obvious opportunity to explore mixed-use offerings such as adding office or residential-to-rent or residential-to-sell projects. We will assess and pursue these opportunities where appropriate. As our strengths are our quality assets, as well as platform and people, I strongly believe that we are very well-placed to capitalise on this and further expand into managing other asset classes.

In the last months we have been busy working on various omnichannel solutions which we aim to offer to both our tenants and end buyers.

Our main focus is promoting the click-and-collect activities in order to increase the frequency of customer visits in the centres.

Galeria Młociny

CEO'S REPORT (CONTINUED)

Galeria Młociny

Lastly, one of our key strategic objectives will be to materially reduce the LTV in the coming years, and this is planned to be achieved through either outright asset sales or through stake sales to long-term joint venture partners. Finding the right partner will take time, however, once in place we will be better positioned to continue on the growth path and drive further expansion of the business.

ENVIRONMENT, SOCIAL AND GOVERNANCE

This coming year we are focusing on intensifying our ESG strategy and making material progress in all ESG-related matters – especially those environmentally related such as carbon neutrality or greener buildings. Our aim is to be market leaders in this space and we look to materially advance in this strategy in the coming months. Rafał Kwiatkowski, an executive team member, is tasked with driving this strategy forward and incorporating it as part of our broader company strategy. The ESG strategy not only covers the environment but also our approach to social aspects as encapsulated by our CSR activities (see page 62) where we will also be benchmarking and setting targets. Governance also forms an important aspect of this strategy. We are committed to setting a long-term and ambitious ESG strategy and will be providing more detail in next year's report.

THE MACRO-ECONOMIC ENVIRONMENT

GDP growth across the globe has been impacted by the pandemic and Poland is no different with a GDP decline forecast of 2.8%. Notably Poland's recovery path is forecast to be quicker than peers due to the structure of the economy, which is reliant on the offshore business services industry and a high manufacturing component which has continued mostly unaffected during the pandemic. Both of these elements make the economy more resilient and dynamic than in a number of other European countries. While uncertainty remains on how long lockdowns will prevail and if they will return, the potential for recovery in Poland is expected to be faster. The current forecasts are reflective of the expected recovery with GDP growth for Poland estimated for the next two years at 3.8% for 2021 and 4.6% for 2022 (according to Oxford Economics).

As Poland's economy has been dynamically growing prior to the onset of the pandemic, it is expected to resume higher-than-average growth in the coming years, as illustrated by the above forecasts. Importantly, the economic growth is expected to be further

It will require some patience to get through the COVID-19 related consequences. We will continue to actively look at liquidity, manage cash flow, engage with our lenders and all our tenants, and ensure that all sanitary and health protocols are in place at our shopping centres as we emerge from the pandemic.

accelerated by the EU recovery fund of €750 billion and the €1.1 trillion seven-year EU budget. Poland, as a European Union member, is expected to be a large beneficiary of both programmes. These form a good basis for fast recovery of the Polish economy once the COVID-19 pandemic is under control.

OUR PEOPLE

As mentioned above, our people are a key component of our future success and we are committed to providing adequate tools for staff to develop to the best of their potential. This includes training programmes, and performance and quality assessment systems. As of the beginning of 2021 we implemented additional staff development programmes focused around annual performance assessments and identifying personal development needs for staff across the entire company. We aim to be an attractive employer for the best industry talent at all levels of the organisation.

OUTLOOK

It will require some patience to get through the COVID-19 related consequences. We will continue to actively look at liquidity, manage cash flow, engage with our lenders and all our tenants, and ensure that all sanitary and health protocols are in place at our shopping centres as we emerge from the pandemic.

In the meantime we will work on our long-term strategy and look at driving footfall and turnover and alternate options such as last mile logistics or click-and-collect. We continue to believe in F&B and leisure components as this improves the "experience" for our customer base and once the pandemic subsides we expect the centres to return to being a place to "meet" and socialise, in addition to shopping.

We will focus significantly on developing our platform and continually assessing the quality of our people and systems as these are both critical aspects in future growth.

We need to ensure we are ahead of the market and foresee trends and respond accordingly (see page 40 for the trends impacting our industry).

We will do whatever is necessary to prevail in this pandemic and I am confident that once the COVID-19 dust settles we will be able to return to a growth path.

APPRECIATION

I wish to thank our executives and all our employees for their unparalleled hard work, dedication and adaptability during this extremely challenging period. I would also like to extend my appreciation to the board for their wise counsel and support provided during the year. And finally, I thank our investors for their continued support.

Tomasz Trzósło
CEO

8 March 2021

Galeria Młociny

Pasaż Grunwaldzki

CFO'S REPORT

Despite the challenging year we are pleased to announce that distributable earnings per share are ahead of the guidance provided to the market of €5.56 cents.

Jacek Bagiński
CFO

COVID-19 RESPONSE

Without a doubt the past year has been one of the most challenging for the business. The primary focus at the onset of the pandemic was to secure the liquidity of the business by drawing down on the available facilities and retaining the second half earnings of 2019 to ensure the company would be able to manage its short-term liabilities in the foreseeable future. As part of this initiative the board elected to retain the second half earnings of 2019 of €53 million and draw down €95 million in its corporate facilities.

From an operational perspective the company immediately reduced the non-essential capital expenditure and implemented cost optimisation initiatives.

FUNDING AND LIQUIDITY

Given the uncertainty of future trading conditions and the difficulty in determining the impact of COVID-19 on EPP as a whole, the board decided to prioritise EPP's sustainability, by adopting prudent precautionary measures to preserve capital and maintain liquidity. EPP is funded by a diversified group of lenders comprising of Polish and international credit institutions. In March 2020 Polish Bank Association published its announcement with regards to the supportive measures to be undertaken by banks in the face of COVID-19. This amicable approach by the financing institutions resulted in many constructive discussions with our lenders. The results of these discussions allowed EPP to defer the majority of principal repayments from 2020 to the end of 2021 and waive complying with covenants for the 2020 financial year. At the same time the performance of the shopping centres within the portfolio ensured that safe ranges for the covenant compliance were maintained. As at 31 December 2020 no covenants were breached.

The average LTV covenant level in the portfolio is at 67%.

As at 31 December 2020, the LTV net of cash was 54.8% compared to 50.0% in the prior year. The increase was a result of the devaluation in the property portfolio of 8.4% mainly due to yield expansion in the retail and office assets. The group has a limited debt maturity in the amount of €13.7 million in 12 months from the date of the report.

The average debt maturity is 2.3 years (2019: 3.3 years). The average cost of debt is 2.6% (2019: 2.5%) with a hedging level of 84% (2019: 84%).

KEY FINANCIAL STATISTICS

€ million	2020	2019
Net property income	114.2	148.1
Other income and expense	(3.4)	0.2
Administrative expenses	(13.7)	(15.7)
Profit from investment properties	(206.8)	(0.7)
Participation in profits/(losses) of joint ventures	(37.7)	3.4
Finance income/(expense)	(42.7)	(37.4)
Current and deferred income taxes	7.5	(21.6)
Foreign exchange gain/(loss)	94.7	(10.0)
Net profit after taxes	(87.9)	66.2
Exclusions for earnings	138.4	36.5
Antecedent dividend	–	2.8
Distributable earnings	50.5	105.5

Net property income for the financial year 2020 amounted to €114.2 million (2019: €148.1 million). The decline was solely related to the outbreak of the COVID-19 pandemic. Lockdowns, followed by legal regulations forced tenants to seek long-term support from landlords, which resulted in ca. €40 million of 2020 total impact on EPP's revenue.

Rental collections prior to the pandemic were close to 100% and post negotiations with tenants and the reopening of shopping centres it was approximately 90% on discounted rentals on average. We have taken a careful and prudent approach when calculating the expected credit loss ("ECL") of the rent receivables with consideration of current conditions and the forecast of future economic conditions, especially those tenants who were severely affected by the pandemic.

At the same time we have taken steps to reduce operational costs at a property level and deferring non-essential capital expenditures.

Our distributable income per share for the year ended 31 December 2020 amounted to €5.56 cents (2019: €11.62 cents), a decrease of 52% on the prior year.

PROPERTY PORTFOLIO

As at 31 December 2020 the property portfolio was valued at €2 097.5 million consisting of 24 retail properties and three office properties outright. During the period the company saw a valuation decline in its property portfolio on a like-for-like basis of 8.4% resulting in a fair value adjustment of investment properties in the amount of €207 million, mainly attributable to an exit cap rate increase by 25 bps and an increase in discount rate by 10 bps.

The company also owns shares in three joint ventures (comprising of one retail income-generating (Galeria Młociny -70%) asset, mixed-used scheme with an estimated GLA of 210 000 m^2 (Towarowa -53.74%) and three office projects (30%) namely O3 Business Campus, Malta Office Park and Symetris Business Park).

Galeria Młociny

From an operational perspective the company immediately reduced the non-essential capital expenditure and implemented cost optimisation initiatives across the business.

CFO'S REPORT (CONTINUED)

CASH FLOW

The net cash generated from operating activities amounted to €101.3 million and decreased by €22 million due to COVID-19 including lease rebates and discounts. €54.1 million was used in investing activities, which decreased by €147.8 million compared to 2019 mainly due to postponing certain non-essential capital expenditure and the acquisition of the third tranche of M1 to 2021. Financing activities generated €39.1 million (2019: €75.6 million) as a result of drawing funding from the available facility in the amount of €95.0 million, deferring part of the loan instalments from 2020 to 2021 and retaining dividends, resulting in a strong cash and cash equivalents balance of €152.1 million (2019: €67.3 million) providing sufficient liquidity for the group to meet its current and future obligations.

METRO TRANCHE 3

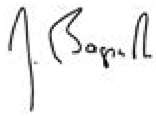
EPP was scheduled to acquire the third tranche of the Metro portfolio (comprising four Power Parks situated in Olsztyn, Tychy, Kielce and Opole, with a total GLA of 110 000 m²) in June 2020. However, given the impact of the COVID-19 pandemic, EPP and the Chariot Group have agreed to extend the date of closing of the purchase of the third tranche until no later than mid 2021. EPP also agreed with the seller on the reduction of the selling price to €106 million. EPP is expected to fund the purchase of tranche three at a LTV below 45% from available cash and debt funding. The transaction is to be concluded in the first half of March 2021.

NET ASSET VALUE

The equity (excluding deferred tax) as at 31 December 2020 amounted to €987 million (2019: €1 196 million) with equity per share of €1.09 cents (2019: €1.32 cents) representing a 17.5% decrease since December 2019. The NAV decline was mainly due to the reduction in property valuations for the year.

OUTLOOK

The company will continue to prioritise the cost and liquidity of the business in the year ahead as the pandemic situation in the country stabilises. Furthermore, the company remains committed to reducing the loan to value in the business through the disposal of a selected group of assets through either outright sales or sales to new partners in joint ventures. It is important to note that EPP will follow a measured approach in executing its disposal strategy.



Jacek Bagiński
CFO

8 March 2021

Galaxy

HEPS AND DISTRIBUTABLE EARNINGS RECONCILIATION

	2020 €'000	2019 €'000
Profit/(loss) for the period attributable to EPP shareholders	**(87 905)**	66 165
Change in fair value of investment properties including joint ventures (net of tax)	**187 866**	(5 045)
Headline and diluted earnings attributable to EPP shareholders	**99 961**	61 120
Change in deferred tax (other than the deferred tax change related to fair value of investment properties)	**28 705**	11 949
Fair value losses/(gains) in joint ventures (other than the change in fair value of investment properties in JV)	**19 251**	6 631
Amortised cost valuation of long term financial liabilities and other	**4 347**	4 977
Provision for LTI	**(923)**	2 802
Distribution of shares to the board	**(677)**	(2 142)
Unrealised foreign exchange losses/(gains)	**(94 697)**	10 042
Amortisation of selling fees	**1 280**	1 600
Rental lease straight-lining	**(5 528)**	(729)
IFRS 9 remeasurement and other items	**(1 258)**	6 427
Antecedent dividend	**–**	2 848
Distributable income	**50 461**	105 525
Actual number of shares in issue	**907 946 793**	907 946 793
Shares in issue for distributable earnings	**907 946 792**	907 946 792
Weighted number of shares in issue	**907 946 793**	883 598 583
Basic and diluted earnings per share (€ cents)*	**(9.7)**	7.5
Headline earnings and diluted headline earnings per share (€ cents)**	**11.01**	6.92
Distributable income per share (€ cents)**	**5.56**	11.62

* *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 2020 and 31 December 2019, respectively.*

OUR PEOPLE

Galaxy

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

In 2020 we employed 212 people (2019: 220) of which 127 were women and 85 men. Of these, 21 women and 28 men (including the executive team of five) are in managerial positions.

During the year we recruited a net number of 16 new employees with all employees encouraged to recommend candidates.

COVID-19

COVID-19 brought new challenges to 2020 and we had to adapt to working online and remote team management. Each action taken to look after our employees was analysed with great care bearing in mind how unfamiliar lockdown and working from home was.

Motivating employees, keeping efficiency high and monitoring results while working from home has become key. We have launched a number of initiatives to assist in this regard:

- Webinars to assist with stress management and physical and mental wellbeing. We also provided psychological support to people in need
- Introduction of regular online meetings with the executive team in order to provide information on the company relating to the market and plans for the near future
- Launched the “Ask a CEO” initiative, where each employee can anonymously pose questions to the CEO and submit initiatives to improve the company’s operations
- Employee survey “EPP employee experience”

With these initiatives we hoped to understand how COVID-19 has affected our employees, their concerns for the future, and what we can provide in order for our employees to feel confident and effective in their daily tasks.

HUMAN RESOURCES

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.

The employer market in Poland remains competitive in terms of benefits and we continually strive to improve and adapt the packages we offer our 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 respective fields and subscribe to our values.

Our HR priorities are:

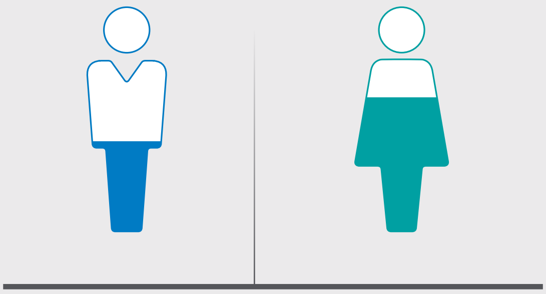
- To be the best cooperation partner
- To be the best support for managers and all employees
- To understand the business challenges of all employees
- To provide good data that facilitates management decisions
- To focus on the personal development of each employee
- To share knowledge

Our HR team regularly visits our various work locations in order to remain close to employees and understand their needs and challenges. In order to support our employees, we are involved in implementing the following:

- A competency model which gives clear guidance on expectations of an EPP employee
- Organised development talks to encourage our company culture and increase development feedback
- Employee capital plans which are required by Polish law
- Voluntary systems of long-term and private savings for working people, created and co-financed by employees, employers and the state

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.

EMPLOYEES BY GENDER



40%
Male

60%
Female

DISCRIMINATION

EPP has adopted a Code of Conduct in order to define generally acceptable behaviour within the group and expects all its employees to work with honesty, integrity and respect for others.

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.

High standards of personal behaviour must be observed in the relationships including, but not limited to colleagues, dealings with suppliers, tenants, agents, professional advisers, shareholders, banks and other third parties.

The right to equal treatment with no regard for gender, age, disability, race religion, nationality, political inclination, trade union membership, ethnicity religion or sexual orientation is outlined in the Work Regulations. 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 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 that provides employees with an easy and anonymous reporting platform.

Each employee is required to sign the declaration stating that they have read and understood EPP's Code of Conduct every year.

No cases of discrimination were reported during the year.

OUR PEOPLE (CONTINUED)

SKILLS DEVELOPMENT AND TRAINING

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

By implementing our new competency model, we are able to do the following:

- Provide a source of information to stakeholders regarding employees' competencies
- Build on our desired organisational culture and implement EPP's values by promoting specific behaviours
- Support managers and HR in recruiting better candidates, employee development, job feedback and evaluations
- Create a link between competencies in each position with reference to EPP's strategy, objectives and tasks

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.

We launched an employee assistance programme for EPP employees which included a free psychologist once a week for three months as part of a group-wide fight against the impact of COVID-19. The employee assistance programme benefited around 20 employees with some still keeping in contact with the psychologist.

In November 2020 we completed a development workshop for dedicated managers (pilot group) called "development talks". All recommendations raised were later presented to the board. Implementation of these recommendations for all managers took place in December 2020 and proved to be a great exercise for managers to recognise and appreciate their employees.

We spent €34 000 (2019: €111 000) on training during the year. This amount is low due to the COVID-19 lockdown and planned budget savings for the 2020 financial year.

Each employee went through an average of 4.5 hours of training in 2020. Again this number is lower than usual due to the lockdown. In order to accommodate work-from-home we organised more short webinars of about two to three hours in place of in-person workshops. In 2019 employees received approximately 50 hours of training each.

Due to COVID-19 a lot of training was centred around the health and wellbeing of our employees.

We launched an employee assistance programme for EPP employees which included a free psychologist once a week for three months as part of a group-wide fight against the impact of COVID-19. The employee assistance programme benefited around 20 employees with some still keeping in contact with the psychologist.

Title of training	Number of women	Number of men	Total
Grow with EPP – new managers programme	6	5	11
Development talks	8	2	10
Be healthy – how to manage your stress	9	5	16
Coaching	2	–	2
Nutrition – how to eat healthy	7	3	10
Performance Tuning and Optimising SQL Databases 2017	–	2	2
Designing Business Intelligence Solutions with Microsoft SQL Server 2014	–	1	1
Basics of Python programming	–	2	2
Compliance officer	1	–	1
How to cooperate in a dispersed team	8	10	18
MS Project	4	6	3
Total	45	36	81

Internal training as part of the EPP Manager's Campus included coaching for top management and directors; introduction of the competency model; Grow with EPP – training for new managers; Development Talks – pilot workshops for dedicated managers; webinars focused on COVID-19: health, safety and remote working; and other activities focused on employee wellbeing.

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.

OUR IMPACTS

COVID-19 PREVENTION INCLUDES:

- Disinfection of all high touch surfaces including railings, handlebars, elevator panels and toilets every hour
- Disinfectant dispensers located at the entrance to the buildings
- Touchless tap units installed in the toilets
- Signage, posters and labels on the floor, doors and walls to inform about distance, masks and hand cleaning
- Limited seating places for the customers and play areas for children
- Voice messages informing shoppers about security measures
- Other initiatives individually tailored to the needs of a specific building

HEALTH AND SAFETY

Formal health and safety and environmental policies are in place and communicated to all employees via EPP's intranet platform. The facility management team, supported by the technical department, is responsible for health and safety and overseeing the technical infrastructure across the group.

Due to the COVID-19 pandemic EPP introduced a detailed action plan and instructions outlining guidelines on how to proceed in the case of a COVID-19 infection for employees and customers. The guidelines take all aspects of prevention and management in the case of a virus infection into account. A prevention plan was implemented at all assets.

The guidelines and instructions were adapted to the needs of the facility and addressed the prevention and procedures in the case of virus infection.

OUR IMPACTS (CONTINUED)

ENVIRONMENTAL REPORT

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.

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.

Audits conducted in terms of safety this year and all audits and tests were passed:

- **Technical audits** of compliance with regulations and standards according to Polish regulations.
- **Environmental audit of TUV** Rheinland Polska which confirmed that EPP operates in accordance with the **ISO 14001:2015 standard**
- Regularly maintained fire safety systems by specialist companies
- **BREEAM or BREEAM In-Use certificate** audits (in 2020 for CHR Galeria Echo Kielce and Malta Office Park Poznań and Galeria Młociny Warsaw)
- **Technical retail report** assessing: safety, cleaning and failures
- **Security audit**, which verifies the knowledge of security personnel
- **Assessment risk report** for selected properties by the insurance company

Energy and water saving initiatives at various shopping centres and offices in 2020 included:

- Replaced lighting with LEDs (common areas, car park areas, toilets, outdoor lighting, illumination of the buildings)
- Installation of outside energy charger for electric cars/motorbikes
- Replacement of old devices with energy-saving devices (e.g. old rooftops)
- Installation of a system for the remote reading of electricity and water meters
- Implementation of a new BMS system with CO_2 sensors to reduce energy consumption and CO_2 emission
- Partial sun protection film installed on skylights and the façade to reduce the heating of the common area
- Introducing system helping to control energy consumption (all properties)
- Motion detector devices installed in the staircases to save energy
- Rainwater tank to accumulate grey water
- Touchless tap units to reduce water consumption

Other initiatives across the portfolio in 2020:

- Bicycle stands and storage for tenants
- Changing rooms and showers for cyclists
- Enrichment of green areas with new plants and trees
- Outdoor relaxation areas for tenants' use with new biodiversity
- Improved segregation of waste (glass, metal, paper, bio, plastic and other) and set a target to reduce volumes of waste every year (all retail properties)
- Implemented Biodiversity Management Plan (installed birdhouses and insect houses, apiaries on roofs of centres)
- Installed waste compactor that reduces the amount of mixed waste
- Greenery on the roof of buildings

Currently, EPP has 24 buildings that have either BREEAM or EU Green Building certification and more upgrades and certifications are expected in the coming year.

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.

EPP received no fines for non-compliance with environmental laws and regulations this year. There are no centres or properties located in or adjacent to protected areas or an area of high biodiversity value.

We will continue implementing the initiatives of 2020 across all properties and are currently developing a formal ESG strategy which will set specific targets and goals for energy conservation.

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. Traditionally several charity events took place in our shopping centres ranging from smaller local events to nationwide campaigns, however, as result of the COVID-19 pandemic many of the regular events were not able to take place for health and safety reasons. This did not prevent the company from continuing to support the communities in which we operate as we remain supportive in any situation. Our CSR strategy is based around four pillars that form the core of EPP’s corporate social responsibility endeavours namely *Education, Ecology, Health* and *Human.*

Four pillars of CSR activities implemented by EPP shopping centres

Education

We are focused on increasing intellectual capital among local communities in order to support a strong Polish economy in the future. This includes workshops for children and adults, various readership promotion actions such as a book sharing initiative coordinated together with local libraries, and a campaign “Safe child in the mall” providing useful safety-oriented tips for youngsters – our future customers – and solidifying our relationships with local kindergartens and schools.

Ecology

As shopping centres are a part of the ecosystem, we monitor their impact on the environment and promote actions that focus on recycling and the city’s biodiversity such as a roof apiaries. Our flagship project is “Green Corner” in Galeria Solna in Inowrocław which was recognised as the best CSR activity and strategy of last year in the most important retail industry award competition. Shopping centre employees participated in a makeover and social revitalisation of the mall’s immediate vicinity. The neglected green area has been turned into a beautiful garden, where over 150 000 bees have found their home. Most importantly it has started being a social place for shopping centre employees as well as a location for many educational projects for the local community. Another Galeria Solna project was the initiative in which customers could exchange food for homeless pets from the neighbouring animal shelter with a Christmas tree, which turned out to be the most fruitful December action for pets in the province.

Health

This pillar has a twofold approach:

- Prevention and education, which includes blood donation, screening, anti-cancer campaigns
- Promotion of physical activity as a key driver to wellbeing

Human

Focus on individuals’ greater needs being met, this is done through: collections for sick children from the local communities, workshops and solutions designed for the disabled “Autism Aware Quiet Hours“, and “Zosia Samosia” a programme aimed at building social skills among young people with intellectual disabilities

During the year EPP made a grant to the "Winged for Children" Association, which supports children from the Onco-Hematological Unit in Kielce hospital. Other donations collected were for the ISKIERKA Foundation which supports children with cancer which was part of the greater real estate industry Christmas campaign in which EPP took part.

SUPPORTING THE COMMUNITY AND COUNTERACTING COVID-19

Supporting the communities in the areas our retail properties operate remains a significant pillar in our CSR policy and our commitment increased through a number of actions during the pandemic:

- EPP's shopping centres supported hospitals in 13 cities by donating protective equipment and 17 000 masks which were purchased from one of our tenants, who could not operate at that time
- Meals provided to medical staff as part of the #property4heroes campaign which involved the biggest players in the commercial real estate sector in Poland. The meals were purchased from the restaurants operating in EPP's shopping centres and office buildings
- Several hundred books and games donated to seniors and quarantined persons during lockdown
- Post the reopening of shopping centres approximately 12 500 protective masks were distributed to EPP's customers, employees of tenants and cleaning and security services
- Shopping centres, with Galeria Młociny as representative example, were initiators of cooperation with local foundations collecting necessary products for COVID-19 hospital patients, who couldn't be supported by their families due to epidemic restrictions and bans on hospital visits. Galeria Młociny was a focal point for the collection of goods and driver of encouraging relevant tenants to donate the required goods

ENGAGING IN VIRAL CHARITY ACTIONS

- #GaszynChallenge is a charity event during which the nominees do 10 push-ups or 10 squats, record it on film, make a donation to children with SMA and nominate another three persons or companies. All our shopping centres participated in the initiative and exercised for sick children from their neighbourhoods, emphasising local commitment. Tenants were involved in the action demonstrating a "one team" approach by the shopping centre's community
- #Hot16Challenge involves recording 16 lines and nominating more people to create their piece. The second edition of the legendary rap action is not only about recording music, but mainly making donations to help medical staff in the fight against the epidemic. Our Galaxy shopping centre in Szczecin engaged in the action.

05

ACCOUNTABILITY

EPP provided meals to medical staff as part of the #property4heroes campaign, involving the biggest players from the commercial property sector in Poland. Personal protective equipment was also delivered to local hospitals. The meals and masks were purchased from the tenants operating in EPP's properties.

ETHICAL LEADERSHIP

Galeria Echo

The board is ultimately responsible for the ethical behaviour of the business and sees sound corporate governance as a critical driver of sustainable growth. We are committed to being a good corporate citizen and acting with the highest standards of ethical behaviour at all times. 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 board exercises and ensures effective and ethical leadership by always acting in the best interests of the company and at the same time concerning itself with the sustainability of its business operations by regularly reviewing the company's governance structures. Balancing the business' sustainability with the best interests of our stakeholders is one of the ways the board demonstrates effective ethical leadership.

A regularly reviewed Code of Conduct ("the Code") is in place and outlines EPP's commitment to conduct all business operations with honesty, integrity and openness. The Code applies to all employees and they are required to sign acknowledgement of the Code. Rafał Kwiatkowski, chief operating officer and company secretary, is the compliance officer responsible for monitoring adherence. 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 72.

In addition, an anti-bribery policy is in place and includes clear definitions and specifies consequences of bribery. This preventative measure offers support to the board in recognising risky situations and providing advice on malpractice reporting processes. There were no ethics-related penalties or fines or reported incidents of corruption during the year.

GOVERNANCE

GOVERNANCE STRUCTURE

THE BOARD

Tomasz Trzósło✚ (CEO)	Taco de Groot#	Andrew König*✚
Jacek Bagiński (CFO)	Maciej Dyjas*	Pieter Prinsloo*
Robert Weisz# (Chairman)	Dionne Ellerine#	James Templeton#
Marek Belka#		

SET STRATEGIC OBJECTIVES

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

COMMITTEES (AT YEAR-END)

Audit and risk committee	Nomination and remuneration committee	Social and ethics committee	Investment committee
See full report on page 90	*See full report on page 78*	*See full report on page 88*	*See full report on page 89*
Taco de Groot (committee chairperson) Pieter Prinsloo Robert Weisz	Dionne Ellerine (committee chairperson) James Templeton◆ Robert Weisz	Dionne Ellerine (committee chairperson) Marek Belka Pieter Prinsloo	James Templeton◆ (committee chairperson) Taco de Groot Tomasz Trzósło
RESPONSIBILITIES			
▪ Supervises preparation and reliability of financial information ▪ Monitors financial and operating controls ▪ Ensures identification of risks and management thereof ▪ Initiates internal audits	▪ Assesses, nominates, recruits and approves new directors ▪ Monitors remuneration policy	▪ Responsible corporate citizenship, social responsibility, ethics and values	▪ Considers suitable acquisitions within the framework of business strategy ▪ Concludes final decisions on acquisitions and disposals
BOARD INDEPENDENCE			
2/3	3/3	2/3	2/3

Independent non-executive.
* *Non-executive.*
✚ *Appointed 25 June 2020.*
◆ *Appointed to the committee 25 June 2020.*

Marc Wainer passed away in April 2020.
Hadley Dean and Andrea Steer retired effective 25 June 2020.

GOVERNANCE (CONTINUED)

THE BOARD

EPP maintains a one-tier board which at year-end comprised 10 directors, two executives and eight non-executive directors, of whom five are considered independent according to King IV and the Dutch Code.

Robert Weisz, the chairman, is an independent non-executive director whose role is clearly separated from that of the CEO. The board is collectively responsible for EPP's management and the general affairs of EPP's business and no one director has unfettered powers of decision-making.

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.

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.

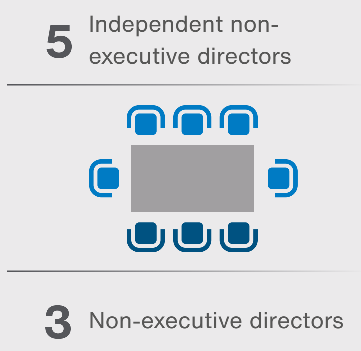
The executive directors are in charge of the day-to-day management of EPP.

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, are discussed:

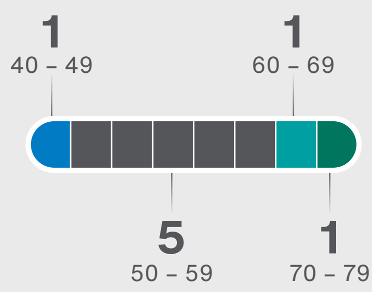
- EPP's mission and strategic objectives, their implementation and principal risks associated with them;
- Mitigating the impact of COVID-19;
- Contributions to long-term value creation of the company and its feasibility;
- The company's financial results;
- A performance review of the board and evaluation of the company's remuneration policy;
- Risk management process and mitigation of key risks;
- Evaluation and reappointment of the company's auditors;
- Detailed review, evaluation and approval of the most significant related party transactions; 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.

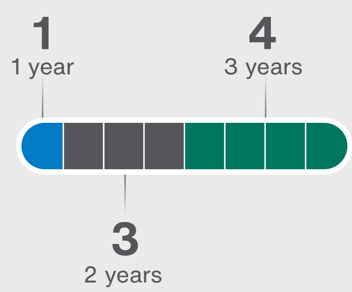
BOARD INDEPENDENCE



BOARD AGE DIVERSITY



DIRECTOR TENURE



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.

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

In terms of the articles of association, one-third of the non-executive directors are re-elected annually. Accordingly, Robert Weisz, Dionne Ellerine, Taco de Groot and Pieter Prinsloo will stand for re-election.

The board appraises the chairman's performance annually, while the nomination and remuneration committee is responsible for appraising the performance of the CEO 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 will be conducted during the current year and areas marked for improvement will be tabled at board level.

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
Mr R Weisz	12/12	4/4	6/6	1/2
Mr HJT Dean*	4/12			
Mr T Trzósło✚	6/12	1/4	2/6	1/2
Mr J Bagiński	12/12	4/4	1/6	
Mrs AP Steer#	6/12	1/4	4/6	
Mr MM Belka	7/12	1/4		2/2
Mr MW Dyjas	10/12			
Ms DT Ellerine	11/12		6/6	2/2
Mr M Wainer◇	2/12			
Mr AJ König✚	6/12			
Mr T de Groot	11/12	4/4		
Mr P Prinsloo	11/12	4/4		2/2
Mr J Templeton◆	11/12		2/6	

* *Mr HJT Dean retired on 25 June 2020.*
✚ *Mr T Trzósło and Mr A König appointed on 25 June 2020.*
\# *Mrs A Steer retired on 25 June 2020.*
◇ *Mr M Wainer passed away on 20 April 2020.*
◆ *Mr J Templeton appointed to the committee after the retirement of A Steer on 25 June 2020.*

Committee composition:

- Audit and risk committee: Mr T de Groot (Chair), Mr R Weisz and Mr P Prinsloo
- Nomination and remuneration committee: Ms D Ellerine (Chair), Mr J Templeton and Mr R Weisz
- Investment committee: Mr J Templeton (Chair), Mr T de Groot, Mr M Dyjas and Mr T Trzósło
- Social and ethics committee: Ms D Ellerine (Chair), Mr M Belka and Mr P Prinsloo

Some meetings were held by or attended virtually.

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.

GOVERNANCE (CONTINUED)

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 is currently one female director 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 CFO and company secretary for approval.

The CFO 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 resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the company's consolidated and company financial statements. There are no specific material risks or uncertainties regarding future cash flows and operational results, which would impact the company's continuity for the period of 12 months after the preparation of the report.

The pandemic of COVID-19 in the financial year 2020 brought an unprecedented situation that required additional consideration to be made on the preparation of the financial statements.

The pandemic impacted EPP group's 2020 financials with:

- A reduction in the rent collection resulting from trading restrictions ensuing from the governmental regulation and rent reliefs given to tenants in the amount of approximately €40 million;
- An increased provision on credit losses on receivable from tenants with severe solvency problems;
- A reduction in the value of investment properties mainly attributable to the market impact.

EPP management has assessed the group's ability to continue as a going concern. The assessment included analysis of liquidity and solvency considering a wide range of factors and was based on expected cash flows in the next 12 months, including operational, financial and investment activity. As at 31 December 2020, the group had a stable liquidity position, with a cash balance of €152 million (see note 1 to the annual financial statements).

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 has no formal anti-takeover measures in place.

INTERNAL CONTROLS

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

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

The company monitors the operation of the internal control systems in order to determine if there are deficiencies.

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

The company, under the lead of the audit and risk committee, performs an annual assessment, as to whether in the absence of an internal audit department, adequate alternative measures have been taken to ensure the effectiveness of internal control systems. Due to the size and complexity of the company's operations, the executive team 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 monthly results reporting is performed on accurate, up to date, information and adequate segregation of duties is implemented. Whenever necessary EPP employs external specialists to ensure the financial statements closing cycle operates without material errors.

Changes to the controls system are introduced where necessary, given the development stage of the group and its growth of operations. 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 company secretary, Rafał Kwiatkowski, is accessible to the board and provides guidance and assistance in line with the requirements outlined in King IV and the JSE Listings Requirements. The company secretary provides the directors, collectively and individually, with guidance as to their duties, responsibilities and powers and ensures that the directors are aware of all laws and legislation relevant to, or affecting the group. The board has considered and satisfied itself on the competence, qualifications and experience of the company secretary.

Rafał who is also a chief operating officer has an arm's length relationship with the board which 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. The board believes that the role as chief operating officer 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 formal policy on the use of computer systems, confidentiality and data security is in place and EPP has a director of IT in place who reports on a weekly basis to the executive team members responsible for IT. The Security Policy and Information Systems Management Manual were implemented during the year.

Directory services have been implemented to secure information and users are authorised based on login name and password. In this way, we protect access to computers, wireless corporate networks and Microsoft cloud services including e-mail. The corporate network is secured by a firewall, IPS probes, content filters and anti-virus scanning. Server resources are secured by redundancy, virtualisation and backups. Detailed information on security is included in the IT System Management Manual, which is updated as needed.

Information protection and IT security are very important. On an ongoing basis, we implement solutions that will minimise the risk of unauthorised access to information. This requires constant investments in both the hardware and software areas. In addition, we invest in human resources through training people responsible for issues related to IT and IT security. Access to new technologies is an opportunity for employees to improve their qualifications which helps minimise the risk of data loss.

During the year, we created an intranet portal for internal communication, credit card settlement system, and introduced Fortimail which is a system for collecting and analysing data logs from servers and AD. We also provided application support to the Construction Department for planning and implementing capital expenditure.

A business continuity plan is in place which contains a list of actions necessary to restore systems. It includes verifying the validity of the notification, determining the source of the failure, determining the scale of the failure, determining the place of resuming the service, verifying the possibility of starting the service on the available equipment, purchasing the

GOVERNANCE (CONTINUED)

necessary equipment, restoring the system, testing and providing the service and the persons responsible for its implementation are assigned to each activity to ensure the proper execution of the plan, tests are carried out regularly.

LEGAL COMPLIANCE

EPP's board considers corporate governance practices to be a critical element in delivering sustainable growth for the benefit of all stakeholders. In conducting the affairs of the company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by the principles of both Codes.

The board is ultimately responsible for ensuring compliance with laws and regulations. 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.

New legislation that affects the group is discussed at board meetings with the assistance of 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.

EPP has complied with Part 9 of Book 2 of the Dutch Civil Code, particularly with reference to the incorporation provisions as set out in Part 9 of Book 2 of the Dutch Civil Code and has operated in conformity with EPP's articles of association.

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

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 audit investigations as and when deemed necessary.

1.3.1 Appointment and dismissal

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

In the event that 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 by the executive directors and non-executive directors in a meeting of the management board in which all members of the management board are present or represented.

Due to the size and complexity of the company's operations, the management board is of the opinion that 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 audit investigations as and when deemed necessary.

1.3.2 Assessment of the internal audit function

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

In the event that 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 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.

GOVERNANCE (CONTINUED)

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 wide ranging experience, backgrounds, skills, knowledge and insights. EPP continues to strive for more diversity both 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.

The board was evaluated during the year, however, it is the company's policy to assess the board on a bi-annual basis.

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

The board was evaluated during the year, however, it is the company's policy to assess the board on a bi-annual basis.

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, apart from appointing an audit committee, 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 is not deemed to be efficient.

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. In the unique situation that the chairman is not available to attend a 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 its 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.

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 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. Nevertheless, the supervisory board and management board have agreed and

GOVERNANCE (CONTINUED)

internally communicated a special series of rules that are applicable in case a conflict of interest situation should arise. 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 a possible conflict of interest could exist in the year under review, adequate safeguards were applied timeously in line with the internal regulations.

Galeria Echo

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 board member is adopted by the management board with the required approval of the non-executive directors, but will not at all times be published in the management report including a statement and a declaration as suggested.

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

No transactions occurred during the year, however, the acquisition of tranche 3 of the metro transaction was due to be completed before June 2020. It was agreed with the seller, Chariot Group, for the completion to be postponed to no later than 30 June 2021. This decision was announced on 20 October 2020. The best practice provisions 2.7.3 and 2.7.4 have been complied with, i.e.:

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 the 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, however, the Remuneration Policy has been evaluated, reviewed and considered in 2019/2020, 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 was updated to increase transparency and was approved by shareholders at the annual general meeting that took place on 25 June 2020. 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. Taking into account the relatively short history of the company, and additional safeguarding measures, the current lock-up period of 2.5 years is deemed to be appropriate for the LTIP for which the terms and conditions have been agreed with our shareholders for a total period of ten years.

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 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.

As far as the investment committee is concerned, EPP does not comply with this best practice, as Tomasz Trzósło, as an executive director of EPP N.V., is part of the investment committee.

NOMINATION AND REMUNERATION COMMITTEE REPORT

PART 1: BACKGROUND STATEMENT

Our report is prepared in line with King IV™ Report on Corporate Governance ("King IV™") 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.

Throughout the reporting year, we continued to operate in a pandemic which has disrupted the industry and the world at large to an unprecedented extent in modern times. We saw an increase of HEPS countered with a decrease of net property income and net operating profit. Notably, the environment in which we currently operate remains challenging and there is still no certainty concerning the outlook for the foreseeable future. Despite these circumstances, in our view the company has maintained a healthy state and is on track with its strategic disposals and acquisition undertakings with no immediate need to raise capital from shareholders. We are continuously tracking the situation as the outcomes impact the remuneration levels and strategy. 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 analyses are 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 remuneration committee reviewed, analysed and evaluated the remuneration policy with our company strategy.

USE OF REMUNERATION ADVISERS

The nomination and remuneration committee took advice from PwC as an independent advisor on reviewing the current remuneration policy and remuneration report and we are satisfied that the services provided were objective.

ACTIVITIES AND DECISIONS OF THE NOMINATION AND REMUNERATION COMMITTEE DURING 2020

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 King IV™ and has been reported and explained as an exception to the Dutch corporate governance code in the Corporate Governance section of the Integrated report. Due to the outbreak of the COVID-19 pandemic, the impact on the company and the appointment of the CEO, the evaluation of the board was completed considering the desired profile, composition, competencies and expertise. However, the intended personal reviews both on a collectively and individual basis on the functioning of the board were delayed and will be completed in 2021 when the in-depth full board evaluation will be completed.

During 2019, the board of directors reviewed the remuneration policy and proposed amendments to the existing remuneration policy at the 2020 annual general meeting in addition to amendments to the LTIP. The amendments were approved by shareholders with an 81.80% vote in support of the remuneration policy changes and a 94.60% vote in support of the amendments to the LTIP. The amendments to the remuneration policy follow the review and analysis of the existing remuneration policy and are made in light of recent market developments, legal and regulatory requirements and to ensure that the policy is sufficiently connected with external market developments. As part of this review, the board analysed the existing pay levels and compared and considered these levels to market practices, market levels within the remuneration reference group and appropriate pay mix levels. Furthermore, in order to increase transparency on the STI and LTI performance targets, a performance incentive zone and associated payout levels are provided for the relevant financial and non-financial performance targets, including their weighting. The remuneration policy was successfully applied in 2020 as set forth below.

ANNOUNCEMENTS

With great sadness we learned of the passing away of our non-executive director Marc Wainer in April 2020. During 2020, we welcomed back Andrew König who replaced the position of Marc Wainer as non-executive director.

During the annual general meeting held on 25 June 2020, Andrea Steer stepped down as non-executive director and as chair of the nomination and remuneration committee. We also would like to thank Andrea Steer for her value added to the company over the last years. In 2020 suitable candidates have been selected and interviewed. Based on her background and experience, Sandra van Loon will be nominated during the upcoming annual general meeting to fulfil the vacant position as non-executive director and will after her appointment fulfil the role as chair of the nomination and remuneration committee.

This year, we welcomed Tomasz Trzósło as our new CEO. Regardless of having 20 years' worth of experience in the real estate industry, it has undoubtedly been a challenging period within which to take over the reins and we commend him for his tremendous resilience in maintaining our portfolio in the best possible condition.

We also would like to thank Hadley Dean for his leadership and value added to the company throughout his service to us over the last few years, and for making himself available to Tomasz in executing a smooth transition. The contract with Hadley Dean has terminated with mutual consent on 31 December 2020.

VOTING RESULTS

At the annual general meeting held on 25 June 2020, we saw an increased approval of our remuneration policy and implementation report from shareholders as the non-binding advisory vote on the company's remuneration policy received 87.46% (2019: 76.55%) and the non-binding advisory vote on the company's remuneration implementation report received 84.33% (2019: 75.07%) in support of the remuneration implementation report. We would like to extend our appreciation to our shareholders for constructively engaging with us throughout 2021.

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

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.

The remuneration policy is designed to facilitate and consolidate the attraction and retention of high calibre talent at all levels. 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 light of the remuneration of all employees, associated pay ratios, and continuously make adjustments to our policy to reflect our commitment to paying fairly, responsibly and transparently.

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;
- long-term variable pay in the form of shares or as a substitution in the form of cash in specific circumstances as provided for in the LTI Programme;
- allowance for pension and fringe benefits;
- severance payments; and sign-on, retention and restraint payments

The pay mix varies by job level, and variable pay is designed relative to base salary to achieve an appropriate pay mix that drives performance and is aligned to the company's strategy.

FIXED ANNUAL BASE SALARY

Executive directors

The executive directors are entitled to a base salary. In this respect, the annual aggregate base salary of the CEO and

NOMINATION AND REMUNERATION COMMITTEE REPORT (CONTINUED)

CFO in connection with each of them being a member of the board and/or employed and/or providing services to affiliated companies amount to a maximum of €500 000 gross for the retired CEO, €600 000 gross for the new CEO and €375 000 gross for the CFO, respectively. This takes into account a variety of factors such as the benchmark of the companies as contained in the remuneration reference group.

The base salaries are evaluated periodically (e.g. at the end of each year), also taking into account factors such as the company's and individual's development, experience, capability and marketability of the executive directors, the nature of the individual's roles and responsibilities, historic salary levels of the individual, internal pay levels as well as general market developments. Base salaries of executive directors are determined by comparing the base salary levels between median and upper quartile level of the remuneration reference group.

SHORT-TERM VARIABLE REMUNERATION

The short-term variable pay is payable annually in cash and is linked to the achievement of strategically important company-wide performance measures. The executive directors are entitled to an annual variable remuneration in cash ("bonus") subject to meeting predefined annual performance targets in line with the strategy. 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 (50%) and non-financial (50%) measures. The actual pay-out of each of the identified targets is linked to a performance incentive zone that contains threshold, at target (80% of base pay) and at maximum (100% of base pay) pay-out levels. Threshold performance levels are in place resulting in 0% annual bonus pay-out in case of performance below threshold levels.

The annual aggregate bonus of the CEO and CFO 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 for the retired CEO, €600 000 gross for the new CEO and €375 000 gross for the CFO, 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. 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.

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"). To encourage the long-term commitment and retention of members of key personnel, this LTI Plan was amended by means of a resolution of the annual general meeting on 25 June 2020.

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 Key Personnel is 1 850 000 shares. The number of shares in each tranche is specified for each Key Person, as well as total amount of shares in the whole LTI Plan (18 500 000 shares). For 2020 the maximum aggregate number of shares that may be granted to all Members of Key Personnel was increased by 533 333 shares representing the maximum number of shares that may be granted to the new CEO for 2020. The number of shares in each tranche is specified for each Key Person, as well as total amount of shares in the whole LTI Plan that was therefore increased from 18 500 000 shares to 19 033 333 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.
- Subject to meeting the relevant loyalty target and performance targets in the preceding financial year, each Member of Key Personnel will receive a certain number of shares in the capital of the company annually, on each vesting date, during a ten-year period.
- The CEO is entitled to receive up to a maximum of 800 000 shares on each vesting date and the CFO is entitled to receive up to a maximum of 450 000 shares on each vesting date.

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 employee 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 appropriate tranche.

3. Performance conditions are subject to performance incentive zones on a straight-line basis, containing threshold and maximum performance levels and are as follows:
   (a) dividend per share ("DPS") growth in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
   (b) EBITDA growth in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
   (c) individual targets assigned for each Key Person by the board of directors ("Individual Performance") – delivery of this target will entitle to 15% of maximum annual fixed shares number.

4. The 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.

Table 1 – LTI Plan schedules

Tranche number	Reference period	Vesting date	End of lock-up period
1 (first Tranche)	These shares are not linked with any reference period but are given to generally motivate future performance of managers. These shares shall be transferred in maximum amounts I(s) to each member of key personnel.	2017	First business day of July 2019
2 (second Tranche)	1 January 2017 – 31 December 2017	First business day of July 2018	First business day of July 2020
3 (third Tranche)	1 January 2018 – 31 December 2018	First business day of July 2019	First business day of July 2021
4 (fourth Tranche)	1 January 2019 – 31 December 2019	First business day of July 2020	First business day of July 2022
(...n)	1.01(n) year – 31.12 (n) year	First business day of July (n+1) year	First business day of July 20(n +3)

PENSION AND FRINGE BENEFITS

Executive directors will be entitled to an annual pension allowance set at 14% of base pay. Executive directors are also entitled to customary fringe benefits from the company or the relevant affiliated company, such as expense allowances (including for the use of a private or lease car) and reimbursement of business expenses. Furthermore, executive directors and their families are provided with family medical insurance packages that cover the cost of private medical treatment.

SEVERANCE PAYMENTS

The service agreements of executive directors provide for non-compete obligations during the term of the service agreements, as well as for nine months following their termination in the case of the CEO and 12 months in case of the CFO. During the non-compete period following the termination, the CEO will be entitled to €10 417 monthly non-competition compensation, excluding social security contributions, which if applicable will be covered by the relevant affiliated company and the CFO will be entitled to a monthly non-competition compensation equivalent to a fixed monthly base salary. Furthermore, following the termination of the management contract with the CEO by the relevant affiliated company, the CEO will be entitled to a severance payment of two-times base pay if the management contract is terminated within 36 months and one-times base pay if the contract is terminated after 36 months following the commencement of the management contract. The company does comply with the rules related to severance payments

NOMINATION AND REMUNERATION COMMITTEE REPORT (CONTINUED)

as indicated in DCGC 3.2.3. With regard to the specifically agreed terms and conditions in the agreement with the company's CEO, the company encountered exceptional circumstances resulting in an overriding commercial interest compared to general Dutch market circumstances which made the company agree to under circumstances pay two rather than one year base salary should the agreement of the company's CEO be terminated during the first 36 months of his tenure with the company.

SIGN-ON, RETENTION AND RESTRAINT PAYMENTS

Save for a sign-on bonus that was agreed with the CEO that is payable in two equal annual instalments of €400 000 each payable in December 2020 and December 2021 subject to the continued service of the CEO until these relevant dates, the executive directors are not entitled to any sign-on, retention and restraint payments. The full sign-on bonus of the CEO is subject to a claw back provision during a two-year period if the management contract during this two-year period is terminated by the CEO or is terminated for serious cause.

ADJUSTMENTS TO VARIABLE REMUNERATION

In line with Dutch law, the variable remuneration of the members of the board of directors may be reduced or members of the board of directors may be obliged to repay (part of) their variable remuneration if certain circumstances apply, which are summarised below:

(a) Test of reasonableness – pursuant to Dutch law, any variable remuneration (to the extent subject to reaching certain targets and the occurring of certain events) awarded to a member of the board of directors may be adjusted by the board of directors to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness;

(b) Claw back – in addition, the board of directors will have the authority under Dutch law to recover from a member of the board of directors any variable remuneration awarded on the basis of incorrect financial or other data, or other circumstances of which the variable remuneration is dependent.

The remuneration committee annually, assesses whether any circumstances have been identified that would result in any adjustments or clawback of variable remuneration. If the remuneration committee has determined that any adjustment or clawback is required, the company shall proceed to claim such payment from the director.

DEVIATIONS

In extraordinary circumstances, such as but not limited to an expected or pending change of control over the company, a demerger, restructuring, or other pressing business reasons, the board of directors may decide to deviate from this remuneration policy after consultation with the nomination and remuneration committee. Any deviations from this remuneration policy shall be considered temporary, may concern all aspects of the policy and shall be disclosed in the annual report of the company.

POLICY RELATING TO SETTING OF NON-EXECUTIVE DIRECTORS' COMPENSATION

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. Non-executive directors' compensation comprises an annual fee in recognition of their responsibility in their various committees of which they are members. The fees applicable for 2020 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 25 June 2020.

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 2021, which are proposed to remain unchanged, will be contained within the notice of the 2021 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.

PART 3: IMPLEMENTATION OF THE REMUNERATION POLICY DURING 2020

FIXED ANNUAL BASE SALARY

Executive directors

In 2020, the annual aggregate base salary of Tomasz Trzósło, 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 €600 000, €500 000 and €375 000, 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. There was no variable or performance-related compensation or pensions.

Due to the outbreak of the COVID-19 pandemic and the impact on the company the executive and non-executive directors applied a voluntary fixed base salary and compensation cut of 20% during a period of five months during the period May 2020 up to and including September 2020.

Short-term variable remuneration

The annual aggregate bonus opportunity of Hadley Dean, Tomasz Trzósło and Jacek Bagiński could amount to a maximum of €500 000 gross €600 000 and €375 000 gross, respectively, being 100% of base salary, if all of the underlying predetermined targets are met and was decided and subject to four predetermined performance targets that each had an equal weight of 25% for each the financial targets set and a weight of 35%/15% for the non-financial targets set. In 2020, the maximum annual amounts available were applied for the CFO and for the new CEO and the retired CEO maximum annual amounts on a pro rata basis.

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. Based on this analysis the LTV net of cash and NOI financial targets set for 2020 have been achieved at maximum levels. However, considering the external circumstances and the impact on the company due to the outbreak of the COVID-19 pandemic, it was decided, based on the test of reasonableness, to limit the pay-out resulting from the financial targets at 50% of the total maximum opportunity of 50% available for the two financial performance targets set for the CEO and the CFO. For the non-financial targets set, the performance was assessed. Based on this assessment it was decided that these targets set have been fully met. Therefore, the CEO and CFO will receive 75% of their total 2020 bonus entitlement, whereby for the CEO the 2020 bonus entitlement is calculated on a pro rata basis. For the retired CEO the 2020 bonus entitlement is calculated on a pro rata basis in accordance with the settlement agreement.

Table 2 STI performance goals

STI	**2020 target**	**2020 actual**	Target assessment	Target weight	Bonus applicable*
Tomasz Trzósło LTV net of cash			50%	25%	50 000
NOI			50%	25%	50 000
Online strategy	Meeting predetermined milestones with respect to the verification and update of the online strategy and underlying system	Following an overall assessment these targets have been achieved in accordance with the relevant milestones set.	100%	15%	60 000
Improvement capital structure	Implementation plan for the improvement of the capital structure	These targets have been achieved in accordance with the internal targets set following an internal assessment made.	100%	35%	140 000
Total STI (euro)			75%	100%	300 000

* *Pro rata from 1 May 2020.*

NOMINATION AND REMUNERATION COMMITTEE REPORT (CONTINUED)

STI	2020 target	2020 actual	Target assessment	Target weight	Bonus applicable
Jacek Bagiński LTV net of cash			50%	25%	46 875
NOI per share			50%	25%	46 875
Improvement Internal control environment targets	Meeting predetermined targets for the formalisation and improvement of internal controls including testing and implementation	These targets have been achieved in accordance with the relevant milestones set	100%	15%	56 250
Financial covenants and debt arrangements	Internal targets set in line with company strategy	These targets have been achieved in accordance with the internal targets set following an internal assessment made	100%	35%	131 250
Total STI (euro)			75%	100%	281 250

STI	2020 target	2020 actual	Target assessment	Target weight	Bonus applicable*
Hadley Dean LTV net of cash			100%	25%	62 500
NOI			100%	25%	62 500
Handover of duties to new CEO	Pre agreed actions for the proper and effective handover of the CEO duties to the new CEO	Following an overall assessment and evaluation, a proper handover has been executed	100%	50%	125 000
Total STI (euro)			100%	100%	250 000

* *Pro rata from 1 January 2020 to 30 June 2020.*

LONG-TERM VARIABLE REMUNERATION

Of the maximum number of shares available for the fifth tranche for the year 2020, the retired CEO was entitled to a maximum of 800 000 shares and the CFO was entitled to a maximum 450 000 shares subject to the attainment of the service and predetermined performance conditions. For the new CEO the shares available for the fifth tranche for the year 2020 are calculated on a pro rata basis and set at a maximum of 553 333 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. Both the DPS growth and EBITDA growth targets have not been met in 2020. An overall assessment was also completed after year end 2020 on the individual performance target set for 2020. Based on this assessment it was decided that these individual performance targets set have been fully met. Therefore, the CEO, the retired CEO and CFO will receive 15% of their grant. Therefore, with respect to the LTI fifth tranche for the year 2020, 40% of the grant will be allocated in 2021, being 15% of the grant relating to the individual performance targets met and 25% of the grant subject to the service condition.

Table 3 LTI performance goals

LTI	2020 target	2020 actual	Target assessment	Target weight	Shares applicable*
Tomasz Trzósło					
DPS growth		No DPS growth achieved	–	30%	–
EBITDA growth		No EBITDA growth achieved	–	30%	–
Individual target:					
Rent income and cost management system	Development and implementation of a fully integrated real time system	Following an overall assessment, these targets have been achieved in accordance with the relevant milestones set	100%	15%	80 000
Loyalty target			100%	25%	133 333
Total LTI (shares)			40%	–	213 333

** Pro rata from 1 May 2020.*

LTI	2020 target	2020 actual	Target assessment	Target weight	Shares applicable
Jacek Bagiński					
DPS growth		No DPS growth achieved	–	30%	–
EBITDA growth		No EBITDA growth achieved	–	30%	–
Individual target:					
Rent income and cost management system	Development and implementation of a fully integrated real time system	Following an overall assessment, these targets have been achieved in accordance with the relevant milestones set	100%	15%	67 500
Loyalty target			100%	25%	112 500
Total LTI (shares)			40%	–	180 000

LTI	2020 target	2020 actual	Target assessment	Target weight	Shares applicable
Hadley Dean					
DPS growth		No DPS growth achieved	–	30%	–
EBITDA growth		No EBITDA growth achieved	–	30%	–
Individual target:					
Handover of duties to new CEO	Pre agreed actions for the proper and effective handover of the CEO duties to the new CEO	Based on an overall assessment and evaluation, a proper handover has been accomplished	100%	15%	120 000
Loyalty target			100%	25%	200 000
Total LTI (shares)			40%	–	320 000

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 2020, with respect to the LTI fourth tranche for the year 2019, the total of 1 850 000 shares were allocated and transferred to the eligible Members of Key Personnel (including amongst others, the retired CEO and CFO). Third tranche for the year 2018, granted in 2019 was: 1 850 000 shares).

The total fair value of shares to be transferred amounts to €677 173 (2019: €2 142 195). No shares were allocated for the year 2020 since this will occur on the first business day of July 2021.

NOMINATION AND REMUNERATION COMMITTEE REPORT (CONTINUED)

PENSION AND FRINGE BENEFITS

In 2020, the CEO and the CFO received an annual pension allowance set at 14% of base pay, customary fringe benefits from the company or the relevant affiliated company, the reimbursement of business expenses and family medical insurance packages that cover the cost of private medical treatment.

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 2020 no circumstances have been identified that result in any clawback. The test of reasonableness has been applied to limit the pay-out resulting from the financial targets at 50% of the total maximum opportunity of 50% attained for the two financial performance targets set under the 2020 short-term variable remuneration for the CEO and CFO.

TERMINATION OF EMPLOYMENT

In accordance with the settlement agreement for the termination with mutual consent of the contract between Hadley Dean and the company effectively as per 31 December 2020, it has been agreed that in accordance with the applicable notice periods and non-compete clauses, Hadley Dean is entitled to a payment for a total amount of €250 002. Furthermore, it was agreed that no severance payments or any other redundancy payments will be made.

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

The details of the directors' emoluments accrued or paid for the years ended 31 December 2020 and period to 31 December 2019 are set out below.

SIGN-ON PAYMENT

Our new CEO received a sign-on bonus that is payable in two equal annual instalments of €400 000 each payable in December 2020 and December 2021 subject to the continued service of the CEO until these relevant dates.

Table 4

	Fixed remuneration			Variable remuneration				
	Basic salaries €'000	**Directors' fees €'000**	**Other (car lease, medical insurance, apartment rent, pension) €'000**	**STI – Bonuses and other performance payments €'000**	**LTI share-based payment €'000**	**Other €'000**	**Total €'000**	**Proportion fixed/ total remuneration**
2020								
Executive directors								
Tomasz Trzósło**	278	–	57	300	–	800	1435	23%
Hadley Dean*	483	–	38	250	288	250	1309	40%
Jacek Bagiński	343	–	71	281	162	–	857	48%
Non-executive directors								
Robert Weisz	–	92	–	–	–	–	92	100%
Marc Wainer***	–	21	–	–	–	–	21	100%
Marek Belka	–	64	–	–	–	–	64	100%
Taco de Groot	–	77	–	–	–	–	77	100%
Maciej Dyjas	–	55	–	–	–	–	55	100%
Pieter Prinsloo	–	83	–	–	–	–	83	100%
Dionne Ellerine	–	73	–	–	–	–	73	100%
Andrea Steer*	–	36	–	–	–	–	36	100%
James Templeton	–	55	–	–	–	–	55	100%
Andrew König**		23					23	100%
Total	1 104	579	166	831	450	1 050	4 180	

** Until 25 June 2020.* *** From 25 June 2020.* **** Until 20 April 2020.*

	Fixed remuneration			Variable remuneration				
	Basic salaries €'000	Directors' fees €'000	Other (car lease, medical insurance, apartment rent, pension) €'000	STI – Bonuses and other performance payments €'000	LTI share-based payment €'000	Other €'000	Total €'000	Proportion fixed/ total remuneration
2019								
Executive directors								
Hadley Dean	500	–	40	459	926	–	1 925	28%
Jacek Bagiński	300	–	21	290	521	–	1 132	28%
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		3 791	

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

At the end of 2020, no loans, advances or guarantees were outstanding for each of the executive 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 2020 the internal pay ratio was 2% (2019: 2%). It was calculated as the average annual remuneration of all full-time employees (excluding CEO and CFO) divided by the total average annual remuneration of the CEO/CFO as reported under IFRS.

Galeria Młociny

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 attending to the 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.

MEMBERSHIP

The committee consists of two independent non-executive directors and one non-executive director:
Chairman: Dionne Ellerine
Members: Pieter Prinsloo, Marek Belka

The committee met twice during the year and attendance is set out on page 69.

The committee assists the board in discharging its duties related to:

- Review of the health and safety and environmental aspects of the business;
- Green certificates;
- Health and safety (including COVID-19 related protocols);
- Energy initiatives; and
- Environmental permits.

The committee found all these aspects to be in order during the year under review.

In addition, the committee received the property technical and environmental report covering public liability claims, fire safety and energy saving initiatives from the board and was satisfied with the progress made.

In the 2021 financial year, the committee intends to develop and implement the ESG strategy.

The formal charter 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 EPP'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

8 March 2021

INVESTMENT COMMITTEE REPORT

MEMBERSHIP

The committee consists of two independent non-executive directors and one executive director:

Chairman: James Templeton

Members: Taco de Groot, Tomasz Trzósło

The investment committee meets on an ad hoc basis as may be required in order to fulfil its mandate.

The committee assists the board in discharging its duties related to considering suitable acquisitions, which fit within the company's business strategy and making 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 held various discussions during the year, with specific focus on the acquisition of the third tranche of the Metro portfolio and various elements of the forthcoming disposal programme.

All of the committee members are experienced investors who have successfully concluded and realised investments in the property sector, in Poland and internationally.

James Templeton

Chairman investment committee

8 March 2021

Galeria Młociny

AUDIT AND RISK COMMITTEE REPORT

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

Galeria Amber

MEMBERSHIP

The committee consists of two independent non-executive directors and one non-executive director:

Chairman: Taco de Groot

Members: Robert Weisz, Pieter Prinsloo

All committee members, except for Pieter Prinsloo, are independent non-executive directors and are financially literate.

The audit and risk committee meets at least four times a year and attendance of directors is set out on page 69. 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. Special meetings are convened as required.

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 committee assists the board in discharging its duties related to reviewing the finance function of the company on an annual basis and 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.

During the reporting period, the committee assessed the control environment and implemented a testing process; and paid attention to more specific topics such as corporate governance, structural and organisational dispositions and related-party transactions.

In the 2021 financial year, the committee intends to oversee the impact of COVID-19 and the internal controls and compliance with JSE Listings Requirements.

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

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

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

The audit and risk committee has also assessed the suitability for appointment of the external auditors Ernst & Young Inc. and designated individual partner in line with paragraph 3.84g(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.

COMMITTEE ASSURANCE

EPP's audit and risk committee has reviewed the integrated report for completeness and accuracy and is satisfied that it complied with its legal, regulatory and other responsibilities during the current financial year.

Taco de Groot
Chairman audit and risk committee

8 March 2021

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ANNUAL FINANCIAL STATEMENTS


AUTORSKA
Foot Locker

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 2020 comprise the Company and its subsidiaries (the "**Group**" or "**EPP Group**"). A list of subsidiaries is disclosed in note 30.

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 2020 the composition of the Company's Board of Directors was as follows:

▪ Tomasz Trzósło	(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)
▪ James Templeton	(Independent non-executive director)
▪ Maciej Dyjas	(Non-executive director)
▪ Pieter Prinsloo	(Non-executive director)
▪ Andrew König	(Non-executive director)

CHANGES TO THE BOARD

During the period Mr Tomasz Trzósło was appointed as an executive director of the board and as Chief Executive Officer effective from 25 June 2020. Mr Marc Wainer passed away on 20 April 2020. Marc was a director on EPP's board since listing in September 2016 and was instrumental in the establishment of EPP. As a stalwart in the South African property sector and with a wealth of property experience, he made a critical contribution to the board over the past four years. Mr Andrew König was appointed to the board as non-executive director from 25 June 2020. Mr Hadley Dean and Ms Andrea Steer retired from the board at the conclusion of EPP's annual general meeting held on 25 June 2020.

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 2020

	Notes	**2020 €'000**	2019 €'000
Rental income and recoveries	18	**133 807**	163 633
Service charge income	18	**30 752**	37 676
Property operating expenses		**(50 354)**	(53 209)
Net property income		**114 205**	148 100
Other income		**633**	984
Other expenses		**(4 003)**	(769)
Administrative expenses	19	**(13 711)**	(15 739)
Net operating profit		**97 124**	132 576
Net result from fair value adjustment on investment properties	5	**(206 780)**	(740)
Profit/(loss) from operations		**(109 656)**	131 836
Finance income	20	**1 174**	6 229
Finance costs	21	**(43 851)**	(43 645)
Foreign exchange gains/(losses)	22	**94 697**	(10 042)
Participation in profits/(losses) of joint ventures	4	**(37 674)**	3 402
Profit/(loss) before taxation		**(95 310)**	87 780
Current income tax	24	**(3 178)**	(9 807)
Deferred tax	24	**10 583**	(11 808)
Profit/(loss) for the period		**(87 905)**	66 165
Attributable to EPP shareholders		**(87 905)**	66 165
Earnings per share:			
Basic and diluted earnings, on profit for the period (€ cents)	24	**(9.68)**	7.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	**2020 €'000**	2019 €'000
Profit/(loss) for the period		**(87 905)**	66 165
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign currency translation reserve joint ventures	4	**(9 783)**	984
Foreign currency translation reserve subsidiaries		**(90 112)**	8 898
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods		**(99 895)**	9 882
Total comprehensive income for the period, net of tax		**(187 800)**	76 047
Total comprehensive income attributable to the owners of EPP for the period, net of tax		**(187 800)**	76 047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 €'000	2019 €'000
ASSETS			
Non-current assets		**2 298 883**	2 501 054
Investment property	5	**2 125 466**	2 321 384
Investment in joint ventures	4	**162 702**	171 117
Other non-current assets		**976**	845
Tenants deposits and other monetary assets	10	**5 832**	7 021
Deferred tax asset	24	**3 907**	687
Current assets		**177 484**	105 661
Inventory		**–**	110
Tax receivable	7	**259**	1 193
Trade and other receivables	8	**9 375**	17 129
Loans receivable	9	**1 755**	6 723
Tenants deposits and other monetary assets	10	**13 949**	13 187
Cash and cash equivalents	11	**152 146**	67 319
Total assets		**2 476 367**	2 606 715
EQUITY AND LIABILITIES			
Equity		**897 972**	1 087 372
Share capital	12	**735 437**	735 437
Share premium	12	**228 227**	228 227
Accumulated profit		**25 434**	113 339
Share-based payment reserve	14	**4 980**	6 580
Foreign currency translation reserve		**(96 106)**	3 789
Non-current liabilities		**1 501 958**	1 443 837
Bank borrowings	15	**1 371 973**	1 291 838
Trade payables and other liabilities	17	**10 066**	13 234
Deferred tax liability	24	**93 165**	109 443
Lease liabilities	6	**26 754**	29 322
Current liabilities		**76 437**	75 506
Bank borrowings	15	**36 166**	34 127
Tax payables	16	**2 312**	359
Trade payables and other liabilities	17	**33 620**	38 181
Lease liabilities	6	**4 339**	2 839
Total liabilities		**1 578 395**	1 519 343
Total equity and liabilities		**2 476 367**	2 606 715

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Notes	Share capital €'000	Share premium €'000	Treasury shares €'000	Accumu-lated 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 2018		672 292	203 318	–	147 250	(6 093)	5 921	1 022 688
Profit/(loss) for the period		–	–	–	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
Profit/(loss) for the period		**–**	**–**	**–**	**(87 905)**	**–**	**–**	**(87 905)**
Other comprehensive income		**–**	**–**	**–**	**–**	**(90 112)**	**–**	**(90 112)**
Other comprehensive income from joint ventures		**–**	**–**	**–**	**–**	**(9 783)**	**–**	**(9 783)**
Total comprehensive income		**–**	**–**	**–**	**(87 905)**	**(99 895)**	**–**	**(187 800)**
Acquisition of own shares		**–**	**–**	**(677)**	**–**	**–**	**–**	**(677)**
Transfer of own shares	14	**–**	**–**	**677**	**–**	**–**	**(677)**	**–**
Share-based payments expenses	14	**–**	**–**	**–**	**–**	**–**	**(923)**	**(923)**
Balance as at 31 December 2020		**735 437**	**228 227**	**–**	**25 434**	**(96 106)**	**4 980**	**897 972**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	**2020 €'000**	2019 €'000
Profit/(loss) before tax		**(95 310)**	87 780
Adjustments:			
Net exchange differences		**(94 644)**	–
Amortisation/depreciation of fixed assets		**568**	629
Straight line adjustment	18	**(5 528)**	(729)
Share base payment reserve		**(923)**	2 802
Valuation gain on investment property	5	**206 780**	740
Share of profit/(loss) in joint ventures		**37 674**	(3 402)
Finance income		**(1 174)**	(6 229)
Finance expense		**43 851**	43 645
Working capital adjustments:			
Decrease in rent and other receivables		**5 576**	705
Decrease in prepayments and accrued income		**1 777**	1 234
Decrease in inventory and other assets		**107**	141
Increase in trade, other payables and accruals		**4 240**	8 357
Movements in tenants' deposits liabilities		**217**	289
Cash generated from operations		**103 211**	135 962
Tax paid		**(1 938)**	(12 680)
Net cash generated from operating activities		**101 273**	123 282
Investing activities			
Investments in joint ventures		**(30 384)**	–
Proceeds from share redemption in join ventures		**3 267**	–
Purchase of investment property	5	**(10 487)**	(242 619)
Capital expenditure on completed investment property		**(9 035)**	(23 280)
Disposal of investment property	5	**–**	60 000
Loans granted		**(12 386)**	(7 399)
Loans repaid		**1 400**	5 333
Change in other monetary assets related to investment activity*		**–**	2 143
Interest received		**68**	509
Profit share	9	**3 500**	3 487
Net cash utilised in investing activities		**(54 057)**	(201 826)
Financing activities			
Proceeds from borrowings	15	**95 000**	187 646
Repayment of borrowings	15	**(16 602)**	(58 822)
Borrowing arrangement fees		**(946)**	(1 153)
Proceeds from issue of share capital	12	**–**	89 488
Transaction costs on issue of shares	12	**–**	(1 435)
Acquisition of own shares	14	**(677)**	(2 142)
Dividends paid	13	**–**	(100 076)
Interest paid	15	**(35 453)**	(32 654)
Change in other monetary assets related to financing activity**		**(1 219)**	(2 158)
Lease payments		**(971)**	(3 052)
Net cash generated from financing activities		**39 132**	75 642
Net increase in cash and cash equivalents		**86 348**	(2 903)
Cash and cash equivalents at the beginning of the period		**67 319**	60 340
Effect of foreign exchange fluctuations		**(1 521)**	9 882
Cash and cash equivalents at end of period	11	**152 146**	67 319

* *Movements on restricted capital expenditure accounts.*
** *Movements on debt service accounts.*

HEADLINE EARNINGS RECONCILIATION

for the year ended 31 December 2020

	2020 €'000	2019 €'000
Profit/(loss) for the period attributable to EPP shareholders	**(87 905)**	66 165
Change in fair value of investment properties including joint ventures (net of tax)	**187 866**	(5 045)
Headline and diluted earnings attributable to EPP shareholders	**99 961**	61 120
Actual number of shares in issue	**907 946 793**	907 946 793
Shares in issue for distributable earnings	**907 946 792**	907 946 792
Weighted number of shares in issue	**907 946 793**	883 598 583
Basic and diluted earnings per share (€ cents)*	**(9.68)**	7.49
Headline earnings and diluted headline earnings per share (€ cents)**	**11.01**	6.92

* *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 2020 and 31 December 2019 respectively. The detailed calculation is included in note 25.*

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

for the year ended 31 December 2020

1. BASIS OF PREPARATION

The Consolidated Financial Statements were prepared by the management of the Company on 8 March 2021 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 NV 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 euro (€) and all values are rounded to the nearest thousand (€'000), except where otherwise indicated. Notes are an integrated part of financial statements.

Going concern

The pandemic of COVID-19 in the financial year 2020 brought an unprecedented situation that required additional consideration to be made on the preparation of the Financial Statements.

The pandemic impacted EPP Group's 2020 financials with:

- A reduction in the rent collection resulting from trading restrictions ensuing from the governmental regulation and rent reliefs given to tenants in the amount of approximately €40 million;
- An increased provision on credit losses on receivable from tenants with severe solvency problems;
- A reduction in the value of investment properties mainly attributable to the market impact.

The EPP Management has assessed the Group's ability to continue as a going concern. The assessment included analysis of liquidity and solvency considering a wide range of factors and was based on expected cash flows in the next 12 months, including operational, financial and investment activity. As at 31 December 2020, the Group had a stable liquidity position, with a cash balance of €152 million.

The uncertainties that were considered as part of the going concern assessment were mitigated by the Management response in the following way:

Liquidity

Given the uncertainty of future trading conditions and the difficulty in determining the impact of COVID-19 on EPP as a whole, the board decided to prioritise EPP's sustainability, by adopting prudent precautionary measures to preserve capital and maintain liquidity. The Group decided to draw the available balance of corporate facility loan in the amount of €95 million (note 15). Also the declared dividend in the amount of €53 million for the six months ended 31 December 2019 was revoked to ensure that EPP remains well capitalised to meet its liquidity needs during this period of uncertainty (note 13).

Debt covenants

The value of investment property directly impacts Loan To Value ("**LTV**") covenants. In 2020 the majority of the principal repayments from 2020 was deferred to the end of 2021 and the compliance with covenants was waived for the 2020 financial year. As at 31 December 2020, no covenants were breached. All debt covenant projections are proactively monitored to manage and remedy any potential breaches and the Company has a safe range for the covenant compliance in the upcoming year.

Rental concessions

EPP has approached tenant negotiations on a case-by-case basis and has considered multiple factors, such as the analysis of the tenants' financial situation, potential government support received, historical sales performance and the type of industry in which the tenant operates (fashion outlets, restaurants and cinema and leisure facilities were impacted more than others). In line with EPP's strategy, discounts or deferrals were offered to tenants with the aim of extending lease periods and increasing long-term rentals thereby securing future cash flows.

In case of tenants for whom negotiations have been completed as at the balance sheet date, the Group issued credit notes correcting sales related to rent reductions in 2020. For the rest of the tenants for whom negotiations are ongoing, the Group decided to estimate the value of the rebates regarding the discounts granted for 2020 (note 8).

1. BASIS OF PREPARATION (CONTINUED)

Provision for credit losses

EPP has taken a careful approach when calculating expected credit loss ("**ECL**") on the balance under IFRS 9 with consideration of current conditions and forecast of future economic conditions. The increased balance of ECL included not only provisions calculated based on historical default matrix, but also balances resulting from individual analysis of all balances from tenants who historically had payment issues, especially those who were severely affected by COVID-19.

Operating cash flows

The EPP Management has taken steps to reduce operational costs at a property level and deferring non-essential capital expenditures. The outlook for 2021 assumes no costs exceeding the standard operational activity.

Laws and regulations

The Management of the Group has actively participated in the Polish Council of Shopping Centres response to the pandemic with an EPP representative appointed to the council. Proactive efforts were also made to avoid further restrictions on shopping centres, formulating and consulting on sanitary protocols being introduced for shopping centres and new legislation affecting the sector.

The EPP Management is satisfied that the Group is in a good financial position and that it has sufficient funds to meet its foreseeable cash requirements. Considering the outcomes of the analysis, the Group will be solvent and liquid and the Management is confident in the ability of the Group to continue as a going concern and have no reason to believe that the Group will not be a going concern in the year ahead.

The directors have therefore concluded that the Group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the consolidated 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 2020.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 16: COVID-19 Related Rent Concessions

In May 2020 the IASB issued COVID-19 Related Rent Concessions – Amendment to IFRS 16: *Leases* ("**the Amendment**"). The Amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application was permitted, including financial statements not yet authorised for issue at 28 May 2020.

The Amendment provides an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expediency, a lessee may elect not to assess whether a rent concession meets the conditions of a lease modification.

Lessor accounting for rent concessions remains unchanged and is based on the current guidance in IFRS 16. As the Group predominantly acts as the lessor, the Amendment does not have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Other new standards and interpretations

- Amendments to IAS 1 and IAS 8: *Definition of Material*
- Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*
- Revised conceptual Framework for Financial Reporting issued on 29 March 2018

Although these amendments applied for the first time in 2020, they did not have a material impact on the annual consolidated financial statements of the Group.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

(i) Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., 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 2020.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (CONTINUED)

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.

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

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the Group and all entities controlled by the Group. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. 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 IFRS 9.

(iii) Investments in joint ventures

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (CONTINUED)

(iii) Investments in joint ventures (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (CONTINUED)

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.

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 2020 and 31 December 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (CONTINUED)

II. Classification and subsequent measurement (CONTINUED)

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.

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 plus or minus transaction cost).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (CONTINUED)

V. Long-term loans granted to JV (CONTINUED)

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.

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.

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 Group's for the purpose of that analysis:

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (CONTINUED)

VI. Trade and other receivables (CONTINUED)

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 2017, 2018 and 2019.

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 recognises 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 fit-out – 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.

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 (i.e. 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 €2.3 million) are obligated to pay corporate income tax at least at 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.

Share-based payments arrangements

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Under IFRS 16, the Group treats rent concessions either as a result of negotiations or mandated by new legislations or regulation as lease modifications resulting in a new lease recognition and consequently straight-line the concessions enforced or provided over the remaining lease term.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. Then, the Group recognise lease payments from the modified operating leases as income on a straight-line basis.

The Group did not recognise rental income for periods for which rent concessions were granted to the lessees.

As at balance sheet date, the expected forgiveness of lease payments are included in the ECL assessment of operating lease receivables with a corresponding decrease in rental income.

(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 and account for those over-time. 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 and profit on foreign exchange derivatives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance income and cost (CONTINUED)

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

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

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

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

Fair value measurements

The Group measures financial assets classified as measured at FVTPL and investment properties at fair value at each reporting date.

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

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

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

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

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

All assets and liabilities, for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Operating segments

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgements and estimates

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

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

- Capital management – note 31
- Financial risk management objectives and policies – note 31
- Sensitivity analyses disclosures – note 31

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 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 and are 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgements (CONTINUED)

(iii) *Leases* (CONTINUED)

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, the Group has determined that the Polish zloty most faithfully represents the economic effects of the underlying transactions and events of the Polish subsidiaries. The same approach was applied to the parent company, which functional currency was determined to be euro. The Group's consolidated financial statements are presented in euros.

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 for uncertainty over income tax treatments of the respective countries in which it operates, based on IFRIC 23. 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 is targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR defines 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 to challenge such arrangements realised by tax remitters as group restructuring or group reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates and assumptions (CONTINUED)

(ii) Valuation of investment property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13: *Fair Value Measurement*. Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 5.

Standards and interpretations applicable, not yet effective

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:

- 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 for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 3 with reference to the Conceptual Framework – 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 2022;
- Amendments to IAS 16: *Property, Plant and Equipment: Proceeds before Intended Use* – 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 2022;
- Amendments to IAS 37: *Onerous Contracts – Costs of Fulfilling a Contract* – 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 2022;
- Amendment to IFRS 1: *First-time Adoption of International Financial Reporting Standards* – 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 2022;
- Amendment to IFRS 9: *Fees in the "10 per cent" test for derecognition of financial liabilities* – 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 2022;
- Amendments to IFRS 10: and IAS 28: S*ale 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;

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**").

4. INVESTMENT IN JOINT VENTURES (CONTINUED)

Towarowa 22 (CONTINUED)

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. EPP's interest in the special purpose vehicle is 53.74%, the same as in the previous years. 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 dependent on the timing of satisfaction of various conditions. The amount is payable either upon sale of the project capped on €42 million or in two instalments upon occurrence of the following events: €21 million when the City of Warsaw authorities approve the zoning plan and €0,7 million on receipt of a positive decision on the impact on the environment. The total outstanding capital commitment will be settled by EPP Group to achieve final equity share of 70%. Each of the JV partners has 2 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 210 000 m^2 gross lettable area.

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. During 2020 mezzanine liability was partially repaid in the amount of €42.8 million and extended for another two-year period.

As at 31 December 2020 the Group identified impairment indicators as described in IAS 28 such as significant changes with an adverse effect on the entity that have taken place during the period, in the market and economic environment in which the entity operates, especially for a newly-opened shopping centre, for which 2020 was supposed to be an important year. As a result, the Group performed an impairment test for the net investment using the discounted cash flow model with the discount rate of 6.10%. The test resulted in an impairment of €22.3 million bringing the value of the net investment in joint venture to it's recoverable amount which is it's value in use. The impairment amount was presented in line Participation in profits/(losses) of joint ventures in the Statement of profit or loss.

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 m^2 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.

As a result the EPP Group lost control over the subsidiaries and recognised the retained 30% in the former subsidiaries at its 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.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

4. INVESTMENT IN JOINT VENTURES (CONTINUED)

Henderson Park: O3 Business Campus, Symetris Business Park, Malta Office Park (CONTINUED)

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

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				
2020				
Current assets	**13 304**	**1 191**	**12 327**	**26 822**
Non-current assets – investment property	**393 700**	**105 000**	**228 400**	**727 100**
Other non-current assets	**–**	**18 089**	**4 393**	**22 482**
Total assets	**407 004**	**124 280**	**245 120**	**776 404**
Current liabilities	**(60 733)**	**(4 577)**	**(5 662)**	**(70 972)**
Non-current liabilities	**(286 401)**	**(18 410)**	**(164 669)**	**(469 480)**
Total liabilities	**(347 134)**	**(22 987)**	**(170 331)**	**(540 452)**
Equity	**59 870**	**101 293**	**74 789**	**235 952**
Group's share in %	**70.00%**	**53.74%**	**30.00%**	**–**
Group's share in euro	**41 909**	**54 435**	**22 437**	**118 781**
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

4. INVESTMENT IN JOINT VENTURES (CONTINUED)

	Galeria Młociny €'000	Towarowa 22 €'000	Henderson Park €'000	Total €'000
Extract from statements of comprehensive income				
2020				
Rental income	**15 098**	**2 158**	**25 179**	**42 435**
Property expenses	**(6 777)**	**(1 093)**	**(5 170)**	**(13 040)**
Other expenses	**(1 067)**	**94**	**(1 982)**	**(2 955)**
Loss on valuation of investment property	**(29 248)**	**(771)**	**(14 218)**	**(44 237)**
Finance income	**(78)**	**–**	**2**	**(76)**
Amortised cost	**(475)**	**–**	**(132)**	**(607)**
Finance expense	**(21 316)**	**(322)**	**(2 968)**	**(24 606)**
Profit/(loss) before income tax	**(43 863)**	**66**	**711**	**(43 086)**
Current income tax	**(112)**	**–**	**(1 376)**	**(1 488)**
Deferred income tax	**299**	**(4)**	**(338)**	**(43)**
Foreign exchange gains/(losses)	**10 449**	**8 625**	**6 734**	**25 808**
Profit/(loss) for the year	**(33 227)**	**8 687**	**5 731**	**(18 809)**
Other comprehensive income	**(4 717)**	**(8 304)**	**(6 727)**	**(19 748)**
Total comprehensive income for the year ended 31 December 2020	**(37 944)**	**383**	**(996)**	**(38 557)**
Proportion of the Group's interest	**70.00%**	**53.74%**	**30.00%**	**–**
Foreign exchange reserve	**3 302**	**4 463**	**2 018**	**9 783**
Intercompany interest eliminated	**1 551**	**–**	**–**	**1 551**
Group's share of profit for the year ended 31 December 2020*	**(21 708)**	**4 669**	**1 718**	**(15 321)**
2019				
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/(loss) 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/(loss) 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

* *The amount presented in line Participation in profits/(losses) of joint ventures in the Statement of profit or loss includes group's share of profit/(losses) presented in table above and impairment of Galeria Młociny in the amount of €22.3 million.*

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

4. INVESTMENT IN JOINT VENTURES (CONTINUED)

	Galeria Młociny €'000	Towarowa 22 €'000	Henderson Park €'000	Total €'000
Summarised statement of financial position				
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
Change related to share in profit/(loss) 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
Change related to share in profit/(loss) from operations	**(23 259)**	**4 669**	**1 718**	**(16 872)**
Increase/(decrease) related to foreign currency translation	**(3 302)**	**(4 463)**	**(2 018)**	**(9 783)**
Long term loans to Joint ventures granted in 2020	**13 640**	**(164)**	**–**	**13 476**
Additional investment/capital redemption in 2020*	**30 170**	**214**	**(3 267)**	**27 117**
Impairment	**(22 353)**	**–**	**–**	**(22 353)**
Investment in joint ventures as at 31 December 2020	**82 611**	**57 381**	**22 710**	**162 702**

	Galeria Młociny €'000	**Towarowa 22 €'000**	**Henderson Park €'000**	**Total €'000**
Reconciliation to carrying amount as at 31 December 2020				
Acquisition price	**19 292**	**41 610**	**24 359**	**85 261**
Share of profits cumulatively (including foreign currency translation)	**14 799**	**12 656**	**1 618**	**29 073**
Additional investment/capital redemption in 2020*	**30 170**	**214**	**(3 267)**	**27 117**
Impairment	**(22 353)**	**–**	**–**	**(22 353)**
Investment accounted for using the equity method	**41 908**	**54 480**	**22 710**	**119 098**
Long-term loans granted	**40 703**	**2 901**	**–**	**43 604**
Carrying amount as at 31 December 2020	**82 611**	**57 381**	**22 710**	**162 702**
Reconciliation to carrying amount as at 31 December 2019				
Acquisition price	19 292	41 610	24 359	85 261
Share of profits cumulatively (including foreign currency translation)	41 360	12 450	1 918	55 728
Investment accounted for using the equity method	60 652	54 060	26 277	140 989
Long-term loans granted	27 063	3 065	–	30 128
Carrying amount as at 31 December 2019	87 715	57 125	26 277	171 117

* *Additional investment and capital redemption in 2020 did not impact on the Group's percentage interest in JV.*

5. INVESTMENT PROPERTIES

Class	Retail €'000	Office €'000	Total €'000
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	2 290 676
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
Balance as at 31 December 2019 per external valuer	**2 156 976**	**133 700**	**2 290 676**
Acquisitions	**–**	**–**	**–**
Capital expenditure on owned properties	**5 593**	**1 628**	**7 221**
Disposals	**(168)**	**(90)**	**(258)**
Capitalised letting fees	**750**	**250**	**1 000**
Amortisation of letting fees	**(150)**	**(50)**	**(200)**
Net gain/(loss) from fair value adjustment	**(185 535)**	**(15 424)**	**(200 959)**
Balance as at 31 December 2020 per external valuer	**1 977 466**	**120 014**	**2 097 480**
Right-of-use – perpetual usufruct of land (IFRS 16)	**23 193**	**4 793**	**27 986**
Balance as at 31 December 2020	**2 000 659**	**124 807**	**2 125 466**

Reconciliation to the remeasurement of IP

Class	**Retail €'000**	**Office €'000**	**Total €'000**
Straight-line rental income	**(4 464)**	**(1 064)**	**(5 528)**
Fair value adjustment – right-of-use, perpetual usufruct of land (IFRS 16)	**(290)**	**(3)**	**(293)**
Net gain/(loss) from fair value adjustment	**(185 535)**	**(15 424)**	**(200 959)**
Profit/(loss) from investment properties	**(190 289)**	**(16 491)**	**(206 780)**

EPP Group is a real estate group that owns a portfolio of 24 retail and three 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 5.8% to 11.5% fully let, a long lease expiration profile and a portfolio weighted average unexpired lease term of over five years for retail portfolio and four years for office portfolio.

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.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

5. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (CONTINUED)

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 last valuations were performed as at 31 December 2020 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.

Those appraisals have been performed in the context of uncertainties associated with the current COVID-19 pandemic due to the lack of transactions and increased volatility in the market. As a result, the presentation of the valuations is subject to material valuation uncertainty, meaning that less certainty can be attached to the valuations than will usually be the case.

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

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

	Level 1* €'000	Level 2# €'000	Level 3◆ €'000	Total fair value €'000
2020				
Retail	–	–	**2 000 659**	**2 000 659**
Office	–	–	**124 807**	**124 807**
Total	–	–	**2 125 466**	**2 125 466**
2019				
Retail	–	–	2 182 488	2 182 488
Office	–	–	138 896	138 896
Total	–	–	2 321 384	2 321 384

* *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.*

The outbreak of COVID-19 has an impact in many aspects of global economy and markets – with some real estate market having experienced lower levels of transactional activity and liquidity. The pandemic affects investors' risk willingness, the acquisition process takes longer and the tenants postpone negotiations. In respect of the real estate sector there is a precedent set of circumstances caused by COVID-19, a higher degree of caution was attached to the valuation process and was reflected in changes to the key assumptions: increase in discount rate and capitalisation rate as well as decrease in average rate per m^2.

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:

5. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (CONTINUED)

	Valuation €'000	Valuation technique	Net initial yield %	Average market rent €/m²	Discount rate %	Exit cap rate %
2020						
Retail	**2 000 659**	Discounted cash flow	**5.79%–11.54%**	**5.27–22.59**	**6.90%–9.85%**	**5.90%–10.20%**
Office	**124 807**	Discounted cash flow	**8.56%–9.51%**	**10.33–13.79**	**7.85%–9.4%**	**7.20%–8.20%**
Total	**2 125 466**		**–**		**–**	**–**
2019						
Retail	2 182 488	Discounted cash flow	5.58%–9.90%	5.41–22.82	6.60%–11.0%	5.50%–10%
Office	138 896	Discounted cash flow	8.11%–8.90%	11.81–13.97	8.00%–9.25%	7.25%–8%
Total	2 321 384		–		–	–

Inter-relationship between key unobservable inputs and fair value measurements

The valuations of investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property and fair value adjustment in Profit or loss:

Input	Change %	2020 €'000	2019 €'000
Increase in discount rate	+0,25	**(25 161)**	(27 437)
Decrease in discount rate	-0,25	**25 599**	27 916
Increase in capitalisation rate	+0,25	**(52 772)**	(60 647)
Decrease in capitalisation rate	-0,25	**56 916**	65 685
Increase in ERV	+5,00	**73 348**	80 348
Decrease in ERV	-5,00	**(73 348)**	(80 348)

Acquisitions

In December 2017, EPP announced that it would acquire 12 shopping centres consisting of eight M1 branded shopping centres and four Power Parks. The shopping centres were to be acquired in three tranches, with the first two tranches being successfully completed in January 2018 and June 2019, respectively.

EPP was scheduled to acquire the third tranche of the Metro portfolio (comprising four Power Parks situated in Olsztyn, Tychy, Kielce and Opole, with a total GLA of 110 000 m²) in June 2020. However, given the impact of the COVID-19 pandemic, EPP and the Chariot Group have agreed to extend the date of closing of the purchase of the third tranche until mid of 2021. The acquisition of the third tranche of the Metro portfolio is planned to be concluded in the first half of March 2021 and will be funded from available cash reserves and new debt finding (assumed at an LTV of less than 45%).

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

6. LEASES

The Group recognised right-of-use asset and lease liabilities in relation to land areas as part of investment properties. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate.

	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
New agreements	**–**	**205**	**844**	**1 049**
Fair value adjustment	**(58)**	**(235)**	**–**	**(293)**
Deprecation	**–**	**–**	**(619)**	**(619)**
Disposals	**–**	**–**	**(152)**	**(152)**
Other adjustment (including foreign exchange revaluation)	**(1 846)**	**(349)**	**(399)**	**(2 594)**
Balance as at 31 December 2020	**26 365**	**1 621**	**961**	**28 947**
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
New agreements	**–**	**44**	**855**	**899**
Finance expense	**1 626**	**74**	**47**	**1 747**
Payments	**–**	**(304)**	**(667)**	**(971)**
Disposals/liquidations	**–**	**–**	**(152)**	**(152)**
Perpetual usufruct relief	**(189)**	**–**	**–**	**(189)**
Other adjustment (including foreign exchange revaluation)	**(2 398)**	**(130)**	**126**	**(2 402)**
Balance as at 31 December 2020	**27 968**	**1 620**	**1 505**	**31 093**

	Right of perpetual usufruct	**Land lease agreement**	**Other**	**Total**
Lease liabilities as at 31 December 2020				
Short term	**3 391**	**304**	**644**	**4 339**
Long term	**25 022**	**1 317**	**415**	**26 754**

6. LEASES (CONTINUED)

	Within 1 year €'000	2 to 5 years €'000	Beyond 5 years €'000
Future lease payments as at 31 December 2020			
Perpetual usufruct	3 391	7 161	125 276
Land lease agreements	304	1 215	311
Other	644	551	–
Total	4 339	8 927	125 587

	2020 €'000	2019 €'000
7. TAX RECEIVABLES		
Corporate income tax	259	1 193
Total	259	1 193
8. TRADE AND OTHER RECEIVABLES		
Rent and service charge receivables	7 396	10 491
Prepayments and deferred costs	1 410	4 689
Value added tax	564	663
Other receivables	5	1 286
Total	9 375	17 129

Rent and service charge receivables are non-Interest-bearing and are typically due within 14 days. The detailed description of ECL calculation is presented in note 3.

As at 31 December 2020, the Group recorded ECL of €4 014 000 (€1 268 000 as at 31 December 2019). The total amount of ECL as at 31 December 2020 includes €1 884 000 resulting from the provision matrix and €2 130 000 resulting from individual provision. The movement in 2020 has been presented in the amount of €2 746 000 in line *Other expenses* of statement of profit or loss. In addition the Group has recognised provisions in the amount of €4 574 000 relating to the lockdown in November 2020 and discounts relating to 2020 not concluded as at 31 December 2020. The provision is presented in line *Rental income and recoveries of profit or loss*.

See note 31 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.

	2020 €'000	2019 €'000
9. LOANS RECEIVABLE		
Short-term loans receivable	1 755	6 723
Total	1 755	6 723

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

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 December 2019 there were loans receivable granted related to the following projects: Libero and Sagittarius. During 2020 loan related to Sagittarius was repaid. As of 31 December 2020 there was one ROFO loan left: Libero.

	31 December 2019	Fair value gain in P&L	Repayment	31 December 2020
ROFO loan				
Libero	1 723	**32**	**–**	**1 755**
Sagittarius	5 000	**(32)**	**(4 968)**	**–**
Total	6 723	**–**	**(4 968)**	**1 755**

JV loans

As of 31 December 2020 EPP has loans receivable granted to JV projects in the following amounts:

- Młociny €40.7 million
- Towarowa €2.9 million

The loans were granted on arms-length conditions (average interest of 6%) with maturity of 2021 (€27.3 million) and 2025 (€16.3 million).

The loans are presented on the Consolidated Statement of Financial Position in line "Investment in joint ventures" and are measured as Financial assets at amortized cost.

Taking into consideration current net asset value and liquidity situation of the borrower, the Group does not see any premises for loan impairment. The borrower is considered to have a capacity to meet their obligation resulting from loans, therefore the credit risk of the loans is assessed very low and the ECL amount is immaterial.

10. TENANTS DEPOSITS AND OTHER MONETARY ASSETS

	2020 €'000	2019 €'000
Tenants deposits	1 222	1 117
Debt service	3 517	4 736
Capital expenditures and fit out	3 664	3 312
Retained rent*	3 589	3 743
VAT accounts*	1 516	168
Other	441	111
Total current	**13 949**	13 187

* *In 2020 the Group decided to provide more detailed breakdown of tenants deposits and other monetary assets. As a result Retained rent and VAT accounts aggregated in lines: Debt service and Other were presented separately for 2019.*

	2020 €'000	2019 €'000
Tenants deposits	5 832	7 021
Total non-current	**5 832**	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.

	2020	2019
Fitch Rating		
Banks with rating A+	2%	–
Banks with rating A	90%	–
Banks with rating A-	–	94%
Banks with rating BBB+	5%	6%
Banks with rating BBB	1%	–
Banks with rating BBB-	2%	–

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.

11. CASH AND CASH EQUIVALENTS

	2020 €'000	2019 €'000
Cash at bank and on hand	152 146	67 319
Total	**152 146**	67 319

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.

Cash and cash equivalents are kept in large multinational banks with the following credit ratings, aggregated by percentage of cash held by the banks with specific rating.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

11. CASH AND CASH EQUIVALENTS (CONTINUED)

	2020	2019
Fitch Rating		
Banks with rating A+	**6%**	11%
Banks with rating A	**93%**	–
Banks with rating A-	**1%**	84%
Banks with rating BBB+	**–**	3%
Banks with rating BBB-	**–**	2%

12. SHARE CAPITAL

	2020	2019
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

	2020 €'000	2019 €'000
Ordinary shares issued and fully paid		
At the beginning of the period	**735 437**	672 292
Issued in the period	**–**	63 145
At the end of the period	**735 437**	735 437
Share premium		
At the beginning of the period	**228 227**	203 318
Issued in the period	**–**	26 343
Transaction costs for issued share capital	**–**	(1 434)
At the end of the period	**228 227**	228 227

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 2020 and 31 December 2019 respectively. Where these are associates of directors of the Company, this has been indicated.

	Number of shares 2020	% of issued capital 2020	Number of shares 2019	% of issued capital 2019
Shareholder type				
Non-public shareholders	**374 208 769**	**41.21%**	403 248 417	44.41%
Directors and associates (direct and indirect)	**5 839 984**	**0.64%**	27 124 899	2.99%
Redefine Properties Ltd (Holders > 10%)	**368 368 785**	**40.57%**	376 123 518	41.42%
Public shareholders	**533 738 024**	**58.79%**	504 698 376	55.59%
Total	**907 946 793**	**100.00%**	907 946 793	100.00%

12. SHARE CAPITAL (CONTINUED)

	Number of shares 2020	**% of issued capital 2020**	Number of shares 2019	% of issued capital 2019
Distribution of shareholders				
Public companies	**436 512 364**	**48.08%**	504 698 375	55.59%
Collective investment schemes	**117 948 758**	**12.99%**	132 183 840	14.56%
Organs of state	**60 991 363**	**6.72%**	61 640 634	6.79%
Private companies	**120 902 769**	**13.32%**	122 549 103	13.50%
Retail shareholders	**22 729 588**	**2.50%**	20 882 116	2.30%
Other	**148 861 951**	**16.39%**	65 992 725	7.26%
Total	**907 946 793**	**100.00%**	907 946 793	100.00%

Shares movements in 2020

The Group did not issue new shares in 2020.

Shares 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 ZAR 18.60 per share). 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 of 907 946 792 ordinary shares of €0.81 each (all of which are listed on the LuxSE and the JSE) and one preference share of €0.81 (not listed on any stock exchange).

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

13. DISTRIBUTIONS MADE AND PROPOSED

	2020 €'000	2019 €'000
Dividend related to prior year	–	47 415
Interim dividend first half year	–	52 661
Total cash dividend paid out until the reporting date	–	100 076
Proposed dividend second half year	–	52 864

The board has resolved in terms of Dutch corporate law, to revoke the declaration of the dividend for the interim dividend for the second half year of 2019. Accordingly, no distribution to shareholders will be paid for the six-month period ended 31 December 2019. The Group proposes not to declare the dividend for the first and second half of the year 2020.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

14. SHARE-BASED PAYMENTS

On 8 December 2017 at the Company's extraordinary general meeting of the shareholders it was 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 (19 033 333 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**

(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.

14. SHARE-BASED PAYMENTS (CONTINUED)

(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 were transferred to the Members of Key Personnel, their fair value amounting to €1 810 000 (€0.98 per share), out of which 800 000 shares remained as treasury shares on the Company's trading account.

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 were 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.

In the year ended 31 December 2020 the fourth tranche of 1 850 000 shares was transferred to the Members of Key Personnel, the fair value amounting to €677 000.

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 2020) financial parameters for Tranches V to X:

Dividend rate	Interest rate	Exchange rate	Share growth adjustment	Initial share price
8.00%	7.87%	0.05	9.60%*	10.35

* *Average for the remaining period.*

The Group recognised gain on revaluation of the programme in 2020 that amounted to €923 000.

15. BANK BORROWINGS

	Liabilities at amortised cost		Liabilities at amortised cost	
Bank borrowings	Non-current 2020 €'000	Current 2020 €'000	Non-current 2019 €'000	Current 2019 €'000
Interest rate:				
Floating interest rate (3M EURIBOR, 1M WIBOR)	1 371 973	36 166	1 291 838	34 127
Fixed interest rate	–	–	–	–
Secured by IRS	1 151 608	32 177	1 087 956	30 446

All bank borrowings are denominated in euro.

As at 31 December 2020 all bank loan covenants have been met.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

15. BANK BORROWINGS (CONTINUED)

	€'000
Change in liabilities arising from financing activities	
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
Changes in a group	–
Proceeds from borrowings	95 000
Repayment of borrowings	(16 602)
Accrued interest and amortised cost	40 448
Repayment of interest	(36 672)
Bank borrowings as at 31 December 2020	1 408 139

During the year 2020 there were the following movements in bank borrowings:

- the Group decided to draw the available balance of corporate facility loan from CPPIB Credit Investment Inc in the amount of €95 million;
- based on negotiations with the banks, on some of the loans the Group received payment deferral of loan instalments for 2020. Changes in the bank agreements and resulting cash flows were included in the amortised cost calculation as at 31 December 2020 and reflected in profit or loss statement.

16. TAX PAYABLES

	2020 €'000	2019 €'000
Corporate income tax	2 312	359
Total	2 312	359

17. TRADE PAYABLES AND OTHER LIABILITIES

	2020 €'000	2019 €'000
Current		
Trade payables	10 161	7 147
Wages and salaries payables	43	396
Deferred income	4 414	1 616
Accruals	5 680	6 574
Deposits received from tenants	1 695	1 117
Rental guarantees	2 733	6
Value added tax	4 406	1 499
Other	4 488	6 704
Deferred payment and working capital reconciliation 2nd tranche M1 transaction	–	13 122
Total current	33 620	38 181

17. TRADE PAYABLES AND OTHER LIABILITIES (CONTINUED)

	2020 €'000	2019 €'000
Non-current		
Deposits received from tenants	**6 232**	7 021
Rental guarantees	**844**	2 677
Rent paid in advance	**2 990**	3 536
Total non-current	**10 066**	13 234

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 31.

18. REVENUE

	2020 €'000	2019 €'000
Rental income and recoveries	**133 807**	163 633
Rental income	**112 954**	141 629
Straight-line rental income	**5 528**	729
Property tax recharge	**9 748**	9 462
Turnover rent	**1 247**	1 234
Parking income	**1 492**	2 301
Advertising	**719**	1 153
Guarantees	**807**	5 247
Property management	**1 312**	1 878
Service charge income	**30 752**	37 676
Total revenues	**164 559**	201 309

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

19. ADMINISTRATIVE EXPENSES

	2020 €'000	2019 €'000
Wages and salaries	**(4 167)**	(2 889)
Long-term incentive plan	**922**	(2 802)
External services	**(9 186)**	(8 445)
Amortisation of selling costs	**(1 280)**	(1 603)
Total administrative expenses	**(13 711)**	(15 739)

The audit fees for Group and Statutory Auditors included in the external services line amount to €514 000 (2019: €498 000).

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

20. FINANCE INCOME

	2020 €'000	2019 €'000
Interest on loans granted	**756**	1 694
ROFO loans (profit share)	**–**	4 058
Other	**418**	477
Total finance income	**1 174**	6 229

21. FINANCE COST

	2020 €'000	2019 €'000
Interest on bank loans	**(36 618)**	(33 202)
Interest expense calculated using the EIR	**(4 346)**	(4 976)
Cost of bank debt refinancing	**(946)**	(1 153)
Other interest expense (including not eliminated interest expense from related party)	**(194)**	(177)
Interest expense on leases	**(1 747)**	(2 210)
Fair value remeasurement of loans	**–**	(1 927)
Total finance cost	**(43 851)**	(43 645)

22. FOREIGN EXCHANGE DIFFERENCES

The aggregate net foreign exchange gain/losses recognised in profit and loss were on the following balance sheet items:

	2020 €'000	2019 €'000
Investment property	**188 474**	(19 818)
Bank borrowings	**(96 787)**	10 518
Cash, tenants deposits	**1 251**	(407)
Intercompany balances (loans, dividends)	**1 905**	(396)
Other	**(146)**	61
Total foreign exchange differences	**94 697**	(10 042)

As at 31 December 2020 the total realized foreign exchange differences amounted to €503 000 (2019: €3 607 000).

Foreign exchange gain or loss on investment property results from the facts that (i) functional currency of subsidiaries which own investment properties is PLN, and (ii) locally, the fair value of investment properties is measured in euro. In accordance with the Group's accounting policy, the exchange gain or loss and the change in the fair value of the investment property measured at fair value are recognised separately in profit or loss, in the line "Foreign exchange gains/(losses)" and "Net result from fair value adjustment on investment properties" respectively. Under this approach, the exchange gain or loss is calculated as the difference between the fair value recorded at the spot rate at the previous reporting date and the same fair value measured at the exchange rate at the reporting date. The fair value gain excluding the impact of changes in foreign currency rates reflects recognition of the foreign currency amount of the fair value gain at the spot rate at the reporting date.

23. SEGMENT INFORMATION

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management. The information provided is net of rentals (including gross rent and property expenses), valuations gains/losses, profit/loss on disposal of investment property and share of profit 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 25% of rental income.

	Retail €'000	Office €'000	Unallocated €'000	Total €'000
2020				
Segment profit				
Rent and recoveries income	**151 363**	**13 171**	**25**	**164 559**
Property operating expenses	**(46 274)**	**(4 019)**	**(61)**	**(50 354)**
Net property income	**105 089**	**9 152**	**(36)**	**114 205**
Investment in joint ventures	**139 991**	**22 711**	**–**	**162 702**
Investment property	**2 000 659**	**124 807**	**–**	**2 125 466**
Total segment assets	**2 140 650**	**147 518**	**–**	**2 288 168**
Bank borrowings	**1 102 006**	**59 660**	**246 473**	**1 408 139**
Total segment liabilities	**1 102 006**	**59 660**	**246 473**	**1 408 139**
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

All revenues were generated from external customers based in Poland.

All investment properties are located in Poland.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

24. 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 Polish taxation regime. From 14 March 2020 GAV tax was suspended for the period of COVID-19 pandemic, which was not ended until the date of the financial statements.

The major components of income tax expense are:

	2020 €'000	2019 €'000
Statement of profit or loss		
Current income tax:		
Current income tax charge	**3 178**	9 807
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(10 583)**	11 808
Income tax expense reported in the statement of profit or loss	**(7 405)**	21 615

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

	2020 €'000	2019 €'000
Accounting profit/(loss) before tax	**(95 310)**	87 780
Income tax at Poland's statutory tax rate of 19%	**(18 109)**	16 678
Losses/(profits) from joint ventures	**8 368**	(646)
Withholding tax charge presented in current tax line	**8**	834
Derecognition of previously recognised deductible temporary differences	**108**	1 683
Adjustments attributable to prior year tax	**(75)**	1 344
Difference in overseas tax	**3 912**	2 465
GAV	**(799)**	271
Previously unrecognised tax losses now recouped to reduce current tax expense	**(818)**	(1 014)
Income tax expense reported in the statement of profit or loss	**(7 405)**	21 615
Deferred tax assets/liabilities		
Deferred income tax assets	**3 907**	687
Deferred income tax liabilities		
Revaluation of investment property to fair value	**107 547**	108 192
Loans and borrowings (measurement, foreign exchange differences, etc.)	**(11 848)**	2 230
Losses available for offsetting against future taxable income	**(699)**	(1 049)
Other	**(1 835)**	70
Deferred tax liabilities	**93 165**	109 443

The deferred tax liability of €107.5 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.

24. INCOME TAX (CONTINUED)

In addition, the IFRS also requires the Group to assume that such envisaged transaction will be performed as a disposal of all assets subject to fair valuation. Any other possible transactions such as disposal of shares in the entity owning the assets, which would result in a different taxation regime are being ignored from perspective of IFRS. The amount of unused tax losses for which no deferred tax asset is recognised is €15.4 million in 2020 and €18.4 million in 2019.

The amount of deferred tax income recognised in Profit or loss is different from the movement between deferred tax asset and deferred tax liability as a result of foreign currency translation.

25. 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 authorisation of these financial statements.

	2020 €'000	2019 €'000
Profit/(loss) for the period attributable to EPP shareholders	**(87 905)**	66 165
Change in fair value of investment properties including JV net of tax	**187 866**	(5 045)
Change in fair value of investment properties	**206 780**	740
Deferred tax on change in fair value of properties	**(39 288)**	(141)
Change in fair value of properties in JV	**25 153**	(6 972)
Deferred tax on change in fair value of properties in JV	**(4 779)**	1 328
Headline and diluted earnings attributable to EPP shareholders	**99 961**	61 120
Actual number of shares in issue	**907 946 793**	907 946 793
Shares in issue for distributable earnings	**907 946 792**	907 946 792
Weighted number of shares in issue	**907 946 793**	883 598 583
Basic and diluted earnings per share (€ cents)*	**(9.68)**	7.49
Headline earnings and diluted headline earnings per share (€ cents)**	**11.01**	6.92

* *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 2020 and 31 December 2019, respectively.*

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

26. 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:

	2020 €'000	2019 €'000
NAV attributable to ordinary equity holders of the parent (excluding deferred tax)	**987 229**	1 196 129
Net tangible asset value (excluding deferred tax)	**987 229**	1 196 129
Number of ordinary shares at the reporting date (thousands)	**907 947**	907 947
NAV per share (excluding deferred tax) (€)	**1.087**	1.317
Net tangible asset value per share (€)	**1.087**	1.317

27. RELATED PARTY DISCLOSURES

The following tables provide 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				
2020	**–**	**–**	**–**	**–**
2019	–	–	–	–
Chariot Top Group				
2020	**698**	**803**	**–**	**581**
2019	3 871	400	400	174
Griffin RE Group				
2020	**–**	**100**	**–**	**–**
2019	–	901	–	–

€'000	Interest	Amounts due from related parties
Loans to related parties		
Long term loans to JV		
2020	**3 621**	**39 983**
2019	1 478	28 650

Loans to related parties are described in the note 9.

27. RELATED PARTY DISCLOSURES (CONTINUED)

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 2020, the Group did not record any impairment of receivables relating to amounts owed by related parties due to its immateriality (2019: € Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Directors' interests

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 2020 and 31 December 2019 respectively:

2020 Directors' interests

	Directly	Indirectly	Total	Percentage[2]
Beneficially held				
Director				
Tomasz Trzósło[1]	**92 957**	**–**	**92 957**	**0.01%**
Robert Weisz	**34 000**	**–**	**34 000**	**0.00%**
Jacek Bagiński	**1 800 000**	**–**	**1 800 000**	**0.20%**
Andrew König[3]		**3 913 027**	**3 913 027**	**0.43%**
Total			**5 839 984**	**0.64%**

1. The shares were acquired before the date of appointment as CEO, i.e. 25 June 2020.
2. The total percentage is calculated as total number of EPP shares held by EPP directors divided by the total number of shares.
3. Andrew König is a beneficiary of The Rag Top Trust that holds 3 913 027 EPP shares.
None of the directors' holdings are subject to security, guarantee, collateral or other financial obligation.

2019 Directors' interests

	Directly	Indirectly	Total	Percentage[2]
Beneficially held				
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.

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 2020 and the date of these financial statements.

Directors' interests in transactions

Maciej Dyjas as direct beneficial shareholder of Griffin and indirect beneficial shareholder of Echo Investment had beneficial interest in the following transactions effected by the Company in 2020 and 2019:

- Griffin advisory agreement
- ROFO projects acquisitions from Echo Investment
- Warsaw retail development site agreement (Towarowa 22)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

28. FUTURE OPERATING LEASE REVENUE

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms of between five 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
2020			
Within one year	**126 838**	**7 869**	**134 707**
Between two and five years	**334 803**	**21 893**	**356 696**
Beyond five years	**130 815**	**8 396**	**139 211**
Total	**592 456**	**38 158**	**630 614**
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

29. DIRECTORS' REMUNERATION

The details of the directors' emoluments accrued or paid for the year ended 31 December 2020 and period to 31 December 2019 are set out in the table below:

	Fixed remuneration			Variable remuneration				
	Basic salaries €'000	Directors' fees €'000	Other (car lease, medical insurance, apartment rent, pension) €'000	STI – Bonuses and other performance payments €'000	LTI share-based payment €'000	Other €'000	Total €'000	Proportion fixed/ total remuneration
2020								
Executive directors								
Tomasz Trzósło**	**278**	**–**	**57**	**300**	**–**	**800**	**1435**	**23%**
Hadley Dean*	**483**	**–**	**38**	**250**	**288**	**250**	**1309**	**40%**
Jacek Bagiński	**343**	**–**	**71**	**281**	**162**	**–**	**857**	**48%**
Non-executive directors								
Robert Weisz	**–**	**92**	**–**	**–**	**–**	**–**	**92**	**100%**
Marc Wainer***	**–**	**21**	**–**	**–**	**–**	**–**	**21**	**100%**
Marek Belka	**–**	**64**	**–**	**–**	**–**	**–**	**64**	**100%**
Taco de Groot	**–**	**77**	**–**	**–**	**–**	**–**	**77**	**100%**
Maciej Dyjas	**–**	**55**	**–**	**–**	**–**	**–**	**55**	**100%**
Pieter Prinsloo	**–**	**83**	**–**	**–**	**–**	**–**	**83**	**100%**
Dionne Ellerine	**–**	**73**	**–**	**–**	**–**	**–**	**73**	**100%**
Andrea Steer*	**–**	**36**	**–**	**–**	**–**	**–**	**36**	**100%**
James Templeton	**–**	**55**	**–**	**–**	**–**	**–**	**55**	**100%**
Andrew König**		**23**					**23**	**100%**
Total	**1 104**	**579**	**166**	**831**	**450**	**1 050**	**4 180**	

* *Until 25 June 2020.* ** *From 25 June 2020.* *** *Until 20 April 2020.*

29. DIRECTORS' REMUNERATION (CONTINUED)

	Fixed remuneration			Variable remuneration				
	Basic salaries €'000	Directors' fees €'000	Other (car lease, medical insurance, apartment rent, pension) €'000	STI – Bonuses and other performance payments €'000	LTI share-based payment €'000	Other €'000	Total €'000	Proportion fixed/ total remuneration
2019								
Executive directors								
Hadley Dean	500	–	40	459	926	–	1 925	28%
Jacek Bagiński	300	–	21	290	521	–	1 132	28%
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		3 791	

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

30. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES

The Group continued to simplify its legal structure in 2020 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 2020:

	Name	Country of incorporation	Principal activities	Date of control	**Share 2020**	Share 2019
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 Limited[1]	Cyprus	Holding company	14 December 2016	**–**	100%
5.	EPP (Cyprus) – 2 Limited[1]	Cyprus	Holding company	14 December 2016	**–**	100%
6.	EPP Retail – Veneda Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
7.	EPP Retail – Galeria Sudecka Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
8.	EPP Retail – Centrum Przemyśl Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
9.	EPP Retail – Galaxy Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
10.	EPP Retail – Galeria Amber Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
11.	EPP Retail – Galeria Olimpia Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
12.	EPP Retail – Outlet Park Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
13.	EPP Retail – Pasaż Grunwaldzki Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
14.	EPP Retail – Centrum Bełchatów Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
15.	EPP Retail – Galeria Echo Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
16.	EPP Retail – Galeria Solna Sp. z o.o.	Poland	Property investment	12 July 2017	**100%**	100%
17.	EPP Retail – Zakopianka Sp. z o.o.	Poland	Property investment	25 April 2017	**100%**	100%
18.	EPP Retail – Twierdza Kłodzko Sp. z o.o.	Poland	Property investment	14 June 2017	**100%**	100%
19.	EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Poland	Property investment	14 June 2017	**100%**	100%
20.	EPP Retail – Twierdza Zamość Sp. z o.o.	Poland	Property investment	14 June 2017	**100%**	100%
21.	EPP Poznań Żonkil Sp. z o.o.	Poland	Property investment	20 December 2017	**100%**	100%
22.	EPP Retail – Tęcza Kalisz Sp. z o.o.	Poland	Property investment	12 November 2019	**100%**	100%
23.	EPP Retail – M1 Kraków Sp. z o.o. (previously EPP Development 1 Sp. z o.o.)	Poland	Property investment	4 January 2018	**100%**	100%
24.	EPP Retail – M1 Czeladź Sp. z o.o. (previously EPP Development 2 Sp. z o.o.)	Poland	Property investment	4 January 2018	**100%**	100%
25.	EPP Retail – M1 Łódź Sp. z o.o. (previously EPP Development 3 Sp. z o.o.)	Poland	Property investment	4 January 2018	**100%**	100%

30. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

	Name	Country of incorporation	Principal activities	Date of control	**Share 2020**	Share 2019
26.	EPP Retail – M1 Zabrze Sp. z o.o. (previously EPP Development 4 Sp. z o.o.)	Poland	Property investment	4 January 2018	**100%**	100%
27.	EPP Retail – M1 Bytom Sp. z o.o.	Poland	Property investment	27 June 2019	**100%**	100%
28.	EPP Retail – M1 Częstochowa Sp. z o.o.	Poland	Property investment	27 June 2019	**100%**	100%
29.	EPP Retail – M1 Radom Sp. z o.o.	Poland	Property investment	27 June 2019	**100%**	100%
30.	EPP Retail – M1 Poznań Sp. z o.o.	Poland	Property investment	27 June 2019	**100%**	100%
31.	EPP Office – Park Rozwoju Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
32.	EPP Office – Oxygen Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
33.	EPP Office – Astra Park Sp. z o.o.	Poland	Property investment	25 November 2016	**100%**	100%
34.	EPP Sp. z o.o.	Poland	Holding company	10 May 2016	**100%**	100%
35.	EPP Spółka z ograniczoną odpowiedzialnością S.K.[2]	Poland	Holding company	10 May 2016	**–**	100%
36.	Grupa EPP Sp. z o.o.	Poland	Holding company	12 May 2016	**100%**	100%
37.	Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.[2]	Poland	Holding company	12 May 2016	**–**	100%
38.	EPP Facility Management Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property management	1 July 2016	**100%**	100%
39.	EPP Property Management – Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property management	1 July 2016	**100%**	100%
40.	Norcross Sp. z o.o.	Poland	Holding company	25 November 2016	**100%**	100%
41.	Pebworth Sp. z o.o.	Poland	Holding company	25 November 2016	**100%**	100%
42.	Oxygen Szczecin Sp. z o.o.	Poland	Holding company	23 May 2016	**100%**	100%
43.	Galeria Sudecka Sp. z o.o.	Poland	Holding company	23 May 2016	**100%**	100%
44.	Outlet Park Szczecin Sp. z o.o.[2]	Poland	Holding company	23 May 2016	**–**	100%
45.	Malta Office Park Sp. z o.o.[2]	Poland	Holding company	23 May 2016	**–**	100%
46.	Trappaud Sp. z o.o.	Poland	Holding company	25 November 2016	**100%**	100%
47.	EPP Retail – Galeria Solna HoldCo Sp. z o.o.[3]	Poland	Holding company	12 July 2017	**–**	100%
48.	EPP Development 5 Sp. z o.o.	Poland	Holding company	14 November 2017	**100%**	100%
49.	EPP Finance Poland Sp. z o.o. (previously EPP Development 8 Sp. z o.o.)	Poland	Holding company	28 December 2018	**100%**	100%
50.	EPP – Oxygen Szczecin Spółka z ograniczoną odpowiedzialnością S.K.[4]	Poland	Property investment	17 February 2016	**–**	100%
51.	Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K.[5]	Poland	Property investment	22 December 2016	**53.74%**	53.74%
52.	Projekt Echo 138 Sp. z o.o.[6]	Poland	Holding company	22 December 2016	**70%**	70%
53.	Berea Sp. z o.o.[6]	Poland	Property investment	31 May 2017	**70%**	70%
54.	Rosehill Investments Sp. z o.o.[6]	Poland	Holding company	31 May 2017	**70%**	70%

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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30. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

	Name	Country of incorporation	Principal activities	Date of control	Share 2020	Share 2019
55.	EPP Office – Symetris Business Park Sp. z o.o.[7]	Poland	Property investment	25 November 2016	**30%**	30%
56.	EPP Office – O3 Business Campus Sp. z o.o.[7]	Poland	Property investment	25 November 2016	**30%**	30%
57.	EPP Office – Malta Office Park Sp. z o.o.[7]	Poland	Property investment	25 November 2016	**30%**	30%
58.	EPP Development 6 Sp. z o.o.[7]	Poland	Property investment	24 November 2017	**30%**	30%
59.	HP-EPP Office Venture B.V.[7]	Poland	Holding company	17 June 2019	**30%**	30%

1. *EPP (Cyprus) – 1 Limited and EPP (Cyprus) – 2 Limited were merged with EPP GP B.V. (trans-border merger) on 7 February 2020 and 1 July 2020, respectively.*
2. *Companies were dissolved during 2020 due to reorganisation in the Group structure.*
3. *EPP Retail – Galeria Solna HoldCo Sp. z o.o. merged (reverse merger) with EPP Retail – Galeria Solna Sp. z o.o. on 24 April 2020.*
4. *EPP – Oxygen Szczecin Spółka z ograniczoną odpowiedzialnością S.K. merged with EPP Office – Oxygen Sp. z o.o. on 1 April 2020.*
5. *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.*
6. *The Group has 70% share in Rosehill Investments Sp. z o.o., a holding entity related to Galeria Młociny project (Berea Sp. z o.o.), which under shareholder's agreement is a joint venture with Echo Investment Group with equity accounting method applied.*
7. *On 24 June 2019 EPP disposed 70% of shares and formed joint venture with Henderson Park.*

31. 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.

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 2020, after taking into account the effect of interest rate swaps, 84.1% of the Group's borrowings are economically hedged (84.3% as at 31 December 2019 respectively).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk (CONTINUED)

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
2020		
EURIBOR	**30**	**–**
EURIBOR	**(30)**	**–**
WIBOR	**30**	**–**
WIBOR	**(30)**	**–**
2019		
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 statement of financial position listed below:

- Cash and cash equivalent
- Trade receivables
- Trade payables

	2020 €'000	2019 €'000
Consolidated statement of comprehensive income		
Polish Zloty strengthens by 10%	**4 057**	3 155
Polish Zloty weakens by 10%	**(3 319)**	(2 582)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

The credit exposure of the Group arising from the financial assets as disclosed in note 8 and note 9 and 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 historically observed default rates for each group of receivables adjusted for forward-looking factors specific to the debtors and the economic environment, especially current and future financial standing of tenants.

	Trade and other receivables						
Provision matrix	Not overdue €'000	<30 days €'000	31-90 days €'000	91-180 days €'000	181-360 days €'000	>360 days €'000	Total €'000
2020							
Retail							
Expected credit loss rate	**2.03%**	**2.51%**	**7.48%**	**37.76%**	**100.00%**	**100.00%**	
Expected credit loss	**26**	**74**	**397**	**127**	**398**	**799**	**1 821**
Office							
Expected credit loss rate	**0.40%**	**2.49%**	**41.76%**	**82.81%**	**100.00%**	**100.00%**	
Expected credit loss	**–**	**7**	**24**	**20**	**7**	**5**	**63**
2019							
Retail							
Expected credit loss rate	0.98%	1.86%	7.93%	42.20%	43.14%	74.69%	
Expected credit loss	24	29	63	152	68	812	1 148
Office							
Expected credit loss rate	0.28%	0.87%	34.07%	56.91%	100.00%	100.00%	
Expected credit loss	–	4	29	16	34	37	120

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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on an annual basis, and may be updated throughout the year, subject to approval of the Group's Management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2020 is the carrying amounts of each class of financial instruments.

Liquidity risk

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

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

	Up to 1 year €'000	1 to 3 years €'000	3 to 5 years €'000	>5 years €'000	Total €'000
2020					
Bank borrowings	**36 166**	**1 236 526**	**36 690**	**107 525**	**1 416 907**
Deposits from tenants	**1 695**	**1 741**	**2 367**	**2 124**	**7 927**
Trade and other payables	**27 519**	**1 392**	**548**	**1 894**	**31 353**
2019					
Bank borrowings	34 127	814 632	381 147	108 675	1 338 581
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

The disclosed amounts for financial derivatives (included in bank borrowings) in the above table are the undiscounted cash flows. The maturity profile for future lease payments is presented in note 6.

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
2020		
Financial assets		
Rent and other receivables	**7 396**	**7 396**
Tenants deposits and other monetary assets	**19 781**	**19 781**
Cash and short-term deposits	**152 146**	**152 146**
Loans receivable	**1 755**	**1 755**
Loans granted to JV	**43 604**	**43 604**
Financial liabilities		
Interest-bearing loans and borrowings	**1 408 139**	**1 408 139**
Deposits from tenants	**7 927**	**7 927**
Trade and other payables	**31 353**	**31 353**

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair values (CONTINUED)

	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

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
2020				
Loans receivable	**–**	**1 755**	**–**	**1 755**
Trade and other payables	**–**	**31 353**	**–**	**31 353**
2019				
Loans receivable	–	6 723	–	6 723
Trade and other payables	–	42 076	–	42 076

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 2020 and 31 December 2019, 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.
- 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 2020 and as at 31 December 2019.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 67%.

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.

	2020 €'000	2019 €'000
Interest-bearing loans	**1 408 139**	1 325 965
Cash without tenants deposits	**(152 146)**	(67 319)
Net indebtedness	**1 255 993**	1 258 646
Investment property	**2 125 466**	2 321 384
Investment in joint venture	**162 702**	171 117
Loans receivable	**1 755**	26 932
Total investment assets	**2 289 923**	2 519 433
Loan-to-value ratio	**54.8%**	50.0%

32. EMPLOYEES

The average number of employees, expressed in full-time equivalents, in 2020 was 212 (2019: 220) respectively, and can be detailed as follows:

	Number of employees 2020	Number of employees 2019
Department		
Retail	**86**	94
Office	**9**	9
Other	**117**	117
Total	**212**	220

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

33. COMMITMENTS AND CONTINGENCIES

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

	Amount €'000	Maturity	Description
2020			
Contingent liabilities			
Griffin Finance III Sp z oo	**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*
Chariot Top Group B.V.	**66 000**	30 June 2021	Contingent commitment related to M1 acquisition: Tranche III (Power Park Olsztyn, Power Park Opole, Power Park Kielce, Power Park Tychy
Guarantees			
IB 6 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych and GPF 3 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych	**46 680**	31 March 2023	Guarantee of borrowers obligations granted by EPP GP B.V. (the successor of EPP (Cyprus) – 1 PLC) of bonds' redemption (Rosehill Sp z oo) in case of the occurrence one of the guarantees acts described in the guarantee agreement dated 31 August 2017
Dell Bank International d.a.c.	**1 950**	31 December 2025	Guarantee granted by EPP NV For the payment of obligations of EPP Property ManagementGrupa EPP Spółka z o.o. Spółka komadtytowa relating to the purchase of IT equipment
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 oo ▪ EPP Retail Galeria Echo sp z oo ▪ EPP Retail Pasaż Grunwaldzki sp z oo ▪ Kalisz Retail sp z oo, to the energy provider PGE

** The amount was capped on the level of €42 million.*

33. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Amount €'000	Maturity	Description
2019			
Contingent liabilities			
Griffin Finance III Sp z oo	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.
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
Guarantees			
Bank Zachodni WBK S.A.	23 870	30 June 2020	Guarantee of borrowers 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 oo) 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
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 oo ▪ EPP Retail Galeria Echo sp z oo ▪ EPP Retail Pasaż Grunwaldzki sp z oo ▪ Kalisz Retial sp z oo, to the energy provider PGE

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 on first ranking registered pledges on respective bank accounts.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

for the year ended 31 December 2020

34. EVENTS AFTER THE REPORTING PERIOD

On 21 December 2020, the Polish government signed a decree which provided additional restrictions and quarantine measures in Poland, including the partial limitation of shopping centres operations. The new regulations came into force on Monday, 28 December 2020 and were in place until 31 January 2021. Grocers, DIY stores, furniture stores, pharmacies, cosmetics shops, pet stores, bookstores, service points and stands were all able to continue trading. Restaurants and food and beverage operators located in shopping malls would continue to operate on a delivery or take-away only basis. The GLA of EPP's retail portfolio that remained operational was approximately 30%.The tenants, for which operations were restricted are allowed by government regulations to obtain rent relief for the lockdown period in return for lease extension of further six months plus the lockdown period. The due date for tenants' declaration is 90 days from Reopening, i.e. end of April 2021.

On 2 March 2021, the Group has entered into Facility Agreement in the amount of €45 million to provide financing for the acquisition of the third tranche of M1 (Power Parks). The transaction is planned to be finalised in the first half of March 2021.

Signatures of Members of Board of Directors:

Tomasz Trzósło
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

Andrew König
Non-executive director

Amsterdam, 8 March 2021

CONTENTS

COMPANY STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

	2020 €'000	2019 €'000
Other results after taxation (note 3)	**(9 758)**	(17 334)
Share in profit/(loss) of participating interests	**(79 487)**	73 797
Net profit/(loss)	**(89 245)**	56 463

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	31 December 2020 €'000	31 December 2019 €'000
ASSETS			
Financial fixed assets	4	**1 072 235**	1 308 547
Investments in subsidiaries		**1 072 235**	1 308 547
Current assets	5	**6 174**	5 847
Other amounts receivable		**14**	186
Prepayments		**48**	55
Other receivables		**16**	1 004
Cash at bank and in hand		**6 096**	4 602
Total assets		**1 078 409**	1 314 394
EQUITY AND LIABILITIES			
Shareholders' equity	6	**899 434**	1 090 174
Share capital		**735 437**	735 437
Share premium		**228 227**	228 227
Legal reserves		**3 611**	206 936
Retained earnings/(accumulated deficit)		**21 404**	(136 889)
Unappropriated result		**(89 245)**	56 463
Current liabilities	8	**178 975**	224 220
Amounts payable to group companies		**178 321**	223 010
Amounts payable, accrued expenses and other		**654**	1 210
Total equity and liabilities		**1 078 409**	1 314 394

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. GENERAL INFORMATION

The company financial statements are part of the 2020 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 2020 is recognised in the consolidated financial statements, it is sufficient (in the company's financial statement) to present a condensed profit and loss account in accordance with section 402 of Book 2 of the Dutch Civil Code. (EPP N.V. can use this exemption as it does not classify as an OOB as defined in art. 2:398 – 7).

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 of the Company are the same as those applied for the consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), International Financial Reporting Standards ("**IFRS**") as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Please be referred to note 3 of the consolidated financial statements for a description of these principles.

EPP N.V. assessed the impact of COVID-19, including the impact on the ECL and concluded the impact is not significant. For more information on the impact of COVID-19 on the EPP group see note 1 in the consolidated financial statements.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

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 intercompany 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.

Taxes

The Company is head of the fiscal unity for corporate income tax purposes with EPP GP B.V. and EPP Finance B.V. Tax expenses (if any) are calculated and recorded at the fiscal unity parent level of EPP N.V.

3. INCOME STATEMENT

Interest income and costs stem materially only from transactions with Group companies. In 2020 the Company was charged €9.9 million (2019: €11.1 million) interest expenses by other Group companies.

4. FINANCIAL FIXED ASSETS

	Total investments in subsidiaries €'000
Balance as at 1 January 2019	1 219 717
Redemption/sale of shares	(30)
Contributions/incorporations	5 123
Share in result of participating interests	73 797
Exchange differences	9 940
Balance as at 31 December 2019	1 308 547
Redemption/sale of shares[1]	**(57 530)**
Contributions/incorporations[2]	**600**
Share in result of participating interests	**(79 487)**
Exchange differences[3]	**(99 895)**
Balance as at 31 December 2020	**1 072 235**

1. *On 22 May 2020, the Company redeemed shares of €6.0 million in EPP GP B.V., following the merger of EPP (Cyprus) PLC with EPP GP B.V. on 7 February 2020.*
   On 27 August 2020, the company offset the shares of €51.529 million against loans liability with EPP GP B.V., following the merger of EPP (Cyprus) PLC with EPP GP B.V. on 7 February 2020.
2. *On 23 January 2020, the Company contributed €0.5 million to EPP Finance B.V. as share premium. On 30 January 2020, the Company contributed €0.1 million to EPP GP B.V. as share premium.*
3. *The details of exchange differences are disclosed in note 22 of consolidated financial statements.*

4. FINANCIAL FIXED ASSETS (CONTINUED)

Investments in direct subsidiaries

As at 31 December 2020 the Company held interests in the following direct subsidiaries:

Name	Country of incorporation	**Ownership 2020**	Ownership 2019
EPP Finance B.V.	Amsterdam, The Netherlands	**100%**	100%
EPP GP B.V.	Amsterdam, The Netherlands	**100%**	100%
Grupa EPP Sp. z o.o.	Warsaw, Poland	**100%**	100%
EPP Sp. z o.o.	Warsaw, Poland	**100%**	100%
Projekt Echo 138 Sp. z o.o.	Warsaw, Poland	**70%**	70%

Investments in indirect subsidiaries

As of 31 December 2020, the Company held interests in the following indirect subsidiaries:

	Name	Country of incorporation	**Share 2020**	Share 2019
1.	EPP (Cyprus) – 1 Limited	Nicosia, Cyprus	**–**	100%
2.	EPP (Cyprus) – 2 Limited	Nicosia, Cyprus	**–**	100%
3.	EPP Retail – Veneda Sp. z o.o.	Warsaw, Poland	**100%**	100%
4.	EPP Retail – Galeria Sudecka Sp. z o.o.	Warsaw, Poland	**100%**	100%
5.	EPP Retail – Centrum Przemyśl Sp. z o.o.	Warsaw, Poland	**100%**	100%
6.	EPP Retail – Galaxy Sp. z o.o.	Warsaw, Poland	**100%**	100%
7.	EPP Retail – Galeria Amber Sp. z o.o.	Warsaw, Poland	**100%**	100%
8.	EPP Retail – Galeria Olimpia Sp. z o.o.	Warsaw, Poland	**100%**	100%
9.	EPP Retail – Outlet Park Sp. z o.o.	Warsaw, Poland	**100%**	100%
10.	EPP Retail – Pasaż Grunwaldzki Sp. z o.o.	Warsaw, Poland	**100%**	100%
11.	EPP Retail – Centrum Bełchatów Sp. z o.o.	Warsaw, Poland	**100%**	100%
12.	EPP Retail – Galeria Echo Sp. z o.o.	Warsaw, Poland	**100%**	100%
13.	EPP Retail – Galeria Solna Sp. z o.o.	Warsaw, Poland	**100%**	100%
14.	EPP Retail – Zakopianka Sp. z o.o.	Warsaw, Poland	**100%**	100%
15.	EPP Retail – Twierdza Kłodzko Sp. z o.o.	Warsaw, Poland	**100%**	100%
16.	EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Warsaw, Poland	**100%**	100%
17.	EPP Retail – Twierdza Zamość Sp. z o.o.	Warsaw, Poland	**100%**	100%
18.	EPP Poznań Żonkil Sp. z o.o.	Warsaw, Poland	**100%**	100%
19.	EPP Retail – Tęcza Kalisz Sp. z o.o.	Warsaw, Poland	**100%**	100%
20.	EPP Retail – M1 Kraków Sp. z o.o. (previously EPP Development 1 Sp. z o.o.)	Warsaw, Poland	**100%**	100%
21.	EPP Retail – M1 Czeladź Sp. z o.o. (previously EPP Development 2 Sp. z o.o.)	Warsaw, Poland	**100%**	100%
22.	EPP Retail – M1 Łódź Sp. z o.o. (previously EPP Development 3 Sp. z o.o.)	Warsaw, Poland	**100%**	100%
23.	EPP Retail – M1 Zabrze Sp. z o.o. (previously EPP Development 4 Sp. z o.o.)	Warsaw, Poland	**100%**	100%
24.	EPP Retail – M1 Bytom Sp. z o.o.	Warsaw, Poland	**100%**	100%
25.	EPP Retail – M1 Częstochowa Sp. z o.o.	Warsaw, Poland	**100%**	100%
26.	EPP Retail – M1 Radom Sp. z o.o.	Warsaw, Poland	**100%**	100%
27.	EPP Retail – M1 Poznań Sp. z o.o.	Warsaw, Poland	**100%**	100%

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

4. FINANCIAL FIXED ASSETS (CONTINUED)

Investments in indirect subsidiaries (CONTINUED)

	Name	Country of incorporation	Share 2020	Share 2019
28.	EPP Office – Park Rozwoju Sp. z o.o.	Warsaw, Poland	**100%**	100%
29.	EPP Office – Oxygen Sp. z o.o.	Warsaw, Poland	**100%**	100%
30.	EPP Office – Astra Park Sp. z o.o.	Warsaw, Poland	**100%**	100%
31.	EPP Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**–**	100%
32.	Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**–**	100%
33.	EPP Facility Management Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**100%**	100%
34.	EPP Property Management – Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**100%**	100%
35.	Norcross Sp. z o.o.	Warsaw, Poland	**100%**	100%
36.	Pebworth Sp. z o.o.	Warsaw, Poland	**100%**	100%
37.	Oxygen Szczecin Sp. z o.o.	Warsaw, Poland	**100%**	100%
38.	Galeria Sudecka Sp. z o.o.	Warsaw, Poland	**100%**	100%
39.	Outlet Park Szczecin Sp. z o.o.	Warsaw, Poland	**–**	100%
40.	Malta Office Park Sp. z o.o.	Warsaw, Poland	**–**	100%
41.	Trappaud Sp. z o.o.	Warsaw, Poland	**100%**	100%
42.	EPP Retail – Galeria Solna HoldCo Sp. z o.o.	Warsaw, Poland	**–**	100%
43.	EPP Development 5 Sp. z o.o.	Warsaw, Poland	**100%**	100%
44.	EPP Finance Sp. z o.o. (previously EPP Development 8 Sp. z o.o.)	Warsaw, Poland	**100%**	100%
45.	EPP – Oxygen Szczecin Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**–**	100%

Indirect investments in joint ventures

As at 31 December 2020 the Company held interests in the following joint ventures:

Name	Country of incorporation	Share 2020	Share 2019
HP-EPP Office Venture B.V.	Amsterdam, The Netherlands	**30%**	30%
Projekt Echo 138 Sp. z o.o. 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%
EPP Office – Symetris Business Park Sp. z o.o.	Warsaw, Poland	**30%**	30%
EPP Office – O3 Business Campus Sp. z o.o.	Warsaw, Poland	**30%**	30%
EPP Office – Malta Office Park Sp. z o.o.	Warsaw, Poland	**30%**	30%
EPP Development 6 Sp. z o.o.	Warsaw, Poland	**30%**	30%

5. CURRENT ASSETS

Other receivables

	31 December 2020 €'000	31 December 2019 €'000
VAT receivable	**14**	69
Other receivables	**2**	935
Total	**16**	1 004

Cash at bank and in hand

	31 December 2020 €'000	31 December 2019 €'000
Current account HSBC Bank (EUR)	**2 893**	856
Current account HSBC Bank (PLN)	**61**	139
Current account Investec Bank (ZAR)	**2 925**	3 464
Brokerage account Anchor	**217**	143
Total	**6 096**	4 602

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 2020, 907 946 793 (31 December 2019: 907 946 793) shares have been placed and fully paid up. For fiscal purposes, the share capital is considered fully paid-up.

	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 2019	672 292	203 318	(6 151)	194 528	(165 418)	136 564	1 035 133
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

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

6. SHAREHOLDERS' EQUITY (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	–	–	–	–	56 463	(56 463)	–
Acquisition of own shares	–	–	–	–	(677)	–	(677)
Share-based payments expenses	–	–	–	–	(923)	–	(923)
Translation results	–	–	(99 895)	–	–	–	(99 895)
Participation interest reserve movement*	–	–	–	(103 430)	103 430	–	–
Result for the year	–	–	–	–	–	(89 245)	(89 245)
Balance as at 31 December 2020	**735 437**	**228 227**	**(96 106)**	**99 717**	**21 404**	**(89 245)**	**899 434**

Reconciliation of movement in capital and reserves

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 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 2020 the Preference Share does not give any rights to the holder.

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.

6. SHAREHOLDERS' EQUITY (CONTINUED)

Share premium (CONTINUED)

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 Company proposes not to declare a dividend but to add the result for the first and second half of the year 2020 to retained earnings.

Reconciliation retained earnings and equity with consolidated financial statements

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

	2020 €'000	2019 €'000
Profit for the period as per consolidated statement of profit or loss	**(87 905)**	66 165
Realised results subsidiaries with a negative equity from prior years	**(2 871)**	(9 711)
Net asset value of subsidiaries with a negative equity that had positive NAV in prior years	**1 531**	9
Net profit as per Company income statement	**(89 245)**	56 463

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

	31 December 2020 €'000	31 December 2019 €'000
Equity as per consolidated statement of financial position	**897 972**	1 087 372
Difference results subsidiaries with a negative net asset value	**1 462**	2 802
Equity as per Company balance sheet	**899 434**	1 090 174

7. CURRENT LIABILITIES

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 2020					
EPP Finance B.V.	**167 100**	**11 036**	**178 136**	October 31, 2021	EURIBOR 3M+ 6.5%
Centrum Bełchatów sp. z o.o.	**170**	**15**	**185**	December 31, 2021	EURIBOR 3M+ 2.7%
Total amount	**167 270**	**11 051**	**178 321**		

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

7. CURRENT LIABILITIES (CONTINUED)

Amounts payable to group companies (CONTINUED)

As at 31 December 2019 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 2019					
EPP Finance B.V.	149 100	1 542	150 642	July 26, 2020	EURIBOR 3M+ 6.5%
Echo Polska (Cyprus) PLC	3 000	110	3 110	March 31, 2020	EURIBOR 3M+ 2.25%
EPP (Cyprus) – 2 Limited	12 300	805	13 105	December 31, 2020	EURIBOR 3M+ 3.5%
EPP (Cyprus) – 1 Limited	8 100	152	8 252	March 31, 2020	EURIBOR 3M+ 3.5%
Centrum Bełchatów sp. z o.o.	170	11	181	December 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	47 450	270	47 720	September 30, 2020	EURIBOR 3M+ 2.25%
Total amount	220 120	2 890	223 010		

Amounts payable and accrued expenses

	31 December 2020 €'000	31 December 2019 €'000
Accounts payable	**373**	877
Accrued expenses	**281**	333
Total	**654**	1 210

8. AUDIT FEES

The audit fees can be detailed as follows:

	Ernst & Young Accountants LLP €'000	**Associated Ernst & Young Companies €'000**	**Total 2020 €'000**
Audit fees Annual Report	**170**	**223**	**393**
Other audit fees	**55**	**66**	**121**
Services related to taxes and advisory	**–**	**311**	**311**
Total	**225**	**600**	**825**

	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

8. AUDIT FEES (CONTINUED)

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 €393 000 (2019: €392 000). The other audit fees amounted to €121 000 (2019: €56 000). The auditors or associated companies rendered tax, advisory and other services in the total amounts to €311 000 (2019: €632 000). 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.

9. EMPLOYEES

The average number of employees on the Company's payroll, expressed in full-time equivalents amounts to 1.0, while in 2019 this was 0.6. The employee(s) are working in the Netherlands.

10. COMMITMENTS AND CONTINGENCIES

For intercompany financial guarantees issued by the Company, there is no expected default and therefore the financial guarantees are not recognised.

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

	Amount €'000	Maturity	Description
2020			
Contingent liabilities			
Griffin Finance III Sp z oo	**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*
Chariot Top Group B.V.	**66 000**	30 June 2021	Contingent commitment related to M1 acquisition: Tranche III (Power Park Olsztyn, Power Park Opole, Power Park Kielce, Power Park Tychy
Guarantees			
IB 6 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych and GPF 3 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych	**46 680**	31 March 2023	Guarantee of borrowers obligations granted by EPP GP B.V. (the successor of EPP (Cyprus) – 1 PLC) of bonds' redemption (Rosehill Sp z oo) in case of the occurrence one of the guarantees acts described in the guarantee agreement dated 31 August 2017
Dell Bank International d.a.c.	**1 950**	31 December 2025	Guarantee granted by EPP NV For the payment of obligations of EPP Property ManagementGrupa EPP Spółka z o.o. Spółka komadtytowa relating to the purchase of IT equipment
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 oo ▪ EPP Retail Galeria Echo sp z oo ▪ EPP Retail Pasaż Grunwaldzki sp z oo ▪ Kalisz Retial sp z oo, to the energy provider PGE

** The amount was capped on the level of €42 million.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Amount €'000	Maturity	Description
2019			
Contingent liabilities			
Griffin Finance III Sp z oo	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.
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
Guarantees			
Bank Zachodni WBK S.A.	23 870	30 June 2020	Guarantee of borrowers 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 oo) 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
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 oo ▪ EPP Retail Galeria Echo sp z oo ▪ EPP Retail Pasaż Grunwaldzki sp z oo ▪ Kalisz Retial sp z oo, to the energy provider PGE

11. INCOME TAXES

The result of the Company is for the largest extent not taxable due to the participation exemption. Also on a standalone basis the Company does not generate a positive result. The Company also does not expect to generate a positive result for tax purposes in the coming years and as such did not recognise a DTA.

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

Tomasz Trzósło
Jacek Bagiński

Non-executive directors

Taco de Groot	Pieter Prinsloo
James Templeton	Robert Weisz
Marek Belka	Dionne Ellerine
Maciej Dyjas	Andrew König

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 2020 and period to 31 December 2019 are set out in the tables below:

	Fixed remuneration			Variable remuneration				
	Basic salaries €'000	Directors' fees €'000	Other (car lease, medical insurance, apartment rent, pension) €'000	STI – Bonuses and other performance payments €'000	LTI share-based payment €'000	Other €'000	Total €'000	Proportion fixed/ total remuneration
2020								
Executive directors								
Tomasz Trzósło**	278	–	57	300	–	800	1435	23%
Hadley Dean*	483	–	38	250	288	250	1309	40%
Jacek Bagiński	343	–	71	281	162	–	857	48%
Non-executive directors								
Robert Weisz	–	92	–	–	–	–	92	100%
Marc Wainer***	–	21	–	–	–	–	21	100%
Marek Belka	–	64	–	–	–	–	64	100%
Taco de Groot	–	77	–	–	–	–	77	100%
Maciej Dyjas	–	55	–	–	–	–	55	100%
Pieter Prinsloo	–	83	–	–	–	–	83	100%
Dionne Ellerine	–	73	–	–	–	–	73	100%
Andrea Steer*	–	36	–	–	–	–	36	100%
James Templeton	–	55	–	–	–	–	55	100%
Andrew König**		23					23	100%
Total	1 104	579	166	831	450	1 050	4 180	

** Until 25 June 2020.* *** From 25 June 2020.* **** Until 20 April 2020.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2020

12. BOARD OF MANAGEMENT (CONTINUED)

	Fixed remuneration			Variable remuneration				
	Basic salaries €'000	Directors' fees €'000	Other (car lease, medical insurance, apartment rent, pension) €'000	STI – Bonuses and other performance payments €'000	LTI share-based payment €'000	Other €'000	Total €'000	Proportion fixed/ total remuneration
2019								
Executive directors								
Hadley Dean	500	–	40	459	926	–	1 925	28%
Jacek Bagiński	300	–	21	290	521	–	1 132	28%
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		3 791	

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

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.

12. BOARD OF MANAGEMENT (CONTINUED)

	Number outstanding shares granted but not yet transferred at 31 December 2019	Number granted in 2020*	Number transferred	Adjustment	Number outstanding shares granted but not yet transferred at 31 December 2020**	Fair value of transferred shares per share
Director						
Tomasz Trzósło	–	**213 333**	–	–	**213 333**	**€0.37**
Jacek Bagiński	450 000	**180 000**	**(450 000)**	–	**180 000**	**€0.37**
Hadley Dean	800 000	**320 000**	**(800 000)**	–	**320 000**	**€0.37**

* *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 3 520 000 for Hadley Dean, 4 230 000 for Jacek Bagiński and 4 213 333 for Tomasz Trzósło.*

Reference is also made to note 14 and 29 of the consolidated financial statements.

SUBSEQUENT EVENTS

For more information on the events after the reporting period, please be referred to note 34 to the consolidated financial statements.

Signatures of Members of Board of Directors:

Tomasz Trzósło
Chief executive officer

Jacek Bagiński
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marek Belka
Independent 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

Andrew König
Non-executive director

Taco de Groot
Independent non-executive director

Amsterdam, 8 March 2021

07

OTHER INFORMATION


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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 2020 INCLUDED IN THE INTEGRATED REPORT

Our opinion

We have audited the financial statements 2020 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 2020, and of its result and its cash flows for 2020 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 2020, and of its result for 2020 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 2020
- The following statements for 2020: the consolidated statements of profit or loss, comprehensive income, changes in equity and 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 2020
- The company statement of profit or loss for 2020
- 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.

OUR AUDIT APPROACH

Our understanding of the business

EPP N.V. is a real estate company that owns a portfolio of prime retail and office assets in Poland. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to 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.

During our audit we were forced to perform our procedures to a greater extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€8 950 000 (2019: €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 best reflects the investor's interest in the investment entity.

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 audit and risk committee that misstatements in excess of €447 500, 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.

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 have used the work of Ernst & Young Audyt Polska SP Z O O (hereinafter: EY Poland) as (only) component auditor regarding the audit of the consolidated financial statements of EPP N.V. for group entities as included in note 30 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 the component auditor, 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.

Because of the (international) travel restrictions and social distancing due to the COVID-19 pandemic, we have been unable to visit the board of directors and the component auditor in Poland to discuss, among others, the business activities and the identified significant risks or to review and evaluate relevant parts of the component auditor's audit documentation and to discuss significant matters arising from that evaluation on site. In these extraordinary circumstances we predominantly used communication technology and written information exchange. We intensified communication with the component team through periodic online meetings and calls, requiring more granular reporting and we had direct access to audit file of EY Poland using the EY electronic audit file platform in order to obtain sufficient and appropriate audit evidence.

The scope to significant group entities represents 99% of the group's total assets and 99% 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.

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

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the real estate industry. We included team members with specialized knowledge in the areas of IT audit, forensics and income tax and have made use of our own experts in the areas of valuations of real estate and share based payments.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including legal, compliance and human resources) and the non-executive directors, including the audit and risk committee. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists, taking into account EPP N.V.'s activities in the real estate industry.

In our process of identifying fraud risks, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, management overrides and workarounds becoming the norm and manual invoicing and manual payments.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates regarding the fair value of investment properties (refer to Key Audit Matter investment property) as disclosed in note 4 and 5 of the financial statements. We have also used data analytics to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, inspection of compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of the board of directors' use of the going concern basis of accounting. The board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. Reference is made to section 'Going concern' under Note 1 Basis of preparation. We discussed and evaluated the assessment with the board of directors exercising professional judgment and maintaining professional scepticism. We specifically focused on the process followed by the board of directors to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's operations and the impact of COVID-19 on the forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due.

Furthermore, we reviewed the prospective financial information and underlying assumptions regarding COVID-19 and the financing structure including applicable covenants, involving EY team members with specialized knowledge.

We consider 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.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- 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

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 audit and risk committee. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter regarding revenue recognition and the incorporation of the impact of COVID-19 in the key audit matter regarding the fair value of investment properties are new in 2020 as these consist of new events. In prior year we identified key audit matters which are not applicable this year, which were related to the transaction of Henderson Park and the revised remuneration policy and report.

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.

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

Fair value investment property

	Note 4 – Investment in joint ventures and Note 5 – Investment property
Risk	The investment properties of EPP N.V. comprise of income generating assets in Poland. The total investment property as of 31 December 2020 amounts to €2.1 billion (2019: €2.3 billion) representing 86% (2019: 89%) of total assets. The portfolio consists of both retail properties and office properties. Furthermore, the total net asset value of investments in joint ventures amounts to €163 million as per 31 December 2020 (2019: €171 million), which is significantly impacted by the fair value of the investment properties held by the joint ventures. Total fair value of the investment properties in joint ventures amounts to €727 million as per 31 December 2020 (2019: €791 million). The fair value of investment property is determined by a management external valuation specialist using a discounted cash flow ("**DCF**") method . The DCF method involves projection of future cash flows from the properties and estimates of the appropriate market derived discount rate for these cash flows. The exit yield is normally separately determined and differs from the discount rate. 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. Periodic cash flows are typically, projected based on estimated 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. We have identified the valuation of investment property to be a key audit matter as the assumptions used in these valuations are inherently judgmental and in the current year significant consideration was applied by the audit team to assess the extent and appropriateness of the impact of the COVID-19 pandemic and resultant lockdown, on the judgement applied by management regarding the assumptions above into their valuations. This necessitated discussion with management and the support from EY valuation specialists.
Our audit approach	Our audit procedures included, among others, the following: ▪ Obtaining an understanding and evaluating the design and implementation of the controls related to the internal process for determining the fair value of investment properties, including enquiries of management as to any changes in the processes or additionally implemented controls in light of the COVID-19 pandemic; ▪ Agreeing the fair value of all investment properties in the portfolio to the management external valuation specialist's valuation and inspected that the specific assumptions used in the valuation took into account the effects of the COVID-19 pandemic; ▪ Determining that the management external valuation specialist is Royal Institution of Chartered Surveyors ("**RICS**") certified, Johannesburg Securities Exchange approved and independent of EPP; ▪ Involving EY valuation specialists, based on their specific experience and knowledge in the local markets to assist with the audit team with the valuation of a sample of investment properties which include an assessment of the assumptions applied by management, especially given the impact of the COVID-19 pandemic and resultant lockdown on the market related assumptions; ▪ Obtaining information about the real estate projects (rent-rolls, vacancy, weighted average unexpired lease terms, aging of agreements capitalisation rate, market-derived discount rate) and assessing the validity and accuracy of the information by, and where possible, testing it to available independent market data; ▪ Assessing the input parameters used by the management external valuation specialist against the inputs obtained in the procedure above to assess the reasonability of management's valuations; ▪ In performing this assessment, we applied a wider range of sensitivities to account for the uncertainty arising from the current state of the economy as a result of the COVID-19 pandemic; and ▪ Evaluating the disclosures included in the consolidated financial statements against the requirements of IAS 1: *Presentation of Financial Statements*, IAS 40: *Investment Property* and IFRS 13: *Fair Value Measurement* and agreeing the amounts to the accounting records.
Key observations	We consider management's estimates and key assumptions, including the impact of the COVID-19 pandemic, underlying the valuation of investment properties used to be within an acceptable range and we evaluated the disclosures as being appropriate.

Revenue recognition – notes 3 Summary of significant accounting policies and 18 Revenue recognition	
Risk	Rental income (hereinafter "revenue") of EPP N.V. arises from operating lease on investment property as income generating assets in Poland. The revenue earned for the period ending 31 December 2020 amounts to €133.8 million (2019: €163.6 million). During the current financial year there was a significant impact from the COVID-19 pandemic and resulting lockdowns on revenue recognition. The lockdowns combined with related legislation resulted in modifications of lease contracts. Under IFRS 16: *Leases*, EPP N.V. accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. EPP N.V. recognise lease payments from the modified operating leases as income on a straight-line basis. EPP N.V. did not recognise rental income for periods for which rent concessions were granted to the lessees. EPP N.V. offered discounts and/or deferrals to tenants with the aim of extending lease periods and increasing long-term rentals securing future cash flows. These negotiations impacted the timing and the value of revenue recognised during the current period. This required extensive audit work in the current year to assess the appropriateness of the accounting treatment of these lease modifications in respect of IFRS 16: *Leases* and IFRS 9: *Financial Instruments*. As such we have identified revenue recognition to be a key audit matter.
Our audit approach	Our audit procedures included, among others, the following: ▪ Obtaining an understanding and evaluating the design and implementation of controls of the rental income processes as well as the internal control environment through discussions with management taking into account the changes as a result of COVID-19 and the resulting lockdowns; ▪ Reconciling revenue amounts presented in the income statement to the assets' rent-rolls and rent-rolls which were provided to the management external valuation specialist taking into account the lease negotiations; ▪ Performing analytical procedures to verify if the amounts presented in rent-rolls were within the expected market values range for particular projects (taking into account their locations and specifications); ▪ Performing verification procedures on a selected sample of revenues deriving from rent-rolls to the underlying lease agreements; ▪ Inspected whether the rent-free period and other tenant lease incentives are recognised in accordance with appropriate accounting principles for a sample of lease agreements; ▪ We performed a review of the accounting position paper on the accounting consequences of COVID-19 (Lease modifications and accounting treatment applied) prepared by management and assessed this against the requirements of IFRS 16: *Leases*; ▪ Evaluating, for a sample of lease agreements, the accounting impact of the in terms of IFRS 16: *Leases* and agreed the adjustments required to the accounting records; and ▪ Evaluating the disclosures included in the consolidated financial statements in terms of IFRS 16: *Leases* and IFRS 9: *Financial Instruments*.
Key observations	We assessed that revenue is correctly recognised, including the appropriateness of the accounting treatment of the lease modifications, and we evaluated the disclosures 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:

- About this report, 2020 highlights and Chairman's report
- Directors' Report; consisting of:
  - EPP in a snapshot
  - Our business and how we create value
  - Our operating environment
  - Performance
  - Accountability
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Section 13 disclosures and Shareholder information

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

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 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 and the audit and risk committee 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 audit and risk committee 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. The *Our audit approach* section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the audit and risk committee 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 audit and risk committee 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 audit and risk committee, 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, 9 March 2021

Ernst & Young Accountants LLP
Signed by JHA 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 96 to 152, which comprise the consolidated statement of financial position as at 31 December 2020, and 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 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 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (“**IRBA Code**”) 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 in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Fair value investment property</td></tr>
<tr><td>
Note 4 – Investment in joint ventures and Note 5 – Investment property
The investment properties of EPP N.V. comprise of income generating assets in Poland. The total investment property as of 31 December 2020 amounts to €2.1 billion (2019: €2.3 billion) representing 86% (2019: 89%) of total assets. The portfolio consists of both retail properties and office properties.
Furthermore, the total net asset value of investments in joint ventures amounts to €163 million as per 31 December 2020 (2019: €171 million), which is significantly impacted by the fair value of the investment properties held by the joint ventures. Total fair value of the investment properties in joint ventures amounts to €727 million as per 31 December 2020 (2019: €791 million).
The fair value of investment property is determined by a management external valuation specialist using a discounted cash flow (“DCF”) method. The DCF method involves projection of future cash flows from the properties and estimates of the appropriate market derived discount rate for these cash flows. The exit yield is normally separately determined and differs from the discount rate.
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. Periodic cash flows are typically projected based on estimated 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.
We have identified the valuation of investment property to be a key audit matter as the assumptions used in these valuations are inherently judgmental and in the current year significant consideration was applied by the audit team to assess the extent and appropriateness of the impact of the Covid-19 pandemic and resultant lockdown, on the judgement applied by management regarding the assumptions above into their valuations. This necessitated discussion with management and the support from EY valuation specialists.
</td><td>
Our audit procedures included, among others, the following:

Obtained an understanding and evaluated the design and implementation of the controls related to the internal process for determining the fair value of investment properties, including enquiries of management as to any changes in the processes or additionally implemented controls in light of the Covid-19 pandemic;
Agreed the fair value of all investment properties in the portfolio to the management external valuation specialist’s valuation and inspected that the specific assumptions used in the valuation took into account the effects of the Covid-19 pandemic;
Determined that the management external valuation specialist is Royal Institution of Chartered Surveyors (“RICS”) certified, Johannesburg Stock Exchange approved and independent of EPP;
Involved EY valuation specialists, based on their specific experience and knowledge in the local markets to assist with the audit team with the valuation of a sample of investment properties which include an assessment of the assumptions applied by management, especially given the impact of the Covid-19 pandemic and resultant lockdowns on the market related assumptions;.
Performed procedures to determine that the specialists involved (EY and management specialists) have sufficient knowledge, qualifications and experiences to perform the valuations;
Obtained information about the real estate projects (rent-rolls, vacancy, weighted average unexpired lease terms, aging of agreements capitalisation rate, market-derived discount rate) and we assessed the validity and accuracy of the information by, and where possible, testing it to available independent market data;
Assessed the input parameters used by the management external valuation specialist against the inputs obtained in the procedure above to assess the reasonability of management’s valuations;
In performing this assessment, we applied a wider range of sensitivities to account for the uncertainty arising from the current state of the economy as a result of the Covid-19 pandemic; and
Evaluated the disclosures included in the consolidated financial statements against the requirements of IAS 1: Presentation of Financial Statements, IAS 40: Investment Property and IFRS 13: Fair Value Measurement and agreed the amounts to the accounting records.

</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG INC. (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition	
Note 3 – Summary of significant accounting policies and Note 18 – Revenue recognition Rental income (hereinafter "revenue") of EPP N.V. arise from operating leases on investment property as income generating assets in Poland. The revenue earned for the period ending 31 December 2020 amounts to €133.8 million (2019: €163.6 million). During the current financial year there was a significant impact from the Covid-19 pandemic and resultant lockdowns on revenue recognition. The lockdowns combined with related legislation resulted in modifications of lease contracts. Under IFRS 16: *Leases*, EPP N.V. accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. EPP N.V. recognise lease payments from the modified operating leases as income on a straight-line basis. EPP N.V. did not recognise rental income for periods for which rent concessions were granted to the lessees. EPP N.V. offered discounts and/or deferrals to tenants with the aim of extending lease periods and increasing long-term rentals securing future cash flows. These negotiations impacted the timing and the value of revenue recognized during the current period. This required extensive audit work in the current year to assess the appropriateness of the accounting treatment of these lease modifications in respect of IFRS 16: *Leases* and IFRS 9: *Financial Instruments*. As such we have identified revenue recognition to be a key audit matter.	Our audit procedures included, among others, the following: ▪ Obtained an understanding and evaluated the design and implementation of controls of the rental income processes as well as the internal control environment through discussions with management and walkthroughs taking into account the changes as a result of Covid-19 and the resultant lock-downs; ▪ Reconciled revenue amounts presented in the income statement to the assets' rent-rolls and rent-rolls which were provided to the management external valuation specialist taking into account the lease negotiations; ▪ Performed analytical procedures to verify if the amounts presented in rent-rolls were within the expected market values range for particular projects (taking into account their locations and specifications); ▪ Performed verification procedures on a selected sample of revenues deriving from rent-rolls to the underlying lease agreements; ▪ Inspected whether the rent-free period and other tenant incentives are recognised in accordance with appropriate accounting principles for a sample of lease agreements; ▪ Performed a review of the accounting position paper on the accounting consequences of Covid-19 (Lease modifications and accounting treatment applied) prepared by management and assessed this against the requirements of IFRS 16: *Leases*. ▪ Evaluated for a sample of lease agreements, the accounting impact of the lease in terms of IFRS 16: *Leases* and agreed the adjustments required to the accounting records. ▪ Evaluated the disclosures included in the consolidated financial statements in terms of IFRS 16: *Leases* and IFRS 9: *Financial Instruments*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 200-page document titled "Integrated Report 2020". The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT ERNST & YOUNG INC. (CONTINUED)

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 five years.

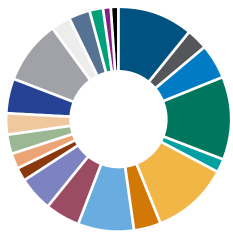
Ernst & Young Inc.

Ernst & Young Inc.
Director – Rohan Mahendra Adhar Baboolal
Registered Auditor
9 March 2021
102 Rivonia Road
Sandton

SECTION 13 DISCLOSURES

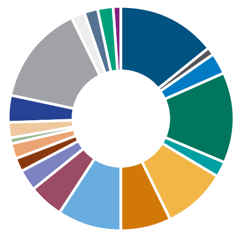
GEOGRAPHICAL PROFILE BY RENTABLE AREA AND REVENUE

SPLIT BY % GLA



Warsaw	11%	Zamość	2%
Częstochowa	3%	Bytom	3%
Łódź	5%	Radom	3%
Kraków	12%	Kalisz	5%
Włocławek	2%	Szczecin	9%
Poznań	11%	Jelenia Góra	3%
Wrocław	4%	Bełchatów	3%
Kielce	8%	Kłodzko	2%
Czeladź	5%	Łomża	1%
Zabrze	5%	Przemyśl	1%
Inowrocław	2%		

SPLIT BY % RENTAL

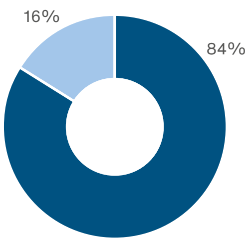


Warsaw	14%	Zamość	2%
Częstochowa	1%	Bytom	1%
Łódź	3%	Radom	2%
Kraków	13%	Kalisz	4%
Włocławek	2%	Szczecin	14%
Poznań	9%	Jelenia Góra	2%
Wrocław	7%	Bełchatów	2%
Kielce	9%	Kłodzko	2%
Czeladź	5%	Łomża	1%
Zabrze	3%	Przemyśl	0%
Inowrocław	2%		

SECTORAL PROFILE BY RENTABLE AREA AND REVENUE

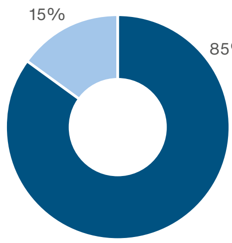
Sector	Rentable area	Rental income
Retail	84%	85%
Office	16%	15%
Total	**100%**	**100%**

RENTABLE AREA



Retail Office

RENTAL INCOME



Retail Office

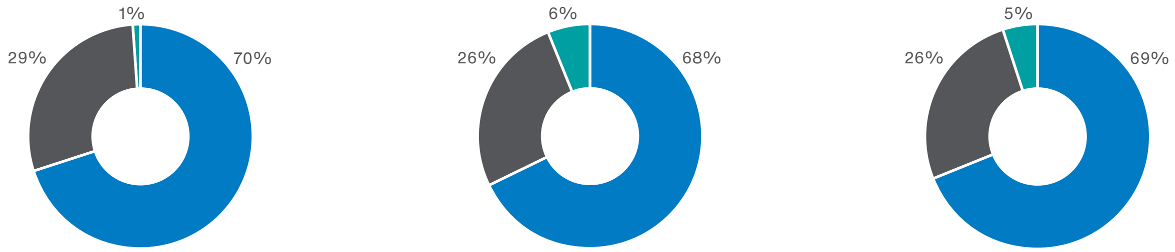
Assumption 100% ownership

SECTION 13 DISCLOSURES (CONTINUED)

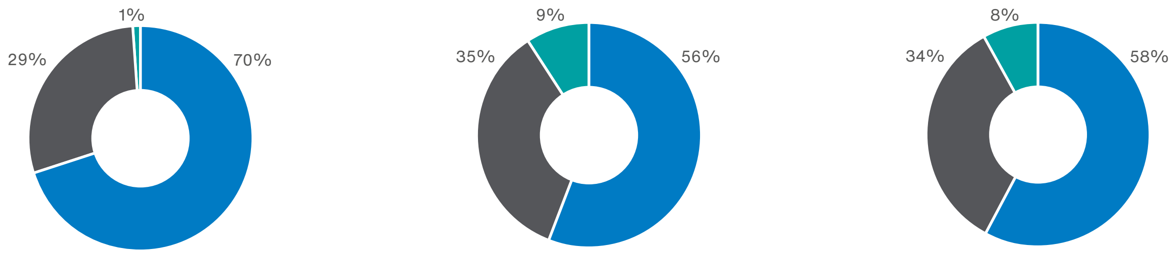
TENANT PROFILE BASED ON EXISTING LEASES BY TENANT GRADING

OFFICE	RETAIL	TOTAL

Rentable area (m²)



Rental income (€)



- **A:** Large national, large listed tenants, government, major franchises.
- **B:** National tenants, listed tenants, franchisees, medium to large professional firms
- **C:** Smaller, national tenants (Retail: 431; Office: 12)

VACANCY PROFILE BY SECTOR AND RENTABLE AREA

Sector	Rentable area (m²) – vacant	% of total rentable area
Retail*	25 478	2.8%
Office	6 231	3.7%
Total	**31 709**	**3.0%**

** Including M1 portfolio.*

LEASE EXPIRY PROFILE BY REVENUE AND RENTABLE AREA BY SECTOR

	2021	2022	2023	2024	2025	2026	2027	>2027
RETAIL								
Lease expiry profile								
GLA	3%	6%	7%	46%	11%	7%	6%	13%
Rent	3%	7%	8%	40%	15%	9%	5%	12%
OFFICE								
Lease expiry profile								
GLA	21%	13%	15%	14%	13%	6%	8%	11%
Rent	22%	14%	14%	16%	15%	6%	6%	8%

WEIGHTED AVERAGE RENTAL PER m² BY RENTABLE AREA PER SECTOR

Sector	Weighted average rental/m² (€)
Retail	13.7
Office	13.3

WEIGHTED AVERAGE RENTAL ESCALATION PROFILE BY RENTABLE AREA AND BY SECTOR

Sector	2019
Retail	1.5%
Office	1.3%

AVERAGE ANNUALISED PROPERTY YIELD

2020: 6.91% (2019: 6.45%).

SECTION 13 DISCLOSURES (CONTINUED)

RETAIL

Asset name	Location	Fair value at 31 December (€'m)	Rentable area (m^2)	Weighted average rental per m^2 for rentable area
Galeria Młociny	Warsaw	393.7	80 755	19.0
Galaxy	Szczecin	264.4	56 306	23.5
Pasaż Grunwaldzki	Wrocław	236.5	48 111	21.6
Galeria Echo	Kielce	215.8	71 932	14.2
M1 – Czeladź	Czeladź	118.0	50 036	12.6
M1 – Kraków	Kraków	121.9	48 631	13.6
King Cross Marcelin	Poznań	95.6	45 395	12.9
Outlet Park	Szczecin	92.7	28 022	16.3
Galeria Amber	Kalisz	86.8	33 546	14.0
M1 – Poznań	Poznań	76.8	44 474	10.9
M1 – Zabrze	Zabrze	76.5	49 149	9.1
Galeria Sudecka	Jelenia Góra	56.8	30 266	11.0
M1 – Radom	Radom	50.7	36 128	9.3
Galeria Solna	Inowrocław	56.9	23 524	13.8
Zakopianka	Kraków	56.9	26 188	17.5
Galeria Olimpia	Bełchatów	51.3	32 695	10.9
Twierdza Zamość	Zamość	49.5	23 806	14.0
Twierdza Kłodzko	Kłodzko	51.5	23 038	12.2
Wzorcownia	Włocławek	49.5	25 409	14.5
M1 – Częstochowa	Częstochowa	49.3	29 900	9.6
Galeria Veneda	Łomża	35.7	15 026	21.2
M1 – Łódź	Łódź	37.1	36 526	6.8
M1 – Bytom	Bytom	25.8	27 277	6.1
Galeria Tęcza	Kalisz	16.9	15 857	9.9
Echo Przemyśl	Przemyśl	4.4	5 759	5.5
Total		**2 371.0**	**907 756**	**13.7**

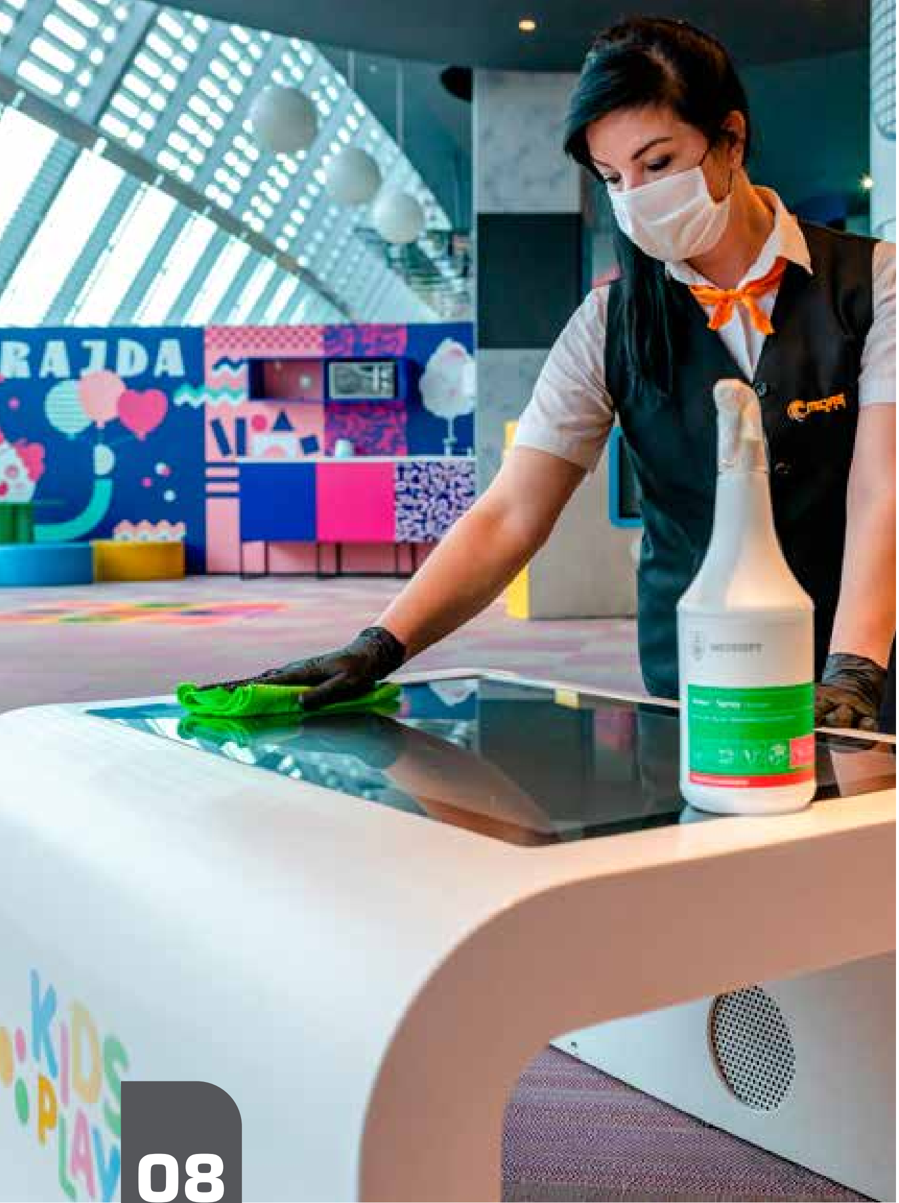
Fair values reflect 100% of the value of the property.

OFFICE

Asset name	Location	Fair value at 31 December (€'m)	Rentable area (m^2)	Weighted average rental per m^2 for rentable area
Park Rozwoju	Warsaw	69.1	34 231	13.3
O3 III	Kraków	43.0	18 961	13.6
Oxygen	Szczecin	26.1	13 926	14.2
Malta Park	Poznań	59.0	28 330	13.4
O3 I&II	Kraków	87.2	37 879	13.7
Astra Park	Kielce	24.9	14 269	10.6
Symetris I&II	Łódź	39.2	19 260	13.3
Total		**348.5**	**166 855**	**13.3**

DEVELOPMENTS

Asset name	Location	Fair value at 31 December 2020 (€'m)	Rentable area (m^2)
Towarowa 22	Warsaw	105	210 000
Total developments		**105**	**210 000**



08

SHAREHOLDER INFORMATION

EPP employees are well trained and familiar with all COVID-19 safety procedures. Our malls follow strict sanitary standards with frequently touched surfaces disinfected every hour and messages to customers repeated several times a day, making them one of the safest public places in Poland.

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 December 2020

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	1 223	23.26%	508 510	0.06%
1 001 – 10 000	2 892	55.00%	11 089 054	1.22%
10 001 – 100 000	851	16.18%	25 401 155	2.80%
100 001 – 1 000 000	220	4.18%	72 460 746	7.98%
Over 1 000 000	72	1.37%	798 487 327	87.94%
Total	5 258	100.00%	907 946 792	100.00%
Distribution of shareholders				
Assurance companies	25	0.48%	7 491 318	0.83%
BEE entities	2	0.04%	4 663	–
Close corporations	49	0.93%	851 528	0.09%
Collective investment schemes	202	3.84%	117 948 758	12.99%
Control accounts	3	0.06%	14	–
Custodians	22	0.42%	18 089 811	1.99%
Foundations and charitable funds	60	1.14%	2 518 972	0.28%
Hedge funds	3	0.06%	136 300	0.02%
Insurance companies	1	0.02%	9 116	–
Investment partnerships	23	0.44%	504 984	0.06%
Managed funds	22	0.42%	9 709 132	1.07%
Medical aid funds	13	0.25%	2 017 622	0.22%
Organs of state	6	0.11%	60 991 363	6.72%
Private companies	180	3.42%	120 902 769	13.32%
Public companies	10	0.19%	436 512 364	48.08%
Retail shareholders	3 841	73.05%	22 729 588	2.50%
Retirement benefit funds	184	3.50%	54 140 296	5.96%
Scrip lending	9	0.17%	12 210 270	1.34%
Sovereign funds	2	0.04%	19 569 154	2.16%
Stockbrokers and nominees	16	0.30%	2 107 835	0.23%
Trusts	585	11.13%	19 500 935	2.15%
Total	5 258	100.00%	907 946 792	100.00%

* *Pursuant to the provisions of section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.*

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders	5	0.10%	374 208 769	41.21%
Directors and associates (direct and indirect)	4	0.08%	5 839 984	0.64%
Redefine Properties Ltd (holders >10%)	1	0.02%	368 368 785	40.57%
Public shareholders	5 253	99.90%	533 738 023	58.79%
Total	5 258	100.00%	907 946 792	100.00%
Fund managers with a holding greater than 3% of the issued shares				
Public Investment Corporation			55 273 154	6.09%
Sesfikile Capital			36 493 808	4.02%
Total			91 766 962	10.11%
Beneficial shareholders with a holding greater than 3% of the issued shares				
Redefine Properties Ltd			412 568 785	45.44%
Tensai Property Services (Pty) Ltd			74 036 626	8.15%
Government Employees Pension Fund			53 434 024	5.89%
Total			540 039 435	59.48%
Total number of shareholdings	5 258			
Total number of shares in issue	907 946 792			

SHARE PRICE PERFORMANCE

Opening price 2 January 2020	**R17.05**
Closing price 31 December 2020	**R10.35**
Closing high for period	**R17.63**
Closing low for period	**R4.63**
Number of shares in issue	**907 946 792**
Volume traded during period	**170 073 223**
Ratio of volume traded to shares issued (%)	**18.73%**
Rand value traded during the period	**R1 471 040 535**
Price/earnings ratio as at 31 December 2020	**5.44**
Earnings yield as at 31 December 2020 (%)	**18.372**
Dividend yield as at 31 December 2020 (%)	**–**
Market capitalisation at 31 December 2020	**R9 397 249 297**

SHAREHOLDERS' DIARY

Financial year-end	31 December
Preliminary annual results announcement	10 March 2021
Annual report published	10 March 2021

DISTRIBUTION DETAILS

	2020 (€ cents per share)	2019 (€ cents per share)
Six months ended		
30 June	–	5.80
31 December	–	5.82
12 months ended		
31 December	–	11.62

DEFINITIONS

Board	The board of directors of EPP N.V.
CEE	Central Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Chariot Group	Chariot Top Group B.V.
COVID-19/the pandemic	Coronavirus disease
CSI	Corporate social investment
CSR	Corporate social responsibility
DEPS	Distributable earnings per share
Dutch Code	The Dutch corporate governance code
EBITDA	Earnings before interest, tax, depreciation and amortisation
Echo Investment	Echo Investment S.A.
EPP or the company	EPP N.V.
EPS	Earnings per share
ESG	Environment social and governance
GLA	Gross lettable area
Griffin Real Estate	Griffin Real Estate sp. z o.o., a strategic investor in Echo Investment
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board
IASB	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
LTI	Long-term incentive programme/scheme
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

DEFINITIONS (CONTINUED)

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
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 (i.e. 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
SENS	Securities Exchange News Service of the JSE
STI	Short-term incentive programme/scheme
The year	The year ended 31 December 2020
The previous year	The year ended 31 December 2019
WALT	Weighted average lease term

DIRECTORS' CVs

for the year ended 31 December 2020

EXECUTIVE

Tomasz Trzósło (45)
CEO ✚

Appointed: 25 June 2020 (term expires 2023)
Masters Financial Accountancy and Economics (Cracow University of Economics) additional qualifications in valuation, investment appraisal, property finance and portfolio management.

Tomasz joined EPP from Jones Lang LaSalle ("JLL") where he served as the managing director for Poland and Central Europe. He has held various other senior leadership positions in JLL and participated in numerous capital markets transactions including real estate sales, acquisitions and equity raising projects.

He is an experienced property sector leader with a proven track record, which spans over two decades in Central European real estate markets. For the last seven years he managed JLL's operations in Poland and wider Central Europe, with responsibility for all JLL activities including capital markets, leasing, valuations, property management, project management, and design and build services.

Skills brought to EPP

Commercial property investment, property finance and valuation, strategy.

Jacek Bagiński (51)
CFO

Appointed: 19 May 2017 (term expires 2023)
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 has previously served as board member and CFO for various 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 CFO 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.

DIRECTORS' CVs (CONTINUED)

INDEPENDENT NON-EXECUTIVE

Robert Weisz (71) 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.

Dionne Ellerine (54)
South African ● ■

Appointed: 1 June 2016 (term expires 2022)
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 (69)
Polish ■

Appointed: 12 August 2016 (term expires 2022)
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, leadership, economics, strategy, finance, board experience.

James Templeton (47)
South African ✚ ●

Appointment: 11 June 2019 (term expires 2022)
BCom (Honours) (University of KwaZulu-Natal), CFA

James serves as the CEO 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 CEO 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.

Taco de Groot (57)
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 CEO/chairman of the board of Vastned Retail N.V., a listed investment fund (NYSE, Euronext and Amsterdam AMX) with assets in the Netherlands, Belgium, France and Spain. He introduced and implemented to the company a new strategy attracting large institutional investors. Earlier, Taco was a founding partner and 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, leadership, 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

DIRECTORS' CVs (CONTINUED)

NON-EXECUTIVE

Andrew König (52)
South African

Appointed: 25 June 2020 (term expires 2023)
BCom, BAcc, CA(SA)

Andrew is a qualified Chartered Accountant with more than 25 years of commercial and financial experience, Andrew was previously the group financial director of Independent News and Media. He is the CEO of Redefine Properties Limited responsible for all aspects of regulatory compliance, corporate activity and communications, and for ensuring the board's strategy is implemented.

Skills brought to EPP

Board experience, commercial property investment, strategy, finance, advisory, communication.

Maciej Dyjas (58)
German

Appointed: 1 June 2016 (term expires 2023)
Mathematics, IT and Management (University of Warsaw) (University of Stuttgart)

Maciej is a co-managing partner and co-CEO 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 CEO of Eastbridge group, a Luxembourg-based private investment fund that manages over €1.5 billion in assets related to retail, consumer goods and real estate.

Skills brought to EPP

Property investment, management, strategy, board experience.

Pieter Prinsloo (55)
South African ✱ ■

Appointment: 11 June 2019 (term expires 2022)
BSc Quantity Surveyor cum laude (University of Pretoria)

Pieter serves as CEO of Redefine Europe B.V., a subsidiary of Redefine Properties Ltd. Previously Pieter held the position of CEO 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

NOTES

NOTES

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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(Master of Laws)
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Poland

LUXSE LISTING AGENT
Harney Westwood & Riegels SARL
56, rue Charles Martel
Luxembourg
L-2134

JSE SPONSOR
Java Capital Trustees and Sponsors Proprietary Limited
Registration number: 2006/005780/07
6th Floor, 1 Park Lane, Wierda Valley
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South Africa

DUTCH STATUTORY AUDITORS
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Sandton
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LEGAL ADVISOR AS TO SOUTH AFRICAN LAW
Cliffe Dekker Hofmeyr Inc.
Registration number: 2008/018923/21
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Cape Town, 8001
(PO Box 695, Cape Town, 8000)
South Africa

BANKERS
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Registration number: 30046259 0000
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3521 CB Utrecht
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SOUTH AFRICAN TRANSFER SECRETARIES
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