SHAPING THE FACE OF RETAIL IN POLAND

INTEGRATED REPORT 2018

INVESTMENT CASE

Poland: growth engine of Europe

Leading retail landlord

Predictable cash flows

Platform for organic growth

Secured pipeline

Active balance sheet management

Diversified tenant base geared towards growth

EPP N.V.
(formerly Echo Polska Properties N.V.)
(Incorporated in The Netherlands)
(Company number 64965945)
JSE share code: EPP
ISIN: NL0011983374
LEI code: 7245003P7O9N5BN8C098
Common code: 148164843
("EPP" or "the company")
Date listed on LuxSE: 30 August 2016
Date listed on JSE: 13 September 2016 (Real Estate and Development Sector)
Closing price on the JSE at 31 December 2018: R18.75

CONTENTS

Sections 01 to 06 constitute a director's report as mentioned by part 9 of the Dutch Civil Code.

ABOUT THIS REPORT

EPP is a real estate investment company that follows the REIT formula regarding investment strategy and dividend policy, investing in retail properties throughout Poland.

At year-end the portfolio included 19 retail properties, six offices and two retail development sites in Warsaw. The buildings are located in major and regional cities across Poland, characterised by their strong economy and purchasing power and ability to attract international investment. The company has a primary listing on both the Euro MTF market of the Luxembourg Stock Exchange and the Main Board of the JSE (Real Estate and Development Sector).

This is EPP's third integrated report and presents the financial results and the ESG performance of the group for the year ended 31 December 2018 and follows our report for the previous year published in April 2018. The content encompasses all divisions and subsidiaries of the company across all regions of operation in Poland.

EPP was registered and incorporated in the Netherlands as a private limited liability company under Dutch law *(besloten vennootschap met beperkte aansprakelijkheid)* on 4 January 2016 and converted to a public company under Dutch law *(naamloze vennootschap)* on 12 August 2016. The official seat *(statutaire zetel)* of the company is Amsterdam, the Netherlands, and the registered office address and postal address of the company are set out on the inside back cover. All operations and owned assets are located in Poland.

Where applicable, the definitions appearing on pages 191 to 192 apply throughout the report.

REPORTING APPROACH

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

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 92 to 167.)

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

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

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

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

ASSURANCE

To comply with the Dutch Law and the JSE Listings Requirements, the company's financial statements (comprising the consolidated financial statements and the standalone financial statements) were audited by a Dutch independent auditor – Ernst & Young Accountants LLP and by the South African independent auditor – Ernst & Young Inc. Their unqualified audit reports are set out on pages 170 to 184. The scope of their audit is limited to the information set out in the annual financial statements on pages 92 to 167.

FORWARD-LOOKING STATEMENTS

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 December 2018. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation. The group's external auditors and/or assurance providers have not assured these statements.

CORPORATE INFORMATION

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

RESPONSIBILITY STATEMENT AND REVIEW

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

The directors are responsible for the preparation and fair presentation of the group annual financial statements of EPP N.V. comprising the consolidated and standalone statement of financial position at 31 December 2018, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 1 January 2018 to 31 December 2018 and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), IFRS as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and the JSE Listings Requirements and the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code (including the broad outline of the corporate governance of the company and compliance with the Dutch Corporate Governance Code).

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

Hadley Dean
Chief executive officer

Jacek Bagiński
Chief financial officer

Peter Driessen
Chairman audit and risk committee

FEEDBACK

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

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

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LETTER FROM THE CHAIRMAN

We are proud to report on another phenomenal year for the company. We have solidified our position as a pure Polish property player focused on large-scale retail assets in booming regional cities across Poland.

ROBERT WEISZ
Chairman

Our success is bolstered by the performance of the Polish economy which continued to demonstrate enormous growth. With GDP growth in 2018 of 5.1% and consistently low unemployment, Poland continues to be an attractive investment destination. Poland is now the sixth largest economy in the EU and in September 2018 formally entered developed market status in the FTSE Russell index. Our strategy of having a retail presence in the major and regional cities across the country ties in seamlessly with the growth in these regions, driven by rising wages and increased consumer spend. This combination of a booming economy and more money in consumers' pockets translates into increased turnover and rents for EPP.

The year was marked by a number of acquisitions which were a further realisation of our strategy to become the leading retail property company in Poland. The largest of these was the M1 transaction, which represents a sizeable chunk of real estate. Tranche 1 has been fully concluded and we look forward to tranche 2 in 2019 where we will continue to integrate the new properties into the EPP systems.

At EPP we are constantly focusing on the ideal debt to equity mix with a particular focus on diversifying the sources of debt and equity.

The quality and capability of our management team is outstanding and in 2018 we continued to build up our expertise. This has been an ongoing development from the initial skills brought over at listing from Echo and Griffin, which has subsequently been extended and strengthened by new hires to create a dynamic team with high standards and solid expertise.

GOVERNANCE

We are committed to being a good corporate citizen and operating and building a sustainable business. Therefore we are cognisant of our impact on the environment at all times and are focused on energy efficiency at all our properties as well as striving to meet the principles of green buildings.

We also regard good corporate governance as imperative and ensure that stringent governance processes and policies are in place. We therefore adhere to a number of applicable governance codes including the Dutch Corporate Governance Code, King IV and Polish legislation in this regard.

Our board comprises a number of independent non-executive directors with broad experience as well as relevant property expertise and who are able to objectively assess all investment opportunities (see pages 18 to 19 for more detail).

LOOKING AHEAD

Apart from the large-scale Warsaw development which is set to complete in Q2 2019 and the acquisition of tranche 2 of the M1 transaction, the focus will be on consolidation. We are nearing €2.5 billion in asset value and will therefore focus on establishing an optimal asset base. By focusing on property asset management we will seek to generate income and improve existing shopping centres. This is not to say we would not consider any attractive opportunities that may arise.

APPRECIATION

EPP's great performance is thanks to a strong management team which actively improved the quality of the assets. My appreciation to Hadley and Jacek and their dynamic and motivated management team for this achievement and ensuring that we realise our strategy and continue evolving into a leading Polish retail property player. I also thank my fellow board members for their guidance and wise counsel during the year.

Robert Weisz
Chairman

6 March 2019

01

EPP **overview**

GALERIA SOLNA


GALERIA SOLNA
YVES ROCHER
gino rossi

FY18 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Distributable earnings of **€96 million**
- Distributable income per share **11.60 € cents** for full FY
- NAV €1.35 per share **up 2.4%**
- NOI up to **€143 million** (2017: €103 million)
- Successfully executed acquisitions of more than **€400 million**
- **LTV – 51.9%** (2017: 47.4%)
- Cost of debt **2.33%** – weighted maturity 3.9 years (2017: 2.14%; 3.9 years)

OPERATIONAL HIGHLIGHTS

- **>100 million** shoppers visited EPP centres in 2018
- **>45%** in international retailers in the portfolio
- **240 000 m²** retail GLA acquisitions added to EPP portfolio in 2018
- **Five** quality retail properties added to portfolio

RETAIL OPERATIONAL HIGHLIGHTS

- **684 000 m²** GLA (2017: 444 350 m²)
- Footfall growth• **1%** (2017: 4.6%)
- Tenant turnover growth LFL* **1%** (2017: 7.0%)
- Vacancy **0.4%** (2017: 1.41%)
- Rent-to-sales **10.3%**• (2017: 10.3%)
- Operational costs ratio **13.7%**• (2017: 13.5%)
- LFL* NRI growth **4.2%**
- WALT# by GLA **4.81 years** (2017: 5.30 years)
- Number of units **1 942** (2017: 1 428)

** LFL: Like-for-like.*
 # Weighted average lease term.
• Excludes M1.

GALAXY

GALERIA VENEDA

WHO WE ARE

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

The portfolio spans 19 retail properties, six offices and two retail development sites in Warsaw. By the end of 2020 EPP expects to own 28 shopping centres post the conclusion of tranches 2 and 3 of the M1 transaction.

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

€2.2 billion income generating portfolio

832 000 m^2 total GLA

198 employees

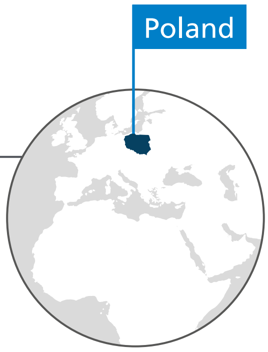
By 2020 set to own 28 retail centres within 30 minute drive of 40% of Poland's wealthiest population

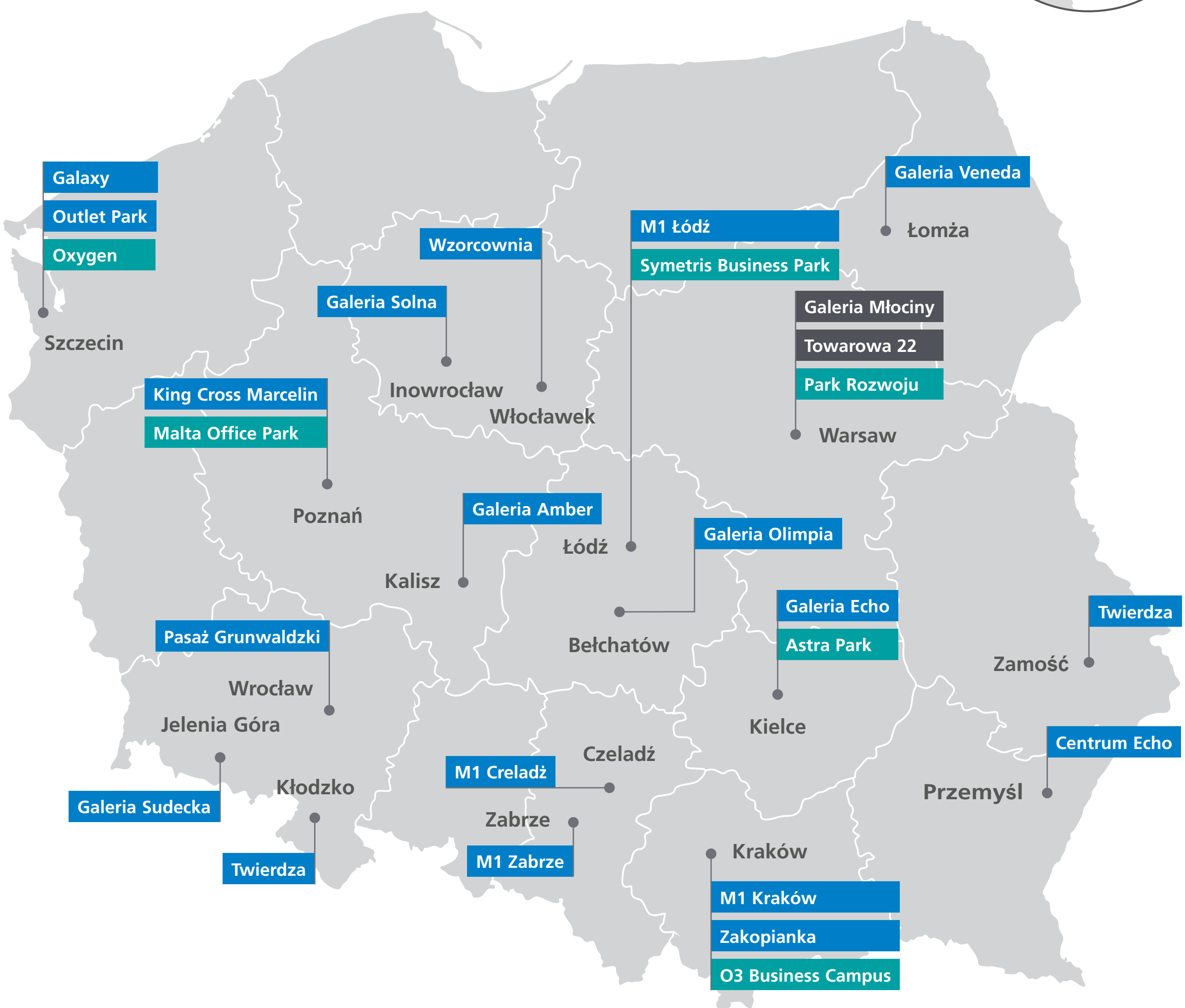
OUR MISSION

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

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

OUR FOOTPRINT





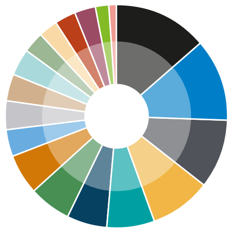
19
RETAIL PROPERTIES

6
OFFICES

2
RETAIL DEVELOPMENTS

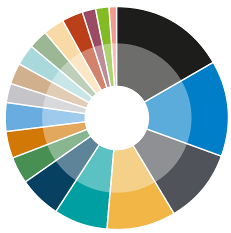
OUR FOOTPRINT (CONTINUED)

Rentable area



Kraków	14%	Wrocław	6%	Inowrocław	3%
Szczecin	12%	Zabrze	6%	Kłodzko	3%
Kielce	10%	Bełchatów	4%	Włocławek	3%
Poznań	9%	Jelenia Góra	4%	Zamość	3%
Łódź	7%	Kalisz	4%	Łomża	2%
Czeladź	6%	Warsaw	4%	Przemyśl	1%

Rental income



Szczecin	17%	Kalisz	4%	Warsaw	3%
Kraków	14%	Łódź	4%	Włocławek	3%
Kielce	11%	Zabrze	4%	Zamość	3%
Wrocław	10%	Bełchatów	3%	Kłodzko	2%
Poznań	8%	Inowrocław	3%	Łomża	2%
Czeladź	6%	Jelenia Góra	3%	Przemyśl	0.3%

OUR TOP PROPERTIES

48 093	13.1%	4.4 years	98.7%	(6.9)%	(0.5)%	10.5 million	5.64%
GLA (m^2)	Rent-to-sales	WAULT (rent)	Occupancy	Turnover growth	Annual footfall growth	Annual footfall	Valuation yield

Pasaż Grunwaldzki

WROCŁAW

TOP TENANTS

LPP, Multikino, Inditex, H&M

71 869	9.7%	4.0 years	99.4%	4.1%	(2.1)%	9.5 million	5.58%
GLA (m^2)	Rent-to-sales	WAULT (rent)	Occupancy	Turnover growth	Annual footfall growth	Annual footfall	Valuation yield

Galeria Echo

KIELCE

TOP TENANTS

LPP, TK Maxx, Helios, Jula, Inditex

56 642	11.7%	6.7 years	100%	4.4%	12.0%	13 million	5.86%
GLA (m^2)	Rent-to-sales	WAULT (rent)	Occupancy	Turnover growth	Annual footfall growth	Annual footfall	Valuation yield

Galaxy

SZCZECIN

TOP TENANTS

Auchan, LPP, CCC, H&M, Multikino, Inditex

OUR TOP PROPERTIES (CONTINUED)

33 546	**8.5%**	**4.6 years**	**100%**	**1.6%**	**3.5%**	**6.4 million**	**6.37 %**
GLA (m^2)	Rent-to-sales	WAULT (rent)	Occupancy	Turnover growth	Annual footfall growth	Annual footfall	Valuation yield

Galeria Amber

KALISZ

TOP TENANTS

E.Leclerc, LPP, Helios, Rossman, H&M

45 393	10.0%	3.9 years	99%	0.3%	1%	5 million	7.07%
GLA (m²)	Rent-to-sales	WAULT (rent)	Occupancy	Turnover growth	Annual footfall growth	Annual footfall	Valuation yield

King Cross Marcelin

POZNAŃ

TOP TENANTS

Auchan, Media Markt, LPP, CCC, New Yorker

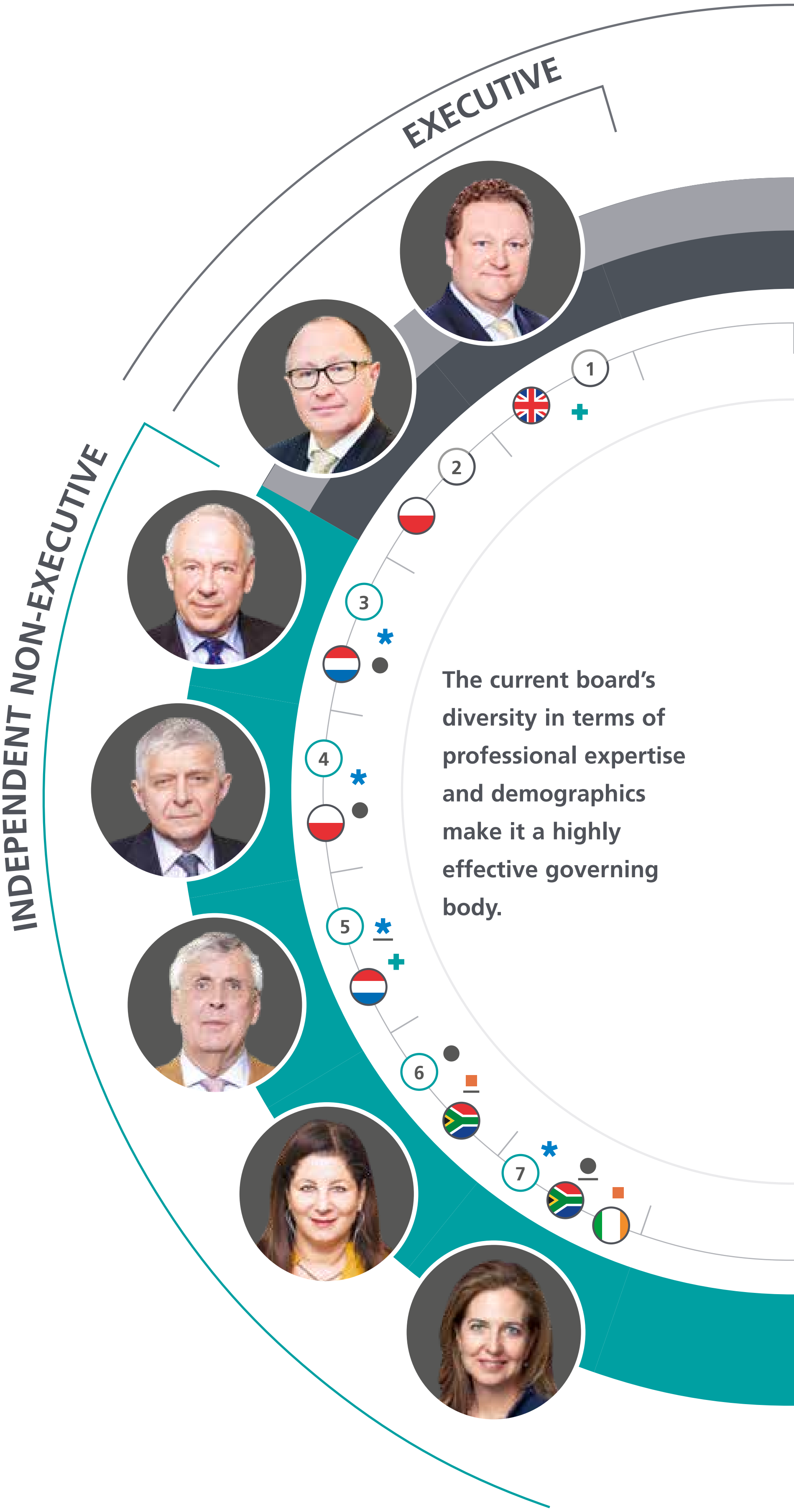
DIRECTORATE

EXECUTIVE

1. **Hadley Dean (47)**
   British
   Chief executive officer
2. **Jacek Bagiński (49)**
   Polish
   Chief financial officer

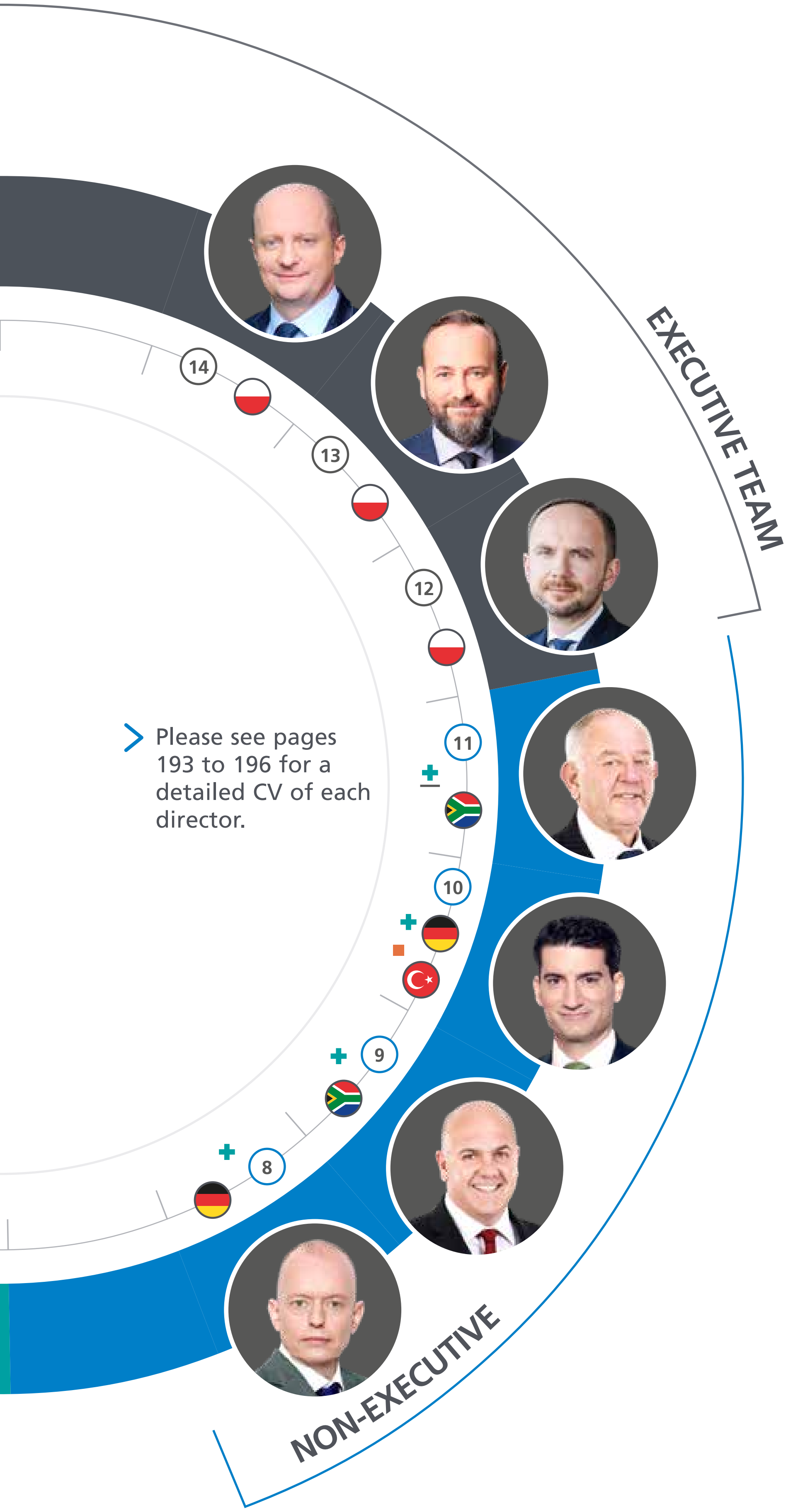
INDEPENDENT NON-EXECUTIVE

3. **Robert Weisz (69)**
   Dutch
   Chairman
4. **Marek Belka (67)**
   Polish
5. **Peter Driessen (71)**
   Dutch
6. **Dionne Ellerine (52)**
   South African
7. **Andrea Steer (48)**
   South African/Irish



Key to committees

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



Please see pages 193 to 196 for a detailed CV of each director.

NON-EXECUTIVE

8. **Maciej Dyjas (55)**
   German
9. **Andrew König (51)**
   South African
10. **Nebil Senman (47)**
    German/Turkish
11. **Marc Wainer (70)**
    South African

EXECUTIVE TEAM

1. **Hadley Dean**
   Chief executive officer
2. **Jacek Bagiński**
   Chief financial officer

14. **Wojciech Knawa**
    Property Management

13. **Michał Świerczyński**
    Asset Management

12. **Rafał Kwiatkowski**
    Chief operations officer and company secretary

02

Our **strategy**


Natura
SWISS

OUR BUSINESS MODEL

THE RESOURCES WE USE		TO ACHIEVE
FINANCIAL CAPITAL	• Debt and equity capital • Reinvestment of capital	• Capital and income growth • Sustainable annual growth in distributions
MANUFACTURED CAPITAL	• High-quality, modern and location-dominant assets in strategic locations • Yield-enhancing acquisitions • Expansions and refurbishments	• Well-managed and maintained assets • Strategic extensions and refurbishments • Increased property values
HUMAN CAPITAL	• Skilled executive and asset management team • Experienced board • Skills and leadership development	• Empowered and incentivised staff • Development of staff and become employer of choice
SOCIAL AND RELATIONSHIP CAPITAL	• Stakeholder engagement	• Increased economic growth for tenants • Access to retail for developed and developing communities • Access to management and internal investor relations resources
INTELLECTUAL CAPITAL	• Strategic partnerships • Proprietary asset management and operating systems • Leasing and tenant management	• High occupancy levels • Effective, diverse tenant mix of premium blue-chip and international brands • Early detection of potentially poor performing clients
NATURAL CAPITAL	• Energy efficiency programmes • Green buildings	• Energy efficient buildings

AND CREATE VALUE

- Distributable earnings
- Economic stimulus from property transactions (disposals and acquisitions)
- Increased NAV
- Taxation
- Stimulate economy in regional cities

- Increased portfolio value
- Expanded shopping centres
- Employment of contractors and suppliers for building maintenance

- 198 motivated employees
- 41 jobs created
- Career development

- CSI programme
- Transparent and frequent communication to investors and tenants

- Reduced vacancies
- Upskilling tenants (EPP University)
- Efficient asset management systems

- Certified green buildings
- Reduced environmental impact

OUR STRATEGIC SCORECARD

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

INVESTMENT

- Investments aimed at improving the quality of portfolio and ensuring long-term sustainability of income and capital appreciation
- Invest in strong retail assets located across cities in Poland
- Acquisition criteria:
  - Dominant location
  - Catchment area in excess of 100 000 people
  - 30 minute drive time
  - Modern high-quality property
  - Diverse tenant mix
- Increase exposure to retail assets

FINANCE

- Access all available sources of funding
- Minimise cost of capital
- Maintain gearing levels
- Sustain strong balance sheet through conservative gearing and credit metrics that are well within covenants
- Reduce financial risk by reducing debt capital in the structure
- Limit exposure to interest rate fluctuations by fixing rates over periods and matching loan expiry profiles
- Diversify the shareholder and debt lender bases through debt capital markets, traditional bank funding and equity funding

PROGRESS IN 2018

Investment

- Successful acquisition of M1 portfolio tranche 1 valued at over €358 million
- Acquisition of King Cross Marcelin valued at over €102 million
- Galeria Młociny on track to be delivered in Q2 2019 – currently more than 85% leased, including exciting new entrants to the market

Finance

- Raised €157 million in equity (M1 and Marcelin)
- Raised circa €356 million debt
- Diversification of lending base

STRATEGIC LONG-TERM TARGETS

Investment

- Increase retail portfolio to > 90% of portfolio
- Continue to focus on yield and quality enhancing investments (including disposals)

Finance

- Target of 45% LTV

ASSETS	RENTAL INCOME	MANAGEMENT	DISTRIBUTABLE EARNINGS
• Own quality retail assets that are dominant in their catchment areas and create scale for the operations and tenants • Office assets should have high-quality tenants • Maintain a high-quality portfolio which is geographically diversified and more than 70% retail • Adhere to the highest building standards in terms of green ratings • Increase leisure and food and beverage component to increase footfall and dwell time in shopping centres	• Earn sustainable rental income by providing quality space to a large and diverse base of financially sound tenants with good growth prospects and secured by long leases • Internalised property and asset management uses our innovative property management platform to assist and advise tenants on implementing initiatives to drive additional income • Revenue growth	• Proactively manage assets and invest capital to ensure the properties are well maintained and operate at optimum efficiency • Improve net property income with net property income growth exceeding Eurozone inflation • Maximise value of existing assets through refurbishments, extensions and ongoing maintenance • Provide highest level of service to stakeholders • Improve efficiencies in the property management processes • Ensure clear communication with tenants and other stakeholders	• Growth in distributable earnings • Distribution to shareholders • Sustainable long-term earnings • Continuous investment in employees, properties and communities in which we operate • Diversified contribution to distribution income through geographic diversification
• Retail now over 85% of portfolio value • M1 transaction increased presence across Poland • Income generating portfolio now over €2.2 billion with nearly 100 million feet passing through the centres	• Net property income up 38% • Debt cost 2.33% • LFL NRI growth 4.2%	• Food court designs complete for Galeria Echo, Pasaż Grunwaldzki and Galaxy • Extensions in excess of 75 000 m² GLA identified	• Distribution targets met • Leadership skills and development programmes initiated to retain key talent • Five new shopping centres added resulting in further diversification of asset base
• Continued Polish focus with diversification to strong performing geographic regions	• LFL NRI growth in excess of euro and Polish inflation	• Continued focus on people, culture and values	• Continued focus to deliver dividend growth in excess of in-country and EU inflation • Focus on long-term value creation

OUR OPERATING ENVIRONMENT

EPP maintains its strong retail focus in Poland with an emphasis on strategic acquisitions that deliver value for shareholders. Poland remains one of the most attractive and fast growing destinations for business process outsourcing ("BPO") and shared service centres ("SSC") in the CEE region. Strong economic growth of 5.1%, an extremely low unemployment rate and increasing consumer spend are driving demand for retail assets which in turn is resulting in attractive yields.

The continuous improvement in Poland's markets, infrastructure and steady economic progress led to the FTSE Russell promoting Poland to a Developed Market, marking the first promotion of a country from Advanced Emerging to Developed Market status in nearly a decade.

Poland is now the sixth largest (2017: eighth largest) economy in the EU with a stable interest rate and low inflation. The introduction of a government support called the 500+ programme which benefits 14.5% of Polish households and rising wages led to an 8.3% increase in the average disposable income per capita. Under the programme parents receive a tax-free benefit of PLN500 per month for the second and any consecutive children until they reach the age of 18.

Fitch Ratings has forecast that economies in the Eurozone, which contains Poland's main trading partners, will grow by 2.5% in 2018 and 1.8% in 2019. The economic growth of Poland is expected to accelerate up to 3.5% by 2022.

EPP is confident that the economy and Polish consumer spend will gradually grow to be less dependent on donor funds. Poland will continue to receive €64.4 billion in cohesion policy funds from the EU under the new EU budget. Although this equates to a 23% cut from the previous budget, it is still a significant amount of funding. The donation aims to help bridge the gap between rich and poor regions and the cut is further indication of Poland's prowess.

Poland's major cities are the main economic hubs and approximately 43% of Poland's GDP is generated in these major cities representing only 29% of the population. This is expected to be relatively stable as both major cities and regional areas develop at a similar pace. Currently the average employment rate is 75.4% in major cities and 63.3% in regional areas. The majority of EPP's assets are located in affluent, high-traffic major cities.

In March 2018, the Polish government passed a bill that banned Sunday trading. The ban begins with two Sundays a month in 2018 and will extend to all Sundays in 2020. Exceptions are the weekends prior to Easter and Christmas holidays. The ban has had limited impact on retail market performance to date. To offset the Sunday ban impact, retailers now operate longer hours on Thursdays, Fridays and Saturdays.

The amendments to the current Corporate Income Tax Act became effective in January 2019. They introduce a minimum tax of 0.035% monthly charge on all commercial real estate used under a contract of lease or tenancy, excluding all vacant buildings.

THE OFFICE MARKET

The domino effect of Polish economic growth and low labour cost has led to an increase in demand for office space in Poland which is largely driven by the financial sector, ICT companies and the business services sector which are expanding. Most office market developments are in Warsaw which boasts 5.4 million m^2 and is currently the largest construction site in Europe in terms of planned office space. The overall office market is expected to reach 12.3 million m^2 by 2020. EPP owns six office properties.

THE RETAIL MARKET

Strong economic fundamentals in the Polish retail market underpins wage growth and influences consumer spending, which is anticipated to grow by 32.5% in the next decade. Total supply of modern retail space in Poland stands at 11.8 million m² and about 88% is located in shopping centres, 10% in retail parks and the remaining 2% in outlet centres.

EPP's Galeria Młociny is the largest project currently under development in Warsaw. The high street market in Poland is present only in a few cities. Due to historical factors, diversified real estate ownership structure remains the major obstacle for development of the high street retail market in the major cities (especially in Warsaw).

In spite of the prevalence of e-commerce, retailers continue to enjoy high foot traffic and strong demand proving that traditional brick-and-mortar stores across the country are very popular and are expected to remain popular in the coming years despite the growing importance of omni-channel retailing (see page 28 for further details on e-commerce).

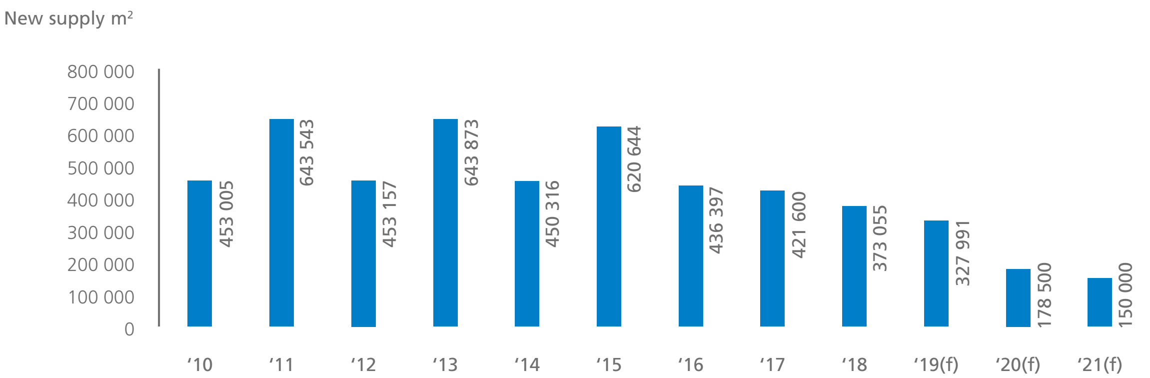
11 765 700 m²
Total supply of shopping centres, retail parks and outlets

306 m²
per 1 000 Inhabitants (total retail space provision)

505 700 m²
Total under construction space

268 m²
per 1 000 Inhabitants (shopping centres space provision)

Evolution of retail space

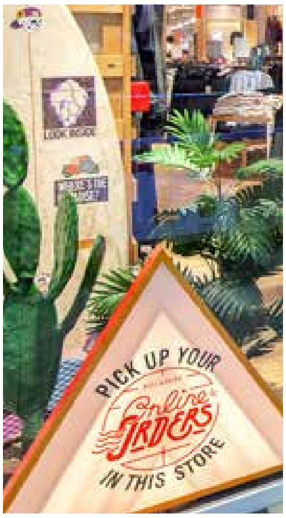


Savills, International Shopping Centre Council.

THE CHANGING RETAIL LANDSCAPE

The revolving trends in the retail space continue to inform EPP's strategy. Our projects have a strong presence in Poland's major cities and they continue to attract and capture footfall. Active asset management, driven by a market leading team and well curated tenant mix, makes EPP relevant and attractive to both retailers and shoppers. EPP continues to monitor these trends in order to stay ahead of the market and use our scale in Poland, expertise and innovative approach to remain a market leader.

E-COMMERCE



Research has proven that in-store sales remain very popular in Poland as consumers prefer to "try and feel" goods before buying.

E-commerce and its impact on traditional retail is a hot topic in the property industry. As more people embrace smartphones and tablets e-commerce has moved from a futuristic concept to the mainstream. However, the Polish market is unique in its uptake of e-commerce and traditional stores still have a strong place in the market.

The e-commerce market share of total retail sales is estimated to be between 5% and 6% in 2018 and is expected to increase to 7% in the next three years. This remains relatively low compared to Western European countries where the market share exceeds 10%. Research has proven that in-store sales remain very popular in Poland as consumers prefer to "try and feel" goods before buying. Therefore more than 70% of online sales in Poland are done through click & collect. One of the additional reasons for this is that people aren't at home to collect goods and traditional shopping centres remain open at more convenient hours. The click & collect concept is bridging the gap between online and bricks and mortar and provides a number of benefits including a no cost collection option for consumers, allowing brands to stay physically connected to customers; incremental spontaneous sales on collection and positions retail real estate as more than a sales point but also an awareness and fulfilment point. Over and above this, Poles do not feel comfortable with sharing personal data online and therefore prefer to go into a store to pay for and collect goods.

There is a demonstrated halo effect when opening a new store, which not only increases the brand awareness but also stimulates online traffic. As a result many Polish e-retailers, such as iperfumery by Notino and e-obuwie, are opening traditional stores to help increase brand recognition.

Top products bought online are clothes and accessories (64%), books, CDs and movies (54%), tickets (51%), shoes (44%), cosmetics (43%) and home appliances (37%).

The uniqueness of Poland is also marked by the lack of high street retail with shopping centres across the country being the main destination for shopping and leisure.

Sources: Savills; Colliers

HOW EPP IS RESPONDING

EPP works closely with tenants to adapt space to accommodate click & collect.

Demand for retail space remains high in Poland. EPP works closely with tenants to adapt space to accommodate click & collect. In addition we focus on driving footfall to our centres by enhancing our leisure and entrainment offerings. This not only includes restaurants and cinemas but also fitness centres and children's play areas.

We have also identified a need for some tenants requiring assistance in setting up an online presence and we are investigating ways to assist tenants in this regard. This could include a platform for them to sell their products. This concept is currently under investigation.

FOOD AS THE NEW FASHION

Food and entrainment offering in retail centres increasing from 5% 20 years ago to up to 25% today.

Demand for food and beverage offerings and variety in this space has risen in the past few years. The expansion of food and leisure offerings is a clear trend in retail with the food and entertainment offering in retail centres increasing from 5% 20 years ago to up to 25% today. The perception of gastronomy has undergone profound changes in recent years. In fact, the range of food available is no longer an addition to a pure shopping experience, but now also is part of the reason why customers continue to visit shopping centres.

Sources: Savills; JLL

HOW EPP IS RESPONDING

EPP has advanced the redevelopment of its food courts at Galeria Echo, Pasaż Grunwaldzki and Galaxy to ensure a more modern, shopper-friendly environment that encourages dwell time. The Galeria Młociny development in Warsaw will feature Dechy na Bielanach, a specially designed roof garden offering a gastronomic street with a wide array of restaurants in wooden capsules surrounded by greenery designed by international architectural studio Broadway Malyan. This feature is expected to foster various interactions including family get-togethers, meetings with friends, new tastes and culinary experiences as well as cultural, sporting and open-air events (see shopping centres as a leisure and entertainment destination below).

SUNDAY TRADING BAN

As anticipated, customers adjusted their shopping habits moving their shopping days to Mondays, Fridays and Saturdays.

In March 2018 the Sunday trading ban in Poland was introduced whereby stores are closed on two Sundays per month in 2018 and three Sundays in 2019 until 2020 when the ban will apply every Sunday. As anticipated, customers adjusted their shopping habits moving their shopping days to Mondays, Fridays and Saturdays.

For the year the trading ban resulted in 20 closed Sundays resulting in Saturday footfall in EPP centres increasing 12%; Mondays up 9% and Fridays up 6% at year-end.

Although it is too early to tell, to date the Sunday trading ban has had a minimal impact on operations.

HOW EPP IS RESPONDING

EPP is positioning its shopping centres as places of social and cultural activity.

EPP has launched the EPP Shopping Centres Social Activation programme which is aimed at using the Sunday trading ban to position our shopping centres as places of social and cultural activity. This has involved cooperation with public institutions and the implementation of non-commercial attractions focused on cultural, educational, health and technology events. This has helped drive footfall on Sundays and attracted new groups of customers to our centres. The programme has better positioned our assets and strengthened our competitive advantage in local markets.

Examples of events at Galeria Echo include the 18XI Sport Sunday in conjunction with City Hall and main sports clubs in Kielce, Independence Day and Unplugged Games (educational board games). The idea behind the events was to offer customers an attractive way to spend free time and to encourage them to take advantage of the food options available at shopping centres on trade-free Sundays. All three events generated an increase of between 90% and 128% in footfall on a trading ban Sunday.

SHOPPING CENTRES AS A LEISURE AND ENTERTAINMENT DESTINATION

Shopping centres are no longer just retail establishments but also a place where people go to spend their free time.

Poland has experienced four advances in shopping malls since the mid-1990s having moved from hypermarkets with relatively small shopping arcades usually located in suburban areas, close to large housing estates and near important transport routes, to adding specialist stores for home and garden, electronics and clothing. This was followed by the introduction of entertainment and leisure and sports products as well as international brands at the beginning of the 2000s. Now shopping centres can also be attached to offices and hotels and apart from restaurants and cinemas they also feature art galleries, concert halls, discos, gyms, indoor climbing walls, hair dressers and fun fairs for kids.

Shopping centres are no longer just retail establishments but also a place where people go to spend their free time. Studies of Polish consumers show that young people in particular enjoy spending their free time in shopping centres. Modern shopping centres are adapting their offering to address these changing needs.

Source: Consumer preferences and behaviour in shopping malls in Poland – Anna Irena Szymańska and Monika Płaziak.

HOW EPP IS RESPONDING

As part of our focus on tenant mix over the past few years we have increased the exposure to food and beverage in our shopping centres.

Tenant mix is at the heart of EPP as this remains a significant driver of footfall. As part of our focus on tenant mix over the past few years we have increased the exposure to food and beverage in our shopping centres. Polish consumers see shopping as a leisure activity and place to meet friends and therefore we want to provide an environment that caters to the needs of our consumers. We have therefore set a long-term target that our centres should have an exposure to food and beverage and entertainment of between 15% and 25%.

03

Performance **review**

CHIEF EXECUTIVE OFFICER'S REPORT AND OPERATIONAL REVIEW

I am excited to present a strong set of results for 2018. It has been a busy year marked by the conclusion of the first tranche of the M1 transaction, adding a significant bulk to our portfolio, progress in our Warsaw development (Młociny) and strong asset management ensuring growth in rentals.

HADLEY DEAN
Chief executive officer

OVERVIEW

With the M1 transaction we have solidified our position of becoming the leading retail landlord in Poland. At year-end the portfolio comprised 19 retail assets which with the full M1 transaction will increase to 28 by 2020.

During 2018 we progressed our strategy of investing in dominant, defensible and sustainable shopping centres. We added approximately 240 000 m² retail GLA to the portfolio equating to over €400 million GAV. In 2019 we expect to add a further 184 000 m², which equates to an average asset size of over 30 000 m² GLA.

Food and beverage ("F&B") continues to be a strategic focus area for us in attracting customers to our malls and encouraging longer dwell time. Our portfolio exposure to F&B is currently 15% and we intend increasing this to further enhance the attractiveness of our malls. This is already evidenced in our flagship Młociny development with over 20% of its GLA dedicated to F&B.

Over 100 million people visited our centres during the year and we expect this upward trend to continue with the conclusion of tranche 2 of the M1 transaction in the second half of 2019.

Sales and footfall remain resilient despite the introduction of the Sunday trading ban and we expect sales to continue to grow as consumers adapt to the new trading hours. Our centres continue to be well-occupied and we are seeing retailers increasingly embracing click & collect in our malls. Our property management teams continue to deliver exceptional growth with like-for-like NRI growth of 4.2%.

The asset management teams are continuing to focus on fashioning our centres as destinations which include our food hall revamp programme, set to be a large focus area for EPP in 2019.

Our asset management team is continually focused on further improving our already diversified tenant mix. Given the geographic reach of our portfolio we can provide economies of scale for most tenants. The asset and property management teams are bolstered by our unique proprietary dashboard which provides up to date tenant information and allows the team to act quickly. In addition EPP University provides tenants with further guidance to help improve sales and further secure rents from these tenants. Over 200 tenants have participated in the programme. (See page 47 for further detail.)

ACQUISITIONS

The most significant acquisition during the year was tranche 1 of the M1 transaction. The transaction was valued at €358.7 million and comprised M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze. All of the properties are located in large catchment areas and are generally situated along a motorway. They boast a strong tenant mix including leading retailers such as Auchan, OBI, Media Markt, TK Maxx, H&M and C&A. In addition, we acquired King Cross Marcelin Shopping Centre valued at over €100 million marking our first entry into Poznań. M1 tranche 1 properties and Kings Cross Marcelin have been successfully integrated into EPP's internal systems.

We added approximately 240 000 m² retail GLA to the portfolio equating to over €400 million GAV.

Food and beverage continues to be a strategic focus area for us in attracting customers to our malls and encouraging longer dwell time.

Sales and footfall remain resilient despite the introduction of the Sunday trading ban and we expect sales to continue to grow as consumers adapt to the new trading hours.

OUR PEOPLE AND INTERNALISATION

Our strong team is critical to our achievements and positive performance. During the year we increased our employee count to 198 and are now at capacity with all the business functions. We have introduced a number of initiatives such as management programmes and knowledge sharing to develop our staff (see pages 48 to 49 for further detail).

Aligned with the increased staff complement is the successful conclusion of the full internalisation of all functions within EPP. During 2018 all asset management functions were fully internalised and post year-end all HR, IT accounting and legal services have been fully internalised and brought in-house. This will ensure added efficiencies and streamlining.

THE POLISH ECONOMY UNDERPINNING OUR GROWTH

The Polish economy continues to perform well with solid GDP growth anticipated and inflation below 2%. We are seeing record low unemployment rates with salaries growing at twice the level of other EU countries. Polish wages have increased 5% compared to 3% for its peers. As a result consumer spending in Poland is set to grow at a compound rate of 5.7% over the next two years compared to 3.0% in its European peers. Poles are becoming more affluent as evidenced in increased spend in restaurants, shopping centres and on leisure activities. In 2017, Poles spent on average PLN 53 per person per month on food and beverage equal to an 18% increase since 2015 and more impressively a 134% increase since 2010. This ties into our drive to expand and upgrade our food and beverage offering across our portfolio, as well as an increased focus on our entertainment offering.

In addition, retail sales in Poland continue to grow and outperform European peers.

OUR MARKET IN CONTEXT

There are two important factors to note when looking at the Polish retail market. Firstly there is a strong click & collect market, which negates the impact of e-commerce compared to other European markets. Secondly, unlike in its European peers, there is no high street in Poland with 71% of bricks and mortar shopping done in shopping centres. While e-commerce and its impact on shopping centres may be topical in other European countries, in Poland online sales only make up a small proportion of retail sales and of these 70% are click & collect. Offline sales are expected to remain resilient with bricks and mortar sales expected to make up the majority of total online and offline growth.

FLAGSHIP WARSAW DEVELOPMENT LAUNCHING IN 2019

We are excited that progress on the Młociny development is on track and on budget with the centre due to open in Q2 2019, which will solidify our footprint as one the leading landlords in Poland. The development is the largest retail construction site in Poland. This flagship centre will boast over 81 000 m² GLA, featuring many first time entries for international brands. Key tenants include Media Markt, Zara, CCC, H&M, Van Graaf, Sephora, Smyk and Douglas. Warsaw is marked by affluent consumers with strong purchasing power and a relatively less saturated retail market. Situated next to a rapidly growing residential area and accessible transport links, 1.5 million people live within a 30 minute drive of the centre. It will feature the largest food and beverage offering in Warsaw. The combination of the high fashion offering and food hall make this a unique shopping centre experience in Warsaw. Once fully operational we expect to welcome over 15 million visitors per year.

OUR OPERATIONAL PERFORMANCE IN DETAIL

Our retail portfolio value increased from €1.35 billion to €1.88 billion during the year with growth reflecting our quality assets and market-leading asset management. For further detail please see the chief financial officer's report on pages 40 to 43.

VACANCIES AND LEASE EXPIRY

Retail vacancies reduced from 1.4% to 0.4% and office vacancies increased from 4.0% to 4.66%.

Weighted average rental escalation (based on existing leases) by rentable area was 1.5% for retail and 1.3% for office.

Vacancy profile by sector and rentable area

	Rentable area (m²) – vacant	% of total rentable area
Sector		
Retail	**2 808**	**0.41%**
Office	**6 870**	**4.66%**
Total	**9 678**	**1.16%**

Lease expiry profile by revenue and rentable area by sector

	2019 %	2020 %	2021 %	2022 %	2023 %	2023> %
Retail						
Retail by GLA	**5**	12	9	11	10	52
Retail by rent	**8**	16	16	16	12	32
Office						
Office by GLA	**3**	8	23	10	16	40
Office by rent	**7**	7	29	10	16	31

Weighted average rental per m² by rentable area per sector

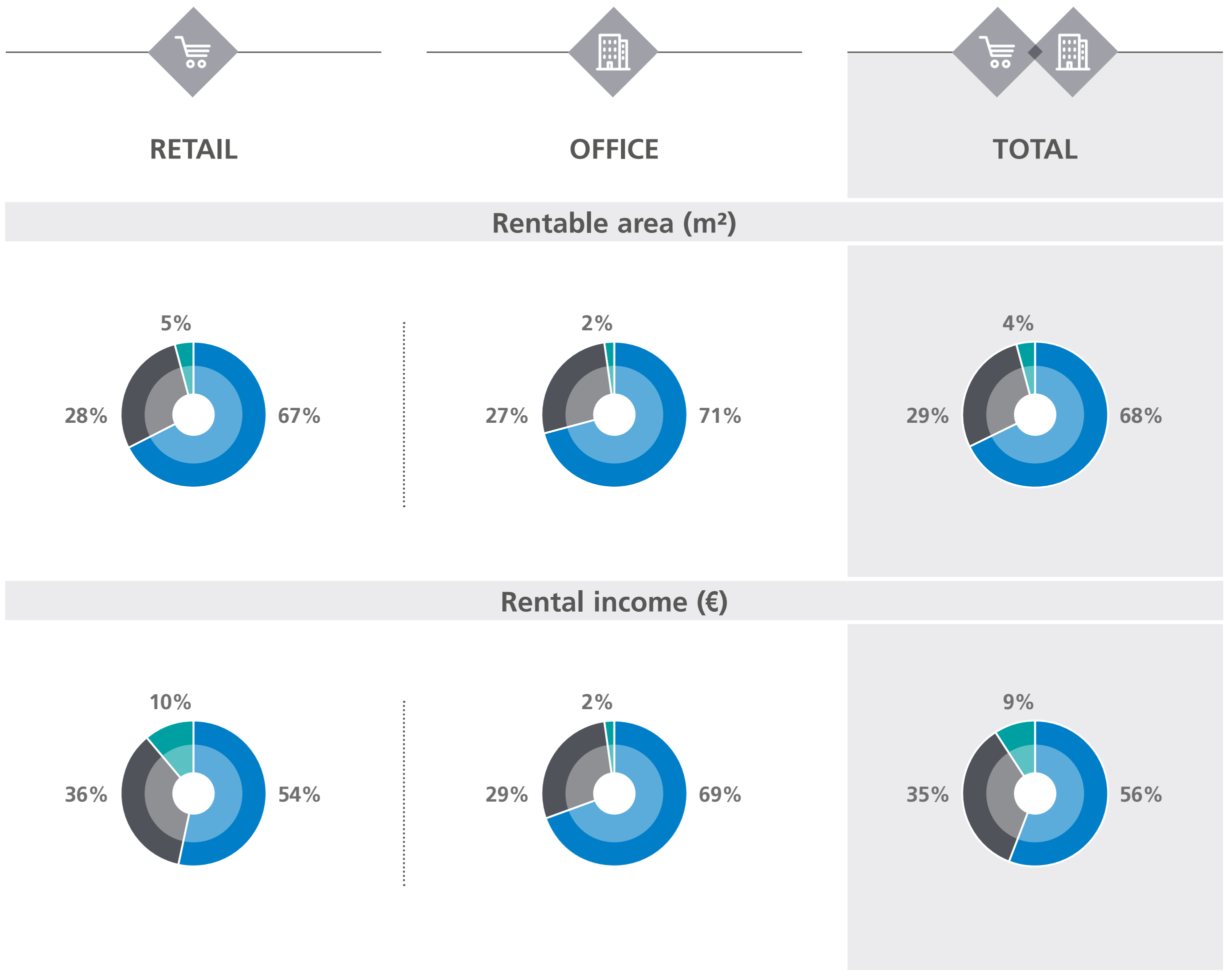
	Weighted average rental/ m² (€)
Sector	
Retail	**14.3**
Office	**13.4**

AVERAGE ANNUALISED PROPERTY YIELD

The average annualised portfolio yield was 6.50% (2017: 6.65%).

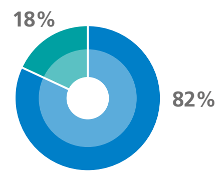
TENANT PROFILE

In line with our strategy of being the leading retail landlord in Poland we seek to be the landlord of choice offering tenants economies of scale across our wide-reaching, high-quality portfolio. Ensuring a diverse tenant mix with a balance of local and international brands is an ongoing focus area for us. We also continually seek to provide additional support to our tenants where required.

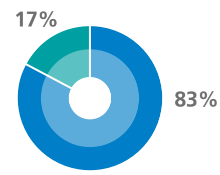


- A. Large international and national tenants, large listed tenants and government or smaller tenants in respect of which rental guarantees are issued.
- B. Smaller international and national tenants, smaller listed tenants, major franchisees and medium to large professional firms.
- C. Smaller national tenants (Retail 194; Office 14).

Sectoral breakdown by GLA (m²)



Sectoral breakdown by revenue



OUTLOOK

Our focus in the year ahead will be on the integration of tranche 2 of the M1 transaction. From an asset management perspective we will continue to focus on improving and expanding our entertainment offerings as well as F&B through upgraded food halls across the portfolio to attract more customers and encourage dwell time. We remain positive of growth in sales and footfall for 2019.

THANKS

My thanks to our dedicated and hard-working team which have yet again excelled and contributed to another successful year. I also extend my appreciation to our board for their support and guidance during the year.

Hadley Dean
Chief executive officer

6 March 2019

CHIEF FINANCIAL OFFICER'S REPORT

We are pleased to present the annual financial statements of EPP for the year ended 31 December 2018. The distribution per share amounted to 11.60 euro cents which is in line with the guidance of 11.6 to 11.8 euro cents.

JACEK BAGIŃSKI
Chief financial officer

SUCCESSFUL ACQUISITIONS

On 4 January 2018, EPP acquired four shopping centres (M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze) from tranche 1 of the M1 portfolio with a gross asset value of €358.7 million, GLA of 194 400 m² and NOI of €25.1 million. Tranches 2 and 3 comprising a further eight properties are due to complete in June 2019 and June 2020, respectively.

In July 2018 we also completed the acquisitions of King Cross Marcelin shopping centre and Symetris II office building.

The company has successfully raised €157.5 million of equity in private placements related to the acquisitions.

DISTRIBUTABLE EARNINGS

Distributable earnings per share increased by 6.7% as compared to the prior year (from 10.87 to 11.60 euro cents per share), which was driven by the improvement in operational performance and the accretive impact of the acquisitions.

€ million	**2018**	2017
Net property income	**142.7**	103.3
Other income and expenses	**(1.0)**	(0.6)
Administrative expenses	**(15.8)**	(15.6)
Profit from investment properties	**17.5**	75.3
Participation in profits of joint ventures	**23.4**	16.1
Finance income/(expenses)	**(34.9)**	(15.7)
Current and deferred taxes	**(13.4)**	(32.6)
Foreign exchange gain/loss	**5.8**	(1.8)
Net profit after taxes	**124.2**	128.3
Exclusion from earnings	**(30.0)**	(55.4)
Antecedent dividend	**2.1**	3.7
Distributable earnings	**96.3**	76.6

PROPERTY PORTFOLIO

As at 31 December 2018, EPP owned an income generating property portfolio valued at €2.2 billion, consisting of 19 retail projects and six offices. The company also owns shares in two joint ventures (development sites in Warsaw):

- Młociny – shopping mall with GLA of 84 400 m² to be opened in the second quarter of 2019
- Towarowa 22 – mixed use scheme with a retail GLA component of 105 000 m².

POLISH REGULATORY CHANGES

On 1 January 2018 a significant amendment to the Polish Corporate Income Tax Act came into force, which established, *inter alia*, a minimal 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 €2.4 million) are obligated to pay corporate income tax at least at the level of 0.42% (per year) of the initial tax value of the property.

BORROWINGS

As of 31 December 2018 the loan to value ratio ("LTV"), net of cash was 51.9 % compared to 47.4% in the prior year. The increase was due to the funding of the acquisition of the M1 tranche 1 assets in January 2018.

GALERIA ECHO

During 2018 the company successfully refinanced a €100 million bridge to equity loan and €150 million in senior debt due in 2018 and 2019, respectively, with new long-term financing. At the end of 2018, EPP utilised €130 million out of a total €250 million of available borrowing facility from CPPIB Investments Inc. The average debt maturity is 3.9 years (2017: 3.9 years). The average cost of debt is 2.33% (2017: 2.14%) with a hedging level of 85% (2017: 83%).

CASH FLOW

The net cash generated from operating activities amounted to €122 million (2017: €119 million) with €512 million (2017: €263 million) used in the reporting period in investment activities (asset acquisitions, capital expenditure on the existing investment properties and investment in joint ventures) and €366 million (2017: €229 million) generated from financing activities resulting in a cash and cash equivalents balance of €60 million (2017: €99 million) providing sufficient liquidity for the group to meet its current obligations and dividend payment. Future acquisitions and development projects will be financed from a mix of external debt and equity keeping the LTV ratio of 51.9% (2017: 47.4%) on a comparable level.

NET ASSET VALUE ("NAV")

The equity (excluding deferred tax) as at 31 December 2018 amounted to €1 118 million (2017: €928 million) with equity per share of 1.35 euro cents (2017: 1.32 euro cents per share) representing a 2.4% increase since 31 December 2017. NAV growth was largely driven by the investment property revaluation gain.

Jacek Bagiński
Chief financial officer

6 March 2019

HEADLINE EARNINGS AND DISTRIBUTABLE INCOME RECONCILIATION

	2018 €'000	2017 €'000
Profit for the period attributable to EPP shareholders	**124 165**	128 348
Change in fair value of investment properties including joint ventures (net of tax)	**(36 711)**	(82 295)
Headline and diluted earnings attributable to EPP shareholders	**87 454**	46 053
Change in deferred tax (other than the deferred tax change related to fair value of investment properties)	**1 194**	14 057
Fair value losses/(gains) in joint ventures (other than the change in fair value of investment properties in JV)	**(92)**	5 380
Cost of refinancing	**2 598**	–
Amortised cost valuation of long term financial liabilities and other	**3 405**	2 621
Provision for LTI	**4 106**	4 909
Distribution of shares to the board	**(2 349)**	(782)
Other items	**(2 159)**	680
Antecedent dividend	**2 121**	3 678
Distributable income	**96 278**	76 596
Actual number of shares in issue	**829 989 804**	704 970 210
Shares in issue for distributable earnings	**829 989 804**	704 970 210
Weighted number of shares in issue	**808 554 466**	671 412 270
Basic and diluted earnings per share (€ cents)*	**15.4**	19.1
Headline earnings and diluted headline earnings per share (€ cents)**	**10.82**	6.90
Distributable income per share (€ cents)**	**11.60**	10.87

* *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 2018 and 31 December 2017, respectively.*

04

Acting **sustainably**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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, site visits, interaction with the media, one-on-one meetings and ongoing informal and formal discussions.

During the year we conducted a follow-up investor perception survey which continued to inform our investor relations strategy.

EPP meets regularly with institutional shareholders, private investors and investment analysts, and provides presentations on the company and its performance. It further promotes a stakeholder inclusive approach in operating the company.

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

Topics of concern raised by stakeholders during the year included:

- Sunday trading ban
- Political concerns
- Debt in capital structure and funding sources

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

STAKEHOLDER	WHAT MATTERS TO THEM	HOW WE ENGAGE
Shareholders, providers of capital and financial institutions	Communication of key strategic plans and accessibility to management including succession planning; strategic execution and performance; portfolio growth funding and interest rates; capital appreciation; timely servicing of debt; credit rating; governance and sustainability	Investor relations and engagement plan; one-on-one discussions; website; bi-annual results presentations; SENS and media releases; investor site visits to Poland; regular availability of management in South Africa
Stock exchanges (JSE; LuxSE)	Compliance; sustainability; credibility; shareholder returns	Supervised compliance; transparent and timely communication
Employees	Career development; communication	Annual company meeting, quarterly CEO meetings with the headquarter staff, monthly newsletter *EPP Express*, internal communication tool *EMPLO*

STAKEHOLDER	WHAT MATTERS TO THEM	HOW WE ENGAGE
Media (South Africa, Poland, Europe)	Timely, relevant and open communication	Media engagement as per established channels and regional programmes
Tenants	Tenant mix; redevelopments and enhancements; cleanliness, security and maintenance; communication	Transparent and timely communication; sector-related B2B events
Real estate sector	New legislation; global and local industry trends; sector-specific issues	One-on-one meetings; sector events (awards, panel, conferences, fairs); media
Local communities	Environmental impact; responsible corporate citizenship	Events at shopping centres; CSR events and initiatives

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

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 in which to grow.

EPP UNIVERSITY

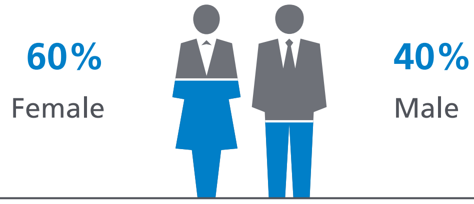
One of our responses to tenants' needs is our proprietary **EPP University**. This unique concept demonstrates how tenants are the focus of our strategy and was established to assist tenants in all aspects of creating an ideal environment for business growth for both them and EPP. The initiative is headed by a seasoned expert with great insight into what customers want and how to improve the engagement.

Retail is an art rather than a science and the way you present your merchandise and interact with your shoppers makes a world of difference to whether customers will remain loyal. Understanding what appeals to the customer and the type of customer is important to understanding how to interact with them and meeting their needs. EPP University trains the staff of our tenants in effective visual merchandising and effective sales techniques that will improve the performance of the retailer. We have seen a significant improvement in tenants' KPIs after completing the training with over 200 tenants having received this training. We have even had significant demand from larger retailers to join the programme as they have seen value in it.

Key focus areas:

- Help tenants improve performance, leading to rental growth.
- Attracting smaller tenants at higher rentals.
- Identifying potential problems early to prevent long-term impact.

OUR PEOPLE



EMPLOYEES BY GENDER

Our people are critical to our success and ensuring we have a motivated and highly skilled workforce is a key strategic focus area. The HR director is responsible for our HR strategy and ensuring it aligns with the overall group strategy. This includes assessing the development and training requirements and implementing the appropriate programmes. The personal development of each employee is a focus area.

We employ 198 people (2017: 153) of which 118 are women and 80 men. Of these 17 women and 22 men are in managerial positions.

The HR department serves as a support for managers and all employees and conducts regular visits to the various shopping centres. In addition HR actively participates in any acquisitions, ensuring employees are adequately prepared as well as addressing change management.

During the year we recruited 41 new employees. We also introduced an Employee of the Month competition and an annual employee award to foster excellence amongst our staff.

The employer market in terms of employee benefits is very competitive in Poland and we therefore pay great attention to the benefits we offer our employees from medical aid to family days and gift vouchers. We are continuously seeking to improve these benefits to ensure we offer our employees the most competitive package. All new employees receive a welcome pack and on-boarding is facilitated in a structured manner.

We place great emphasis on corporate culture and ensuring EPP is regarded as an employer of choice. In doing so we seek to attract highly skilled and talented individuals who are the leaders in their field but also subscribe to our values.

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

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

No cases of discrimination were reported during the year.

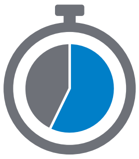
SKILLS DEVELOPMENT AND TRAINING

Employee development is a key focus area for EPP and during the year we focused on the development of managerial staff and the development of subject-related competence for employees. The HR department and managers are responsible for the skills development and training throughout EPP. Training spend totalled PLN290 000, which was an increase year-on-year due to the increased number of employees. Where possible we optimise training efficiencies by customising training to our employees and providing it internally.

The subject-related training covered upskilling employees on internal work tools to improve team performance.

On the managerial side we launched an annual development programme for new managers, which covers communication, planning, goal setting, difficult conversations, change management and motivation. In addition a "manager's toolbox" was introduced to strengthen managers' skills in

19 HOURS
Women



25 HOURS
Men

AVERAGE TRAINING HOURS

recruitment, monitoring and other key management issues. Senior managers are also provided with periodic coaching.

In addition an internal knowledge exchange programme (EPP Academy) was established to facilitate communication between teams, foster mutual collaboration, expand employee knowledge of other areas of the business and increase competitive advantage.

During the year we provided further training on the EPP values particularly the "responsibility" value, which included a first aid course.

We are currently working on implementing a competence model that will be used as the basis for all recruitment, development plans and annual evaluations.

A number of external courses were conducted as set out below:

Training area	Number of women	Number of men
Teambuilding/cooperation of asset managers and shopping centres directors	6	12
Reporting in Dundas (internal reporting system)	8	8
Personal data protection in HR area	2	–
Personal data protection in Marketing area	11	4
Contests, lotteries – taxation	11	4
Workshop about the division of tasks for asset managers	2	3
Coaching for top directors	1	7
Excel	15	53
Debt collection	21	–
Obligations of the property manager in the use of the environment	16	25
Grow with EPP – programme for new managers	9	1
Change management	7	3
First aid training	76	65

Internal training programmes conducted included:

- **Marketing:** new regulations in the protection of personal data, contests, lotteries
- **Asset managers and shopping centre directors:** teambuilding and division of tasks
- **Shopping centre directors:** dashboard tool, formal and legal requirements
- **HR:** new regulations in the protection of personal data
- **Employees involved in reporting and analyses:** Excel training
- **Lease and settlement specialists:** debt collection training
- **Grow with EPP:** an annual programme for new managers
- **Change management:** training for property managers
- **Senior managers:** coaching

SUSTAINABILITY REVIEW

HEALTH, SAFETY AND ENVIRONMENT

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

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.

During the year 26 visits were conducted at our properties. The aim of these visits was to control the quality of safety. Each time, safety areas were verified, mainly in the field of fire safety instructions, safety procedures, evacuation scenarios, external and internal threats. This included controls of dedicated equipment for these scenarios. Equipment was checked for quality and completeness.

In addition, the status, training, knowledge and ability to perform the service by employees was verified. A report was produced which outlined recommendations including:

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

The companies providing our shopping centres with security services also provided additional training for their security guards inside their structures.

Advancements, developments and initiatives introduced to the portfolio during the year in terms of the principles of green building included:

- Water use optimisation programmes, including additional water metres that clear water from evaporation towers and air humidifiers, in order to avoid the costs of sewerage;
- Replacement of lighting with LED;
- Extension of BMS systems in order to make it possible to add additional device control to optimise energy consumption; and
- Introduction of evolution energy monitoring system in our buildings.

Within the EPP portfolio 15 buildings have LEED, BREEAM or EU Green building certifications.

In terms of our recycling targets, the containers and segregation system in our properties have been adapted to the profile of the business and relate to paper and cardboard packaging, plastic packaging, glass packaging, multi-material packaging, municipal waste and biodegradable kitchen waste. Separate containers in storage areas are provided to minimise mixed municipal waste. In addition, pre-segregation containers were set up in publicly accessible places like shopping centre corridors in order to create a habit of separation.

There is currently no obligation or aggregation or comparison of emission data at group level. However, all reporting obligations to KOBIZE (National Centre for Emissions Management and Balancing) and CRO (Central Register of Operators) as well as reports on emissions to Voivodship Marshals are carried out. As emissions from individual operating installations are at a standard level, no carbon footprint assessment for EPP is planned.

CORPORATE SOCIAL INVESTMENT

At EPP we care about the people, not only our employees and customers but every human being. A CSI policy is in place and during the year we supported a number of foundations.

GREAT ORCHESTRA OF CHRISTMAS CHARITY ("GOCC")

This nationwide charity was supported by a number of our centres including Galaxy and Galeria, Echo Twierdza in Zamość.

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

SYNAPSIS FOUNDATION

EPP supported the *Synapsis Foundation* during the nationwide autism awareness day on 2 April.

Galeria Echo and the Q22 skyscraper in Warsaw, which is managed by EPP, were lit up in blue in support. The countrywide organisation seeks to foster understanding and integration into society for autism sufferers.

I HELP PROJECT

In September, chief executive officer Hadley Dean and chief financial officer Jacek Bagiński, along with popular Polish actress Anna Dereszowska, took part in a joint photo session for the *I help project*, organised by the Business & Prestige website for the *I Have a Dream Foundation*, which helps seriously ill children to fulfil their wishes. The photo session will be included in a calendar and the profits from its sale, as well as donations from the companies participating in the project, will be donated to the *I Have a Dream Foundation*.

SPARK FOUNDATION FOR CHILDREN WITH CANCER

Together with Eurobuild and the owner of Q22, EPP invited children with cancer under the care of the *Spark Foundation* to the Q22 building for a fun-filled day of activities. **Children enjoyed the spectacular panorama of Warsaw from EPP's office on the 36th floor and were met by "superheroes"** – the cleaning crew dressed up as their favourite characters. One photo of the event, taken by artist Filip Klimaszewski, won a special prize at the 8th Leica Street photo competition.

CARING FOR THE ENVIRONMENT

Our CSI extends to the environment and we are focused on involving the local community. We introduced eco-friendly cleaning solutions and organised numerous events supporting recycling. Some examples are set out below.

GO GREEN, GO CLEAN

EPP launched Go Green, Go Clean – **the first project in Poland whose aim is to promote environmentally friendly cleaning services marked with the EU Ecolabel sign.** Partners involved in the programme will act to promote environmentally and people friendly services, solutions and products dedicated to maintaining cleanliness at retail facilities and public utility properties. By 2021, EPP aims to cooperate only with businesses offering cleaning services marked with the EU Ecolabel sign.

BUILDING HOMES FOR CATS IN THE GALERIA SOLNA

Because of daily deliveries of goods to tenants, large amounts of styrofoam and cardboard boxes become available at shopping centres. We came up with the idea of involving schoolchildren in building winter homes for cats. **Over 300 children participated in the four-day event.** While the pupils took turns in building homes for the animals, the tenants were happy to deliver the needed materials. In the final stage of the cat home construction process, pre-schoolers decorated the designs with paints and stamps. The success of their efforts and wide involvement generated wide media attention.

PLANTING TREES

EPP upheld its promise to plant one tree for every 1 000 m² of leased space in the area of its office building in Warsaw – Park Rozwoju. As a result 11 trees were planted. The director of the Warsaw Board of Greenery took part in the planting ceremony as well as board members from Schneider and Ericsson – the tenants who extended the lease. Park Rozwoju and local inhabitants were invited as well. The trees will be a part of a linear park implemented by the Warsaw Board of Greenery.

EMPLOYEE INITIATIVES

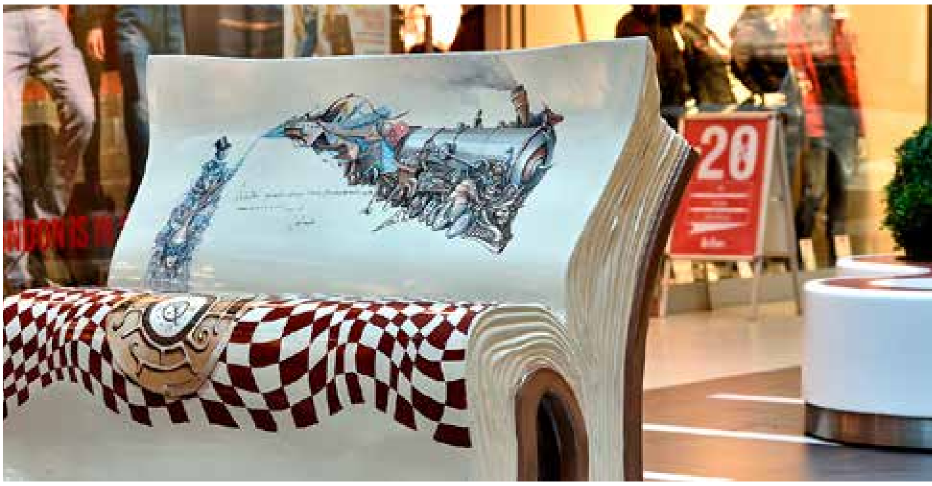
EPP is proud of its employees and supports their passions and involvement in charity activities. Some of these include: collecting funds to buy presents for a school in a rural area during the Children's Day in Kampinos, collecting sweets for kids from the children's home as a part of the action Moto Mikołajki at Christmas time, and collecting gifts for dogs and cats from the shelter Na Paluchu near Warsaw.

PROMOTING IMPORTANT SOCIAL ACTIONS BY PROVIDING FREE SPACE RENTAL

Our shopping centres support important social initiatives by providing free rental space. This not only leads to interesting events for our shoppers but at the same time enables us to **promote important social initiatives like blood donations, hair donations to make wigs for women with cancer and supporting readership.**

READING BENCHES IN GALERIA ECHO

Between September and November, a display of colourful benches occurred in Galeria Echo. By sitting on these special benches, **designed by famous artists and cultural icons, visitors could download a free audio-book.** This event was organised by the Bookworm Foundation, which promotes readership and social education.



WE SUPPORT SPORT

In EPP we not only support local sport teams like KS PGE VIVE hand ball team in Kielce and Skra Bełchatów volley ball team but also sport charity events. Our employees are very enthusiastic about these competitions. This year the EPP team took part in the JLL Charity Volleyball Tournament which is the best-known sport initiative in the real estate branch. The money collected from the entry fee, donations from participating companies and auction held during the event were donated to a foundation helping visually impaired and blind children. Our employees have also run in a charity relay race called Business Run and an extreme race with obstacles Runmaggedon.

We also promote sport in our shopping centres.

05

Governance

ZAKOPIANKA


orange
Orange
PIEKARNIA CUKIERNIA
AWITEKS

ETHICAL LEADERSHIP

We are committed to being a good corporate citizen and acting with the highest standards of ethical behaviour at all times. We see sound corporate governance as a critical driver of sustainable growth. The board is ultimately responsible for the ethical behaviour of the business. In conducting the affairs of the company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by both King IV and the Dutch Corporate Governance Code.

The directors ensure effective ethical leadership through leadership by example, balancing the business' sustainability with the best interests of stakeholders. They also regularly review the company's governance structures. In regularly reviewing the company's governance structures, the board exercises and ensures effective and ethical leadership, always acting in the best interests of the company and at the same time concerning itself with the sustainability of its business operations.

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

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

EPP materially complies with the principles of King IV and our application is set out in detail on our website https://www.epp-poland.com/s,132,corporate-governance.html. EPP also complies with the Dutch Corporate Governance Code and exceptions to this application are set out on page 2.

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

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

THE BOARD

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

Set strategic objectives

Determine investment and performance criteria

Review corporate governance structures

Responsible for sustainability, proper management and control

COMMITTEES

Audit and risk committee	Nomination and remuneration committee	Social and ethics committee	Investment committee
See full report on page 83	**See full report on page 72**	**See full report on page 82**	**See full report on page 82**
Peter Driessen (chairperson) Andrea Steer Robert Weisz Marek Belka (appointed to committee 14 June 2018)	Andrea Steer (chairperson) (appointed 14 June 2018) Marek Belka Dionne Ellerine Robert Weisz (appointed to committee 14 June 2018)	Dionne Ellerine (chairperson) Andrea Steer Nebil Senman	Marc Wainer (chairperson) Hadley Dean Peter Driessen Maciej Dyjas Andrew König Nebil Senman

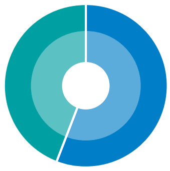
Responsibilities

Audit and risk committee	Nomination and remuneration committee	Social and ethics committee	Investment committee
◆ 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

Audit and risk committee	Nomination and remuneration committee	Social and ethics committee	Investment committee
3/3	3/3	2/3	1/6

* *Independent non-executive.*
\# *Non-executive.*

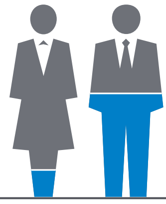


56% Independent non-executive

44% Non-executive

BOARD INDEPENDENCE

18% Female



82% Male

BOARD COMPOSITION BY GENDER

THE BOARD

EPP maintains a one-tier board comprising 11 directors, two executives and nine non-executive directors, of whom five are considered independent according to King IV and the Dutch Code. The chairman, Robert Weisz, is an independent non-executive director whose role is clearly separated from that of the chief executive officer. No one director has unfettered powers of decision-making.

The board is collectively responsible for EPP's management and the general affairs of EPP's business. Each member of the board has a duty to properly perform the duties assigned to him or her and to act in EPP's best corporate interest. The board sets the strategic objectives of EPP and determines the company's investment and performance criteria, and is in addition responsible for the company's sustainability, proper management, control and compliance, and the ethical behaviour of the businesses under its direction. The board's sub-committees were established to give detailed attention to certain of its responsibilities, which operate within defined, written terms of reference that are capable of amendment by the board from time to time as the need arises.

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

The non-executive directors are entrusted with the supervision of the performance of the tasks by members of the board.

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

- EPP's mission and strategic objectives, their implementation and principal risks associated with them;
- Contributions to long-term value creation of the company and its feasibility;
- The company's financial results;
- A performance review of the board and evaluation of the company's remuneration policy;
- Risk management process and mitigation of key risks;
- Evaluation and re-appointment 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.

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.

In terms of the articles of association, one-third of the non-executive directors are re-elected annually. Accordingly, Andrew König and Nebil Senman will retire by rotation and, being eligible, will stand for re-election at the upcoming annual general meeting.

The board appraises the chairman's performance annually, while the nomination and remuneration committee is responsible for appraising the performance of the chief executive officer and other senior executives annually. Individual directors' performance is also appraised annually by the chairman and nominations for reappointment of a director only occur after the evaluation of the performance and attendance of the director. A self-evaluation exercise on the board and committees was conducted during the year and areas marked for improvement have been 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#	Investment committee meetings
Mr R Weisz	5/5	9/9	4/8	
Mr HJT Dean	5/5	1/9		1/1
Mr J Bagiński	5/5	2/9		
Mr PJR Driessen	4/5	9/9		1/1
Mrs AP Steer	5/5	6/9	8/8	
Mr MM Belka	4/5	2/9*	4/8	
Mr MW Dyjas	4/5			1/1
Mr N Senman	4/5			1/1
Mrs DT Ellerine	5/5		8/8	
Mr M Wainer	4/5			1/1
Mr AJ König	5/5			1/1

Some meetings were held by or attended by teleconference.
 # The nomination and remuneration committee appointed R Weisz to replace MM Belka effective from 14 June 2018.
** Appointed as a member of the audit and risk committee effective 14 June 2018.*

The social and ethics committee did not meet during the year.

SUCCESSION PLANNING

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

GENDER DIVERSITY

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

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

SHARE DEALINGS AND CONFLICTS OF INTEREST (SOUTH AFRICA)

All directors and senior executives with access to financial and any other price-sensitive information are prohibited from dealing in EPP shares during "closed periods", as defined by the JSE Listings Requirements, or while the company is trading under cautionary. An email is distributed informing the relevant individuals when the company is entering a closed period. At all other times directors are required to disclose any share dealings in the company's securities to the chief financial officer and company secretary for approval. The chief financial officer and company secretary, together with the sponsor, ensure that share dealings are published on SENS.

FINANCIAL AND OPERATING CONTROLS

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

GOING CONCERN

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

BUSINESS RESCUE

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

ANTI-TAKEOVER MEASURES

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

INTERNAL CONTROLS

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

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

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

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

A tailored internal risk management and control system is in place. EPP's management closely monitors the operational controls to ensure that 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 board has direct access to the company secretary, Rafał Kwiatkowski, who provides guidance and assistance in line with the requirements outlined in King IV and the JSE Listings Requirements.

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

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

IT AND INFORMATION GOVERNANCE

A dedicated director of IT is in place and reports weekly to the management board members responsible for IT. EPP's IT was fully internalised at the end of 2018.

A formal policy on the use of computer systems, confidentiality and data security is in place and was adopted by the board in December 2017. During the year a Security Policy and Information Systems Management Manual were implemented.

The department is currently focusing on setting up independent IT systems. Going forward we intend conducting an independent security audit. In order to secure information against unauthorised access, directory services were implemented. Users are authorised based on a unique login and password. In this way, access to computers, the company's wireless network, access via VPN, access to Microsoft cloud services (including email) is protected. The company network is secured by firewalls, IPS probes, content filters and anti-virus scanning. Server resources are secured by redundancy, virtualisation and backup of their contents. Detailed information on security is contained in the IT System Management Instruction, which is regularly updated.

CORPORATE GOVERNANCE (CONTINUED)

Information protection and IT security are critical issues and EPP strives to implement solutions that minimise the risk of loss or unauthorised access to information. This requires continuous investment in both hardware and software. Equally important is investing in human resources and continuous training of people responsible for IT and IT security. We therefore provide staff with the opportunity to improve their qualifications as well as access to the latest technologies.

With the implementation of new technology we are able to minimise the risk and ensure the security of our data and software. These included introducing spare internet connections to server rooms, purchase of back-up servers, the transfer of services from Echo Investment's servers to EPP's own server platform and the installation of identity management products.

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

LEGAL COMPLIANCE

The board is ultimately responsible for ensuring compliance with laws and regulations. New legislation that impacts the group is discussed at board meetings. The directors are assisted in this regard by the company secretary.

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

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

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

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

GALERIA TWIERDZA KŁODZKO

CORPORATE GOVERNANCE CODE IN THE NETHERLANDS

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

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

EXCEPTIONS TO THE APPLICATION OF THE DUTCH CODE

Certain principles and best practice provisions in the Dutch Code do not apply to EPP or are not yet implemented within the organisation. EPP remains a fast-growing business having only been listed for two years and is continually formulating its regulations and policy. Reasons as to why and to what extent EPP has not yet implemented or decided not to adopt certain principles and best practice provisions are explained below.

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 the internal audit function will be reassessed on an annual basis. The management board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.

1.3.5 Reports of findings

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

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

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

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

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

Principle 2.1: Composition and size

2.1.5 Diversity policy

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

A gender diversity policy in respect of the management board is in place. EPP's gender diversity policy does not relate to the executive committee and does not address concrete targets relating to nationality, age education and work background.

Referring to best practice 2.1.6, EPP recognises the benefits of diversity, including gender balance. However, the company feels that gender is only one part of diversity. Board members will continue to be selected on the basis of wide ranging experience, backgrounds, skills, knowledge and insights. EPP continues to strive for more diversity on the higher management level as well as in the board (see page 60 for further detail).

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.

2.3.2 Establishment of committees

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

EPP applies this best practice in its one-tier structure. The company has combined the remuneration committee and selection and appointment committee into one nomination and remuneration committee. Due to the size of the company maintaining a separate remuneration committee and selection and appointment committee it not deemed to be efficient.

2.3.6 Chairman of the supervisory board

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

i. the supervisory board has proper contact with the management board, the employee participation body (if any) and the general meeting;
ii. the supervisory board elects a vice-chairman;
iii. there is sufficient time for deliberation and decision-making by the supervisory board;
iv. the supervisory board members receive all information that is necessary for the proper performance of their duties in a timely fashion;
v. the supervisory board and its committees function properly;
vi. the functioning of individual management board members and supervisory board members is assessed at least annually;
vii. the supervisory board members and management board members follow their induction programme;
viii. the supervisory board members and management board members follow their education or training programme;
ix. the management board performs activities in respect of culture;

x. the supervisory board recognises signs from the enterprise affiliated with the company and ensures that any (suspicion of) material misconduct and irregularities are reported to the supervisory board without delay;
xi. the general meeting proceeds in an orderly and efficient manner;
xii. effective communication with shareholders is assured; and
xiii. the supervisory board is involved closely, and at an early stage, in any merger or takeover processes.

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

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

2.3.7 Vice-chairman of the supervisory board

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

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

Principle 2.4: Decision-making and functioning

2.4.2 Other positions

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

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

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.

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

Principle 2.7: Preventing conflicts of interest

2.7.3 Reporting

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

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

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

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

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

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

EPP for the most part complies with this best practice to the extent possible in a one-tier structure, except that no formal vice-chairman has been appointed. If the chairman of the management board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, in practice he shall report this immediately to another non-executive director. In cases where conflict of interest existed in the past year, adequate safeguards were applied.

2.7.4 Accountability regarding transactions: management board and supervisory board members

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

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

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

In 2018 there were two transactions in which the management board members, Marciej Dryjas and Nebil Senman as directed beneficial shareholders of Griffin had a conflict of interest in relation to Griffin intermediation/ advisory agreement:

- Board resolution dated 24 May 2018 regarding, among other, approval of intermediation agreement in Marcelin acquisition.

- Board resolution dated 28 November 2018 regarding, among other, intermediation in arranging the facility agreement with CPPIB Credit Investments Inc.

The best practice provisions 2.7.3 and 2.7.4 have been complied with, ie:

- The board members reported the conflict of interest without delay and provided all relevant information in that regard.
- They were excluded from voting over the transactions where conflict of interests existed.
- The transactions have been agreed on terms customary on the market.
- The non-executive directors approved the decisions to enter into transactions, where conflict of interest existed.

Principle 3.1: Remuneration policy – management board

3.1.2 Remuneration policy

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

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

EPP does not entirely comply with this best practice. It has prepared a long-term incentive programme 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. In order to strengthen employee loyalty, all shares transferred under the long-term incentive programme will remain under a 2.5 year lock-up, calculated from the end-date of the relevant reference period. During this lock-up period the participant is not allowed to sell, or otherwise transfer or encumber the shares, without the consent of the management board consents. Taking into account the short history of the company, its development stage and additional safeguarding measures, the current lock-up period of 2.5 years is deemed to be appropriate.

Additionally, the remuneration policy does not currently include scenario analyses carried out in advance, which will be added in the future. The remuneration report is set out on page 72 of this integrated report.

Principle 3.4: Accountability for implementation of remuneration policy

3.4.2 Agreement of management board member

The main elements of the agreement of a management board member with the company should be published on the company's website in a transparent overview after the agreement has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the management board member will be proposed.

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

Principle 4.1: The general meeting

4.1.3 Agenda

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

i. material changes to the articles of association;
ii. proposals relating to the appointment of management board and supervisory board members;

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

The agenda for the annual general meeting of 2018 did not include the appointment of the external auditor as no decision on the engagement of the external auditor had been made at the time. Subsequently an extraordinary general meeting was held to appoint the external auditor. A resolution with regard to the appointment of a new auditor will be part of the 2019 annual general meeting.

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

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

EPP did not comply with this best practice in 2018. No management board members were present at the annual general meeting as no shareholders registered to be physically present at the meeting, votes were cast through proxies granted to the chairman and no (representatives) of shareholders attended the annual general meeting. In situations where at least one shareholder (representative) intends to attend the annual general meeting in person, the company will ensure attendance.

Principle 4.3: Casting votes

4.3.3 Cancelling the binding nature of a nomination or dismissal

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

EPP does not entirely comply with this provision. In due observance of statutory provisions, the company's general meeting may overrule the binding nomination by a resolution adopted by a majority of at least two-thirds of the votes cast representing more than half of the issued capital. The mechanism provided by the articles of association sufficiently secures the interests of shareholders allowing them to cancel the binding nature of a nomination or dismissal.

NOMINATION AND REMUNERATION COMMITTEE REPORT

PART 1: BACKGROUND STATEMENT

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

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

The remuneration policy and the remuneration implementation report will be put to separate non-binding advisory shareholder votes at the upcoming annual general meeting of the company. In the event of 25% or more of voting rights exercised against either or both of the non-binding advisory votes, the board undertakes to engage actively with dissenting shareholders in order to address all legitimate and reasonable objections and concerns. We invite our shareholders to engage with us regarding the changes to our policy and reporting.

EPP has successfully attracted and retained high calibre talent at all levels, and the remuneration policy is designed to facilitate and consolidate this achievement. As we understand that all employees are integral to our success, we are committed to fair and responsible remuneration. We have thus considered executive management's remuneration in light of the remuneration of all employees, and over time have made adjustments to our policy to reflect our commitment to paying fairly, responsibly and transparently.

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 performance.

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, certain changes have been implemented to further align the policy with our strategy. These are outlined below in part 2 of this report.

Use of remuneration advisers

The nomination and remuneration committee received advice from Egon Zehnder during the year, in terms of the evaluation of the board. The committee is satisfied that the advice received was objective and independent.

In addition to using Egon Zehnder, the nomination and remuneration committee also took advice from Korn Ferry Hay on reviewing and setting bonus targets for 2018/2019.

Voting results

At the annual general meeting held on 24 May 2018, the non-binding advisory vote on the company's remuneration policy received 86.68% in support of the policy and 87.38% in support of the remuneration implementation report.

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

Elements of remuneration

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

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

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

Fixed annual base salary

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

Short-term variable remuneration

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

Long-term variable remuneration

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

Key conditions of the LTI Plan are as follows:

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

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NOMINATION AND REMUNERATION COMMITTEE REPORT (CONTINUED)

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

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

   In the year ended 31 December 2017 the first tranche of 1 850 000 shares was granted to the Members of Key Personnel, their fair value amounting to €1 810 000, out of which 800 000 shares remained as treasury shares on the company's trading account as of 31 December 2017. The outstanding 800 000 shares were subsequently transferred to the Members of Key Personnel in 2018.

   In the year ended 31 December 2018 the second tranche of 1 832 000 shares was granted and transferred to the Members of Key Personnel, their fair value amounting to €2 312 000. The shares were granted based on fulfilment of service and performance conditions.

Changes to the remuneration policy

At the annual general meeting held on 24 May 2018, shareholders approved an amendment to the remuneration policy to allow non-executive directors and not only independent non-executive directors to be paid compensation.

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

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

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

Policy relating to setting of non-executive directors' fees

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

The fees payable for 2018 were paid on the basis recommended by the nomination and remuneration committee and by the board and approved by shareholders at the annual general meeting held on 24 May 2018. Proposed fees for 2019 will be contained within the notice of the 2019 annual general meeting. The amounts were accrued based on the very good financial performance in the current year.

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 THE 2018 FINANCIAL YEAR

Termination of employment

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

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NOMINATION AND REMUNERATION COMMITTEE REPORT (CONTINUED)

The details of the directors' emoluments accrued or paid for the years ended 31 December 2018 and period to 31 December 2017 are set out in the table on page 137.

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

1. *Value of shares granted and transferred in tranche 2 of the LTI Plan.*
2. *Other includes car lease expenses and medical insurance.*

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	Basic salaries	Directors' fees	Bonuses and other performance payments	Share-based payment[2]	Other[4]	Total
Year ended 31 December 2017						
Executive directors						
Hadley Dean	475	–	500[5]	2 567	22	3 564
Jacek Bagiński	243	–	300	1 444	10	1 997
Maciej Drozd[1]	87	–	–	–	–	87
Total	805	–	800	4 011	32	5 648
Non-executive directors						
Robert Weisz	–	90	–	–	–	90
Marc Wainer	–	35	–	–	–	35
Marek Belka	–	66	–	–	–	66
Andrew König	–	30	–	–	–	30
Maciej Dyjas	–	30	–	–	–	30
Przemysław Krych[3]	–	30	–	–	–	30
Nebil Senman	–	30	–	–	–	30
Dionne Ellerine	–	60	–	–	–	60
Andrea Steer	–	80	–	–	–	80
Peter Driessen	–	79	–	–	–	79
Total	805	530	800	4011	32	6 178

1. *Maciej Drozd retired from the board of directors on 19 May 2017.*
2. *Expenses related to the LTI Plan recognised in 2017 in profit and loss account. The value of shares granted and transferred to the executive directors was €1 027 000 in total.*
3. *Przemysław Krych resigned from the board of directors on 20 December 2017.*
4. *Other includes car lease expenses and medical insurance.*
5. *The actual pay-out of the bonus related to the year 2017 amounted to €425 000.*

The following did not occur in 2018 nor in 2017:

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

The nomination and remuneration committee

6 March 2019
Amsterdam

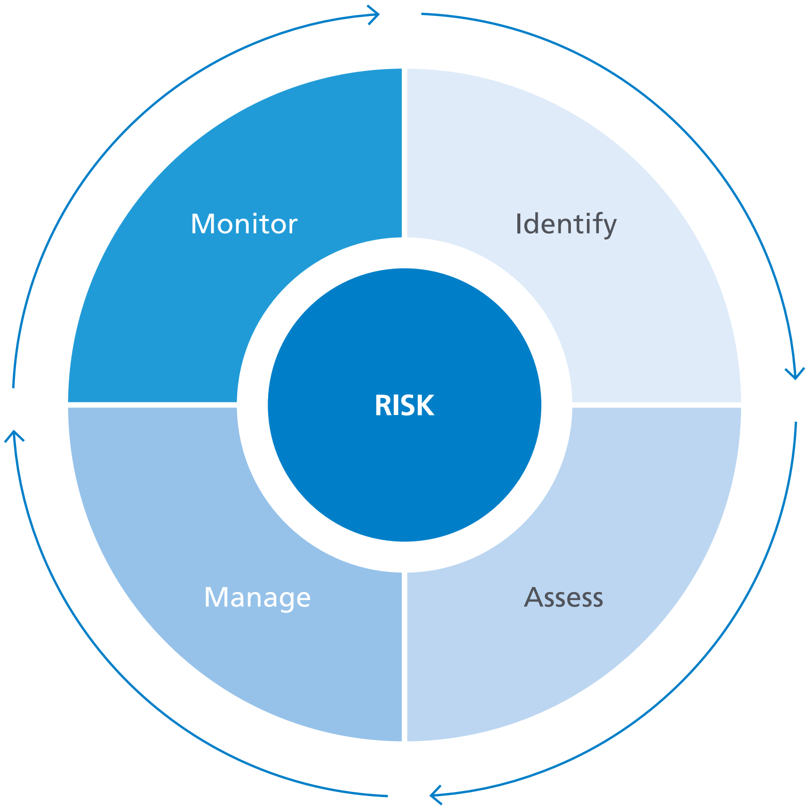
RISK MANAGEMENT

RISK MANAGEMENT PROCESS

Risk management is integral to the company's growth strategy and ensuring that our strategic objectives are met. The risk management policy is in accordance with industry practice and specifically prohibits EPP from entering into any derivative transactions that are not in the normal course of the company's business. A process is in place to identify, assess, manage and monitor risks.

RISK MANAGEMENT FRAMEWORK

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



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RISK APPETITE

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

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

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

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

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

Risk	Mitigation
Strategic and business risks	
Market value of the portfolio Significant decreases in estimated rental value and rent growth would result in significantly lower fair value of the portfolio.	Active asset management by: • Ensuring high occupancy levels • Proactive asset and property management through internally generated information management system • Contractual leases with financially sound tenants • Geographic diversity • Tenant mix and active tenant assistance programme • Staggering of major lease expiries
Financial risks	
Liquidity risk	• Bank deposits and loans monitoring the available cash position on a daily basis • Continuing analysis of cash requirements • Dedicated team in place to actively manage the financing needs of the fast-growing business • Closely monitor loan to value ratio
Interest rate risk	• Interest rate swaps • Hedging policy
Credit risk	• Assessment of tenants according to group criteria prior to entering into lease arrangements • Requirement of tenants to pay rentals in advance and present security of liabilities • Assessment of credit quality of tenant based on a credit rating scorecard • Regular monitoring of outstanding tenants' receivables • Perform impairment analysis at each reporting date
Development risk	
A delayed schedule for master planning, increased costs of construction and rental revenues below expectations may significantly impact the results of investments.	• Partnership dialogue and cooperation with city authorities • Provide assurance on positive social and urban impact of projects • Development partner Echo Investment S.A. with long-term experience in both construction and development of commercial projects across Poland • Development director appointed at each project, supervised by EPP technical director • Cost assessments updated on current market conditions
E-commerce Certain tenant sales may reduce due to increased online sales.	• Asset management team focused on improving customer experience by increasing food and beverage and attractiveness of leisure areas

Risk	Mitigation
Human capital risks	
Loss of key skills	◆ Skills development and training ◆ Seeking to be employer of choice ◆ Competitive remuneration ◆ Long-term share incentive scheme for executive team members
Operational risks	
Profitability Increased operational costs could impact profitability.	◆ Internalisation of property and facility management enabling full control of property management process ◆ Operational control of budget performance ◆ Structuring lease agreements with operational costs recharged to tenants ◆ Green building certification
Attractive retail centres Requirement for constant maintenance to meet latest standards. Poor maintenance could lead to undesirable environments which could reduce footfall.	◆ Professional and technical teams in place to ensure long-term maintenance plan is budgeted and executed ◆ Each centre overseen by asset manager and supervised by head of retail
Compliance risks	
Tax compliance	◆ External specialist tax advisors ◆ Monitoring the efficiency of the tax strategy across the group's operating structures ◆ External legal advisor in each jurisdiction in which it operates
Non-compliance with laws and regulations	◆ Regular assessment of new legislation that may impact the group by management and the board, assisted by company secretary and internal legal department ◆ New legislation initiatives and other regulatory changes monitored at an early stage by respective team members supported by external advisors, in each jurisdiction of operation

SOCIAL AND ETHICS COMMITTEE REPORT

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

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

During the year the committee comprised two independent non-executive directors: Dionne Ellerine, who chairs the committee, Andrea Steer, as well as non-executive director Nebil Senman. The committee will meet in the second quarter of 2019.

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

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

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

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

Dionne Ellerine
Chairman, social and ethics committee

6 March 2019

INVESTMENT COMMITTEE REPORT

The investment committee comprises Marc Wainer (chairperson), Peter Driessen, Andrew König, Maciej Dyjas, Nebil Senman and Hadley Dean.

All of the members of the committee are experienced investors who have successfully concluded and realised investments in the property sector, in Poland or internationally. The committee's primary objective is to consider suitable acquisitions, which fit within the company's business strategy; and to make final decisions regarding acquisitions and disposals to be made by the company. The committee acts under a delegated mandate from the board.

The investment committee meets on an ad hoc basis as may be required in order to fulfil its mandate. Attendance for the committee is set out on page 61.

AUDIT AND RISK COMMITTEE REPORT

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

The following independent non-executive directors served on the audit and risk committee during the 2018 financial year:

- Peter Driessen (chair)
- Andrea Steer
- Robert Weisz
- Marek Belka (appointed to committee 14 June 2018)

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

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

The audit and risk committee meets at least three times a year and attendance of directors is set out on page 61. Special meetings are convened as required. The external auditors and executive management are invited to attend every meeting and executives and managers responsible for finance and the external auditors as well as the compliance officer attend the audit and risk committee meetings.

The audit and risk committee is responsible for reviewing the finance function of the company on an annual basis. The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems. The committee accordingly confirms that EPP has established appropriate financial reporting procedures and that those procedures are operating.

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

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

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

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

The audit and risk committee has also assessed the suitability for appointment of the external auditor Ernst & Young Inc. and Ernst & Young Accountants LLP, and designated individual partner, in line with paragraph 3.84h(iii) of the JSE Listings Requirements and has further satisfied itself that they are independent of the company. In addition, the committee has requested from the audit firm the information detailed in paragraph 22.15(h) of the JSE Listings Requirements in their assessment of the suitability for appointment of their current audit firm and designated individual partner and was satisfied that:

- the audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;
- the auditors have provided to the audit and risk committee, the required Independent Regulatory Board for Auditors inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels; and
- both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

The committee has reviewed the integrated report for completeness and accuracy relative thereto.

Peter Driessen
Chairman audit and risk committee

06

Property portfolio


FOREVER
RESERVED
eobuwie.pl
50%

INCOME GENERATING PROPERTY PORTFOLIO

RETAIL

Asset name	Location	Rentable area (m²)	Fair value as at 31 December 2018 (€ m)	Weighted average rental per m² for rentable area
Pasaż Grunwaldzki	Wrocław	48 093	255.7	22.7
Galaxy	Szczecin	56 642	285.2	22.8
Galeria Echo	Kielce	71 869	230.1	14.1
Galeria Amber	Kalisz	33 546	93.4	13.3
Galeria Veneda	Łomża	15 026	40.7	13.9
Outlet Park	Szczecin	28 137	95.5	15.6
Galeria Sudecka	Jelenia Góra	30 268	61.0	10.6
Galeria Olimpia	Bełchatów	32 703	56.7	9.8
Centrum Echo	Przemyśl	5 759	5.0	6.5
Twierdza Kłodzko	Kłodzko	23 039	51.5	11.5
Wzorcownia	Włocławek	25 423	52.7	14.1
Twierdza Zamość	Zamość	23 806	54.1	13.7
Zakopianka	Kraków	26 142	59.5	17.3
Galeria Solna	Inowrocław	23 551	57.6	13.8
King Cross Marcelin	Poznań	45 393	103.0	12.7
M1 – Czeladź	Czeladź	53 648	130.2	12.6
M1 – Kraków	Kraków	49 643	131.1	13.6
M1 – Łódź	Łódź	38 370	39.7	6.8
M1 – Zabrze	Zabrze	52 775	82.5	9.1
Total		683 833	1 885.2	14.3


Galaxy
Outlet Park
Wzorcownia
Veneda
Galeria Solna
M1 Łódź
King Cross Marcelin
Galeria Twierdza Kłodzko
Pasaż Grunwaldzki
Galeria Echo
Galeria Sudecka
Centrum Echo
Galeria Twierdza Zamość
Galeria Amber
M1 Zabrze
M1 Czeladź
Zakopianka
M1 Kraków
Olimpia
Szczecin
Łomża
Inowrocław
Włocławek
Poznań
Łódź
Kalisz
Bełchatów
Wrocław
Jelenia Góra
Kielce
Zamość
Czeladź
Kłodzko
Zabrze
Kraków
Przemyśl

INCOME GENERATING PROPERTY PORTFOLIO (CONTINUED)

DEVELOPMENTS

Asset name	Location	Rentable area (m²)	Fair value as at 31 December 2018 (€ m)
Towarowa 22	Warsaw	–	102.00
Młociny	Warsaw	84 400	328.30
Total		84 400	430.30

OFFICE

Asset name	Location	Rentable area (m²)	Fair value as at 31 December 2018 (€ m)	Weighted average rental per m² for rentable area
Malta Office Park	Poznań	28 309	57.6	13.5
Park Rozwoju	Warsaw	33 824	70.7	13.5
Astra Park	Kielce	14 269	31.9	13.3
Oxygen	Szczecin	13 924	28.4	13.9
Symetris Phase	Łódź	19 254	40.3	12.9
O3 Business Campus	Kraków	37 881	87.5	13.3
Total		147 462	316.4	13.4


Młociny
Towarowa 22
Symetris
Oxygen
Szczecin
Poznań
Łódź
Warsaw
Park Rozwoju
Malta Office Park
Kielce
Kraków
Astra Park
O3 Business Campus

07

Annual **financial statements**

GENERAL INFORMATION

as at 31 December 2018 and for the year ended 31 December 2018

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 company changed its name from Echo Polska Properties N.V. to EPP N.V. and commenced trading under the name EPP N.V. with effect from 26 April 2018.

The consolidated financial statements for the year ended 31 December 2018 comprise the company and its subsidiaries (the "group" or "EPP Group"). A list of subsidiaries is disclosed in note 27.

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 JSE Securities 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 2018 the composition of the company's board of directors was as follows:

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

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

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

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

JSE Auditors
Ernst & Young Incorporated
Company registration number: 2005/002308/21
102 Rivonia Road, Sandton
South Africa

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

as at 31 December 2018 and for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Rental income and recoveries*	17	**157 506**	151 706
Straight-line rental income	17	**–**	504
Service charge income	17	**39 610**	–
Property operating expenses		**(54 442)**	(48 955)
Net property income		**142 674**	103 255
Other income		**378**	713
Other expenses		**(1 414)**	(1 348)
Administrative expenses	18	**(15 821)**	(15 586)
Net operating profit		**125 817**	87 034
Net gain from fair value adjustment on investment properties	5	**17 473**	75 305
Profit from operations		**143 290**	162 339
Finance income	19	**4 865**	7 419
Finance costs	20	**(39 758)**	(23 085)
Foreign exchange gains/(losses)		**5 814**	(1 827)
Participation in profits of joint ventures	4	**23 381**	16 059
Profit before taxation		**137 592**	160 905
Current income tax	22	**(8 914)**	(4 873)
Deferred tax	22	**(4 513)**	(27 684)
Profit for the period		**124 165**	128 348
Attributable to EPP shareholders		**124 165**	128 348
Earnings per share:			
Basic and diluted earnings, on profit for the period (€ cents)	23	**15.4**	19.1

* *Rental income includes €1 950 000 of straight-line rental income accrual in 2018.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as at 31 December 2018 and for the year ended 31 December 2018

	2018 €'000	2017 €'000
Profit for the period	**124 165**	128 348
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign currency translation reserve joint ventures	**(2 128)**	3 553
Foreign currency translation reserve subsidiaries	**(3 681)**	(3 403)
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	**(5 809)**	150
Total comprehensive income for the period, net of tax	**118 356**	128 498
Total comprehensive income attributable to the owners of EPP for the period, net of tax	**118 356**	128 498

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018 and for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
ASSETS			
Non-current assets		**2 360 360**	1 797 545
Investment property	5	**2 201 737**	1 655 572
Investment in joint ventures	4	**138 698**	116 009
Tangible assets		**–**	47
Loans receivable	8	**16 202**	25 917
Other non-current assets		**1 815**	–
Deferred tax asset	22	**1 908**	–
Current assets		**111 355**	154 569
Inventory		**250**	525
Tax receivable	6	**589**	209
Trade and other receivables	7	**16 970**	26 723
Loans receivable	8	**5 635**	3 955
Restricted cash	9	**27 571**	23 613
Cash and cash equivalents	10	**60 340**	99 544
Total assets		**2 471 715**	1 952 114
EQUITY AND LIABILITIES			
Equity		**1 022 688**	833 821
Share capital	11	**672 292**	571 026
Share premium	11	**203 318**	147 534
Treasury shares	13	**–**	(783)
Accumulated profit		**147 250**	111 419
Share-based payment reserve	13	**5 921**	4 909
Foreign currency translation reserve		**(6 093)**	(284)
Non-current liabilities		**1 387 212**	941 710
Bank borrowings	14	**1 273 767**	831 183
Loans payable		**–**	1 741
Other liabilities	16	**16 335**	15 033
Deferred tax liability	22	**97 110**	93 753
Current liabilities		**61 815**	176 583
Bank borrowings	14	**30 575**	117 155
Loans payable		**92**	18 019
Tax payables	15	**1 960**	879
Trade and other payables	16	**29 118**	40 353
Provisions		**–**	177
Total liabilities		**1 449 027**	1 118 293
Total equity and liabilities		**2 471 715**	1 952 114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2018 and for the year ended 31 December 2018

	Notes	Share capital €'000	Share premium/ capital reserves €'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 2016		474 702	95 095	–	38 075	(434)	–	607 438
Profit for the year		–	–	–	128 348	–	–	128 348
Other comprehensive income		–	–	–	–	(3 403)	–	(3 403)
Other comprehensive income from joint ventures		–	–	–	–	3 553	–	3 553
Total comprehensive income		–	–	–	128 348	150	–	128 498
Issue of ordinary shares		96 324	56 650	–	–	–	–	152 974
Transaction cost related to issuance of shares		–	(4 211)	–	–	–	–	(4 211)
Acquisition of own shares		–	–	(1 810)	–	–	–	(1 810)
Recognition of share-based payments		–	–	–	–	–	5 936	5 936
Transfer of shares		–		1 027			(1 027)	–
Dividend paid		–	–	–	(55 004)	–	–	(55 004)
Balance as at 31 December 2017		571 026	147 534	(783)	111 419	(284)	4 909	833 821
Profit for the year		**–**	**–**	**–**	**124 165**	**–**	**–**	**124 165**
Other comprehensive income		**–**	**–**	**–**	**–**	**(3 681)**	**–**	**(3 681)**
Other comprehensive income from joint ventures		**–**	**–**	**–**	**–**	**(2 128)**	**–**	**(2 128)**
Total comprehensive income		**–**	**–**	**–**	**124 165**	**(5 809)**	**–**	**118 356**
Issue of ordinary shares	11	**101 266**	**56 234**	**–**	**–**	**–**	**–**	**157 500**
Transaction cost related to issuance of shares	11	**–**	**(450)**	**–**	**–**	**–**	**–**	**(450)**
Acquisition of own shares		**–**	**–**	**(2 312)**	**–**	**–**	**–**	**(2 312)**
Transfer of own shares	13	**–**	**–**	**3 095**	**–**	**–**	**(3 095)**	**–**
Share-based payments expenses	13	**–**	**–**	**–**	**–**	**–**	**4 107**	**4 107**
Dividend provided for or paid	12	**–**	**–**	**–**	**(88 334)**	**–**	**–**	**(88 334)**
Balance as at 31 December 2018		**672 292**	**203 318**	**–**	**147 250**	**(6 093)**	**5 921**	**1 022 688**

CONSOLIDATED STATEMENT OF CASH FLOW

as at 31 December 2018 and for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Profit before tax		**137 592**	160 905
Adjustments:			
Amortisation/depreciation of fixed assets		**–**	39
Straight line adjustment	17	**(1 950)**	(504)
Share base payment reserve		**1 012**	4 909
Valuation gain on investment property	5	**(17 473)**	(71 721)
Share of profit in joint ventures		**(23 381)**	(16 059)
Finance income		**(4 865)**	(7 419)
Finance expense		**39 802**	23 085
Working capital adjustments:			
Increase in rent and other receivables		**8 166**	10 043
Increase in prepayments and accrued income		**(1 587)**	(3 634)
Increase in inventory and other assets		**275**	(451)
Increase of restricted cash		**(3 958)**	(1 768)
Increase in trade, other payables and accruals		**(12 803)**	18 677
Movements in tenants' deposits		**916**	2 547
Cash generated from operations		**121 746**	118 649
Tax paid		**(8 212)**	(4 167)
Net cash generated from operating activities		**113 534**	114 482
Investing activities			
Purchase of investment property	5	**(498 643)**	(321 849)
Investments in joint ventures	4	**–**	(19 317)
Capital expenditure on completed investment property		**(24 745)**	(44 724)
Disposal of investment property	5	**–**	155 551
Loans granted		**(1 273)**	(46 174)
Loans repaid		**11 396**	7 596
Interest received		**1 361**	188
Profit share	8	**–**	5 795
Net cash utilised in investing activities		**(511 904)**	(262 934)
Financing activities			
Proceeds from borrowings	14	**731 952**	311 562
Repayment of borrowings	14	**(379 013)**	(144 778)
Borrowing arrangement fees		**(2 598)**	–
Proceeds from issue of share capital	11	**157 500**	152 975
Transaction costs on issue of shares	11	**(450)**	(4 211)
Acquisition of own shares		**(2 312)**	(783)
Transfer of own shares		**3 095**	–
Dividends paid	12	**(88 334)**	(66 923)
Loans repaid		**(19 633)**	–
Interest paid	14	**(34 295)**	(18 571)
Interest received		**–**	198
Net cash generated from financing activities		**365 912**	229 469
Net increase in cash and cash equivalents		**(32 458)**	81 017
Cash and cash equivalents at the beginning of the period		**99 544**	21 921
Effect of foreign exchange fluctuations		**(6 746)**	(3 394)
Cash and cash equivalents at end of period	10	**60 340**	99 544

HEADLINE EARNINGS RECONCILIATION

as at 31 December 2018 and for the year ended 31 December 2018

	2018 €'000	2017 €'000
Profit for the period attributable to EPP shareholders	**124 165**	128 348
Change in fair value of investment properties including joint ventures (net of tax)	**(36 711)**	(82 295)
Headline and diluted earnings attributable to EPP shareholders	**87 454**	46 053
Actual number of shares in issue	**829 989 804**	704 970 210
Shares in issue for distributable earnings	**829 989 804**	704 970 210
Weighted number of shares in issue	**808 554 466**	671 412 270
Basic and diluted earnings per share (€ cents)*	**15.36**	19.10
Headline earnings and diluted headline earnings per share (€ cents)**	**10.82**	6.90

* *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 2018 and 31 December 2017, respectively. The detailed calculation is included in note 23.*

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

as at 31 December 2018 and for the year ended 31 December 2018

1. BASIS OF PREPARATION

The consolidated financial statements were prepared by the management of the company on 6 March 2019 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the JSE Listings Requirements and International Financial Reporting Standards ("IFRS") as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The following new standards and amendments became effective as of 1 January 2018:

IFRS 15: *Revenue from Contracts with Customers*

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

The group performed an assessment of IFRS 15 and concluded that IFRS 15 will be implemented using modified retrospective approach. The group concluded that IFRS 15 does not have a significant impact on the group's consolidated financial statements and accounting policies at the implementation date. The only impact would be that service charged income is separately presented on the consolidated statement of profit or loss, in the prior period this was included in rental income. Note that IFRS 15 did not affect the recognition of lease income as this is still dealt with under IAS 17: *Leases*.

IFRS 9: *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39: *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard has been endorsed by the EU. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The impact of the standard is presented below under "Change of accounting policy" section.

Other new standards

- Amendments to IAS 40: *Transfers of Investment Property.*
- Amendments to IAS 12: *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.*
- IFRIC Interpretation 22: *Foreign Currency Transactions and Advance Considerations.*
- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions.*
- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.*
- Amendments to IAS 28: *Investments in Associates and Joint Ventures* – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Other new standards (continued)

- Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards* – Deletion of short-term exemptions for first-time adopters.

Although these amendments applied for the first time in 2018, they did not have a material impact on the annual consolidated financial statements of the group.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

(i) Transactions and balances

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries for the year ended 31 December 2018.

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

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

(i) Subsidiaries

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

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

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

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

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

(ii) Property acquisitions and business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date. Accordingly, no goodwill or deferred taxation arises. Acquisition costs related to issuance of debt or equity securities are recognised in accordance with IAS 32 and IAS 39.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(iii) Investments in joint ventures

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

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

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

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

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

Combination of businesses under common control

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

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

Investment property

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

During 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

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

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

All other repair and maintenance costs of investment property are recognised as an expense in the profit and loss account when incurred. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

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

Financial assets

1. *Recognition and initial measurement*

   Trade receivables and loans receivable from related parties are initially recognised when they are originated. All other financial assets and financial liabilities 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.

2. *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.

   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.

   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.

   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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

2. *Classification and subsequent measurement* **(continued)**

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

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

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

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

IFRS 9 implementation replaced the following accounting policies which were applicable to the comparative data for the year ended 31 December 2017:

- Loans and receivables – financial assets other than derivatives with fixed or determinable payments that are not quoted on an active market.
- The classification of financial assets is determined at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs for all financial assets not carried at fair value.
- Financial assets are recognised on the transaction date, and derecognised only when the contractual rights to cash flows from the financial asset expire or the group transfers substantially all risks and rewards of ownership.
- Bonds, loans, other financial assets and trade and other receivables are financial assets classified as "Loans and receivables". They are subsequently measured at amortised cost, less the accumulated impairment losses.
- The group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Cash and cash equivalents presented in the cash flow statement exclude restricted cash.

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

Deposit 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred income tax (continued)

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 PLN10 000 000 (approximately €2 375 000) are obligated to pay corporate income tax at least the level of 0.035% per month (approximately 0.42% per year) of the initial tax value of the property. The additional tax charge ("GAV tax charge") resulting from this amendment is presented in the line "Income tax charge"), together with other corporate income tax charges.

Equity

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

Cash dividend

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

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

Revenue recognition

(i) *Rental income*

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(ii) Service charge and similar revenue

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

Property operating expenses

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

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.

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 derivatives and investment properties at fair value at each reporting date.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

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

Operating segments

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

Significant accounting judgements and estimates

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

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

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

Judgements

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

(i) Business combinations

The group acquires subsidiaries that own real estate. At the time of acquisition, the group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements (continued)

(i) Business combinations (continued)

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised. Acquisitions made in 2018 were in substance asset acquisitions. The group has acquired subsidiaries which consist of single standing real estate assets, shopping malls, with outsourced functions of property management and accounting, which do not constitute a business in the meaning of IFRS 3: *Business Combinations*.

(ii) Consolidation and joint arrangements

The group has determined that it controls and consolidates the subsidiaries in which it owns a majority of the shares. The group is part owner of two investments: Towarowa 22 and Młociny. The group has determined that it has joint control over the investees and the ownership is shared with the other owner. These investments are joint arrangements.

The joint arrangements are separately incorporated. The group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the group's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11: *Joint Arrangements*. As a consequence, it accounts for its investments using the equity method. The group's economic interest in these entities is greater than 50%, however the relevant activities are governed by unanimous consent of both parties as such accounted for as joint ventures. Although all day to day activities are performed by the Group, all key strategic, financial and operational decisions require the unanimous consent of both parties.

(iii) Functional currency

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

Estimates and assumptions

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

(i) Taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and assumptions (continued)

(i) Taxes **(continued)**

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

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

(ii) Valuation of investment property

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

Change in accounting policy

The group has adopted IFRS 9: *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39: *Financial Instruments: Recognition and Measurement*. However, the impact on the group results is not material. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The nature and effects of the key changes to the group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets as at 1 January 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €'000	New carrying amount under IFRS 9 €'000
Loans receivable	Loans and receivables	Financial assets at FVTPL	**29 872**	**29 872**
Long term loans granted to JV (presented under Investments in joint ventures)	Loans and receivables (presented under Investment in joint ventures)	Financial assets at amortised cost	**21 780**	**21 780**
Restricted cash	Loans and receivables	Financial assets at amortised cost	**23 613**	**23 613**
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	**99 544**	**99 544**
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	**11 692**	**11 692**
Total financial assets			**186 504**	**186 504**

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified as financial assets at amortised cost. The impact of IFRS 9 expected credit loss allowance compared to the loss allowance recognised based on IAS 39 was not material. The 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. Description of loans receivable is presented in note 8.

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. We assessed the credit risk of JVs, taking into consideration the net assets and liquidity situation and assessed the carrying amount approximates the fair value.

There was no material impact on classification of financial liabilities.

Standards and interpretations applicable, not yet effective

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

IFRS 16: *Leases*

IFRS 16: *Leases* is effective for annual periods beginning on or after 1 January 2019. There is no impact on recognition of leases in situations where EPP is the lessor.

In the management board's opinion, the new standard will have an effect on the accounting policies applied in situations where the group is the lessee. Under IFRS 16, all lease contracts, including those currently classified as operating leases, will be recognised as a right-of-use asset and as a lease liability in the statement of financial position.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16: *Leases* (continued)

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

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

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

- Office rental agreement.
- Cars and IT equipment lease agreements.
- Perpetual usufruct rights to land.
- Land lease agreement.

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

On a transition to IFRS 16 the company will recognize an additional €33.4 million of right-of-use asset (added to the value of investment property) and €33.4 million of lease liabilities, recognising the difference in retained earnings for each group of the lease contracts:

	Value of right-to-use asset as at 1 January 2019 €'000	Value of liability as at 1 January 2019 €'000
Office rental agreement	78	78
Cars and IT equipment lease agreements	746	746
Perpetual usufruct rights to land	30 426	30 426
Land lease agreement	2 119	2 119
Total	**33 369**	**33 369**

Analysis of sensitivity

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Analysis of sensitivity (continued)

In €'000	Average discount rate used in the calculation	Impact of the change of discount rate on the value of the financial liability as at 1 January 2019					
		-2%	**-1%**	**-0.5%**	**0.5%**	**1%**	**2%**
Office rental agreement	3.43%	n/a	–	–	–	–	–
Cars and IT equipment lease agreements	4.30%	n/a	11	5	(5)	(11)	(21)
Perpetual usufruct rights to land	6.95%	10 906	6 236	2 164	(1 895)	(3 566)	(6 371)
Land lease agreement	–	n/a	–	–	–	–	–

Minimum lease payments under non-cancellable operating leases

Minimum lease payments are related mostly to the payments for perpetual usufruct of land. In 2018 the payments are included in valuations of investment properties (reducing the valuation amount).

	Within one year €'000	**Two to five years €'000**	**Beyond five years €'000**
Perpetual usufruct	**2 063**	**8 250**	**147 593**
Care lease	**198**	**294**	**–**
Other	**472**	**1 458**	**933**
Total	**2 733**	**10 002**	**148 526**

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

- IFRS 14: *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by the EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – the endorsement process of these amendments has been postponed by the EU – the effective date was deferred indefinitely by IASB.
- IFRS 17: *Insurance Contracts* (issued on 18 May 2017) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2021.
- IFRIC 23: *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) – not yet endorsed by the EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (issued on 12 October 2017) – not yet endorsed by the EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Minimum lease payments under non-cancellable operating leases (continued)

- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) – not yet endorsed by the EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
- *Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued on 12 December 2017) – not yet endorsed by the EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) – 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 2019.
- Amendments to the *Conceptual Framework for Financial Reporting* (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

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

4. INVESTMENT IN JOINT VENTURES

Towarowa 22

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

In terms of the purchase agreement, EPP acquired an interest in a special purpose vehicle that owns the property, with the final equity share of 70%, with Echo Investment owning the remaining share. Currently, EPP's interest in the special purpose vehicle is 53.74%. Echo Investment has also been appointed to develop the property, with EPP appointed to manage the property. The total purchase price payable for the property is up to €120 million, €78 million was payable upon the completion of the purchase of the property, with payment of an additional amount of up to €42 million dependent on the timing of satisfaction of various conditions. EPP and Echo will each be liable for only their *pro rata* portion of the purchase price. Each of the JV partners has two board members (50% voting rights) in the special purpose vehicle that owns the property.

The property is the biggest commercial area located in the centre of Warsaw, with a total area of about 6.5 ha and development capacity of over 100 000 m^2 gross lettable area.

The group has the following capital commitments related to the Towarowa 22 joint venture resulting from the settlement of the acquisition price payable in instalments with two instalments due after 31 December 2018 as follows:

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

4. INVESTMENT IN JOINT VENTURES (continued)

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 is being developed (the "development"). Echo Investment S.A was appointed as the developer and leasing manager of Galeria Młociny and acquired the remaining 30% of the equity in Rosehill for an aggregate consideration of €12.4 million, out of which €5.8 million was repayment of loans granted to Rosehill. Each of the JV partners has two board members (50% voting rights) in the special purpose vehicle that owns the property.

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.

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 ventures is set out below:

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

4. INVESTMENT IN JOINT VENTURES (continued)

Galeria Młociny (continued)

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

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

4. INVESTMENT IN JOINT VENTURES (continued)

Galeria Młociny (continued)

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

	Galeria Młociny €'000	Towarowa 22 €'000	Total €'000
Summarised statement of financial position			
Aggregate carrying amount of the investment in joint venture as at 31 December 2016	–	54 284	54 284
Increase related to purchase of Młociny	15 378	-	15 378
Increase related to share in profit from operations	19 649	(4 201)	15 448
Increase/(decrease) related to foreign currency translation	364	3 189	3 553
Long-term loans to joint venture granted in 2017	21 780	1 577	23 357
Acquisition costs	3 989	–	3 989
Aggregate carrying amount of the investment in joint venture as at 31 December 2017	61 160	54 849	116 009
Increase related to purchase of shares in Młociny	**–**	**–**	**–**
Increase related to share in profit from operations	**21 249**	**1 387**	**22 636**
Increase/(decrease) related to foreign currency translation	**(516)**	**(1 612)**	**(2 128)**
Long term loans to Joint ventures granted in 2018	**823**	**1 358**	**2 181**
Acquisition costs	**–**	**–**	**–**
Investment in joint ventures as at 31 December 2018	**82 716**	**55 982**	**138 698**

4. INVESTMENT IN JOINT VENTURES (continued)

Galeria Młociny (continued)

	Galeria Młociny €'000	Towarowa 22 €'000	Total €'000
Reconciliation to carrying amount as at 31 December 2018			
Acquisition price	**19 292**	**41 610**	**60 902**
Share of profits	**40 796**	**11 438**	**52 234**
Loans granted	**22 628**	**2 934**	**25 562**
Carrying amount as at 31 December 2018	**82 716**	**55 982**	**138 698**

5. INVESTMENT PROPERTIES

Class	Retail €'000	Office €'000	Total €'000
Balance as at 31 December 2016	972 392	387 040	1 359 432
Acquisitions	263 166	71 084	334 250
Capital expenditure on owned properties	32 905	10 535	43 440
Disposals	–	(155 551)	(155 551)
Capitalised letting fees	1 090	1 222	2 312
Amortisation of letting fees	(845)	(184)	(1 029)
Straight-line rental income	180	324	504
Net gain/(loss) from fair value adjustment	78 184	(5 970)	72 214
Balance as at 31 December 2017	1 347 072	308 500	1 655 572
Acquisitions	**477 411**	**21 232**	**498 643**
Capital expenditure on owned properties	**30 134**	**9 359**	**39 493**
Disposals	**(13 372)**	**–**	**(13 372)**
Capitalised letting fees	**697**	**1 825**	**2 522**
Amortisation of letting fees	**(139)**	**(365)**	**(504)**
Net gain/(loss) from fair value adjustment	**43 535**	**(24 152)**	**19 383**
Balance as at 31 December 2018	**1 885 338**	**316 399**	**2 201 737**

Reconciliation to the remeasurement of IP

Class	Retail €'000	Office €'000	Total €'000
Straight-line rental income	**(136)**	**(1 814)**	**(1 950)**
Net gain/(loss) from fair value adjustment	**43 574**	**(24 151)**	**19 423**
Profit from investment properties	**43 438**	**(25 965)**	**17 473**

EPP Group is a real estate group that owns a portfolio of 19 retail and 6 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.

5. INVESTMENT PROPERTIES (continued)

The property portfolio offers an attractive and secure yield ranging from 5.3% to 8.7% fully let, a long lease expiration profile and a portfolio weighted average unexpired lease term of over six years for the retail portfolio and four years for the office portfolio.

Valuation techniques

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

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

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

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

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

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

	Level 1* €'000	Level 2** €'000	Level 3*** €'000	Total fair value €'000
2018				
Retail	**–**	**–**	**1 885 338**	**1 885 338**
Office	**–**	**–**	**316 399**	**316 399**
Total	**–**	**–**	**2 201 737**	**2 201 737**
2017				
Retail	–	–	1 347 072	1 347 072
Office	–	–	308 500	308 500
Total	–	–	1 655 572	1 655 572

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

5. INVESTMENT PROPERTIES (continued)

Valuation techniques (continued)

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

	Valuation €'000	Valuation technique	Net initial yield %	Discount rate %	Exit cap rate %
2018					
Retail	**1 885 338**	**Discounted cash flow**	**5.58 – 9.82**	**6.75 – 9.75**	**5.00 – 10.00**
Office	**316 399**	**Discounted cash flow**	**7.99 – 8.74**	**8.25 – 9.25**	**7.25 – 8.00**
Total	**2 201 737**		**–**	**–**	**–**
2017					
Retail	1 347 072	Discounted cash flow	5.3 – 8.7	6.75 – 9	5.50 – 8.25
Office	308 500	Discounted cash flow	6.7 – 8.4	7.25 – 9.25	6.75 – 8
Total	1 655 572		–	–	–

Inter-relationship between key unobservable inputs and fair value measurements

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

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

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

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

Acquisitions

M1 portfolio

On 4 January 2018, the group announced the acquisition of tranche 1 M1 portfolio of shopping centres and retail parks from Chariot Top Group B.V., a consortium in which Redefine Properties Limited owns 25%. The assets aggregated value is €692.1 million. The acquisition has been divided into three tranches. The first tranche was successfully concluded in January 2018 and tranches 2 and 3 are due to complete in June 2019 and June 2020, respectively.

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

5. INVESTMENT PROPERTIES (continued)

Acquisitions (continued)

M1 portfolio **(continued)**

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

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

Symetris II

On 27 July 2018, EPP acquired the Symetris II building from Echo Investment. 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. The acquisition price of the property was €19.1 million.

Marcelin

On 31 July 2018, EPP acquired 100% shares in Poznań Żonkil S.A., the entity which holds the King Cross Marcelin Shopping Centre in Poznań. The acquisition price of the property was €101.8 million, which was funded through a combination of debt, existing cash resources and an equity capital raise in an amount of €45 million.

6. TAX RECEIVABLES

	2018 €'000	2017 €'000
Corporate income tax	**589**	209
Total	**589**	209

7. TRADE AND OTHER RECEIVABLES

	2018 €'000	2017 €'000
Rent and service charge receivables	**9 943**	6 120
Prepayments and deferred costs	**3 417**	5 005
Value added tax	**1 917**	15 031
Other receivables	**1 693**	567
Total	**16 970**	26 723

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

As at 31 December 2018, receivables with nominal value of €1 883 000 were impaired (€1 602 000 as at 31 December 2017, respectively).

Refer to note 29 on credit risk of trade receivables, which explains how the group manages and measures credit quality of receivables that are neither past due nor impaired.

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

8. LOANS RECEIVABLE

	2018 €'000	2017 €'000
Loans receivable in related entities	**14 511**	25 917
Other loans receivable	**1 691**	–
Long-term loans receivable	**16 202**	25 917
Loans receivable in related entities	**–**	3 955
Other loans receivable	**5 635**	–
Short-term loans receivable	**5 635**	3 955
Total	**21 837**	29 872

Loans receivable as of 31 December 2018 represent:

- Loans granted to Kalisz Retail sp. z o.o. and to Aradiana Ltd, a shareholder and a controlling party of Kalisz Retail sp z o.o. in the nominal amount of €11 800 000 and €1 500 000 respectively and accrued interest. Both loans are to be repaid after five years, with an extension option for another five years. Loans to related parties are denominated in euro with a variable interest rate of EURIBOR 3M plus margin ranging from 7.3% to 7.6%. In the course of 2018, the borrowers repaid €10 020 000 of the principal and €1 300 000 interest. The loans are classified as Financial assets at FVTPL.
- Advances by EPP subsidiaries to each of the right of first offer ("ROFO") entities in connection with the ROFO projects. The advance represents 25% of the aggregated amount of the equity so far invested in the specified ROFO project at an agreed return. The contribution does not entitle EPP to any voting rights nor the share in the profit or loss other than realised profit on the sale of the respective investment property. These advances bear interest at 2% per annum.
- Each advance entitles EPP (via its subsidiaries) to participate in the profits of the relevant ROFO projects. More specifically, in the event that a ROFO entity sells the property on which a given ROFO project is being developed on the market to either a third party purchaser or to EPP (or its designee), whether pursuant to the ROFO agreements or otherwise, EPP will receive 25% of the proceeds of such sale, net of debt and costs. EPP will also receive 25% of all distributions made by that ROFO entity and is required to contribute its proportion of funding in respect of any negative cash flows of that ROFO entity. However, if it fails to do so, Echo Investment will be obliged to fund it via a loan of 10% per annum. The loans are classified as Financial assets at FVTPL.

In addition to the above, EPP has also loans receivable granted to JV projects, which are presented on the consolidated statement of financial position in line "investment in joint ventures" and are measured as Financial assets at amortised cost.

9. RESTRICTED CASH

	2018 €'000	2017 €'000
Tenants' deposits	**10 424**	8 487
Debt service	**5 256**	1 970
Capital expenditures	**9 767**	10 005
Fit-out	**541**	767
Guarantee	**–**	295
Other	**1 583**	2 089
Total	**27 571**	23 613

10. CASH AND CASH EQUIVALENTS

	2018 €'000	2017 €'000
Cash at bank and on hand	**60 340**	98 580
Short-term deposits	**–**	964
Total	**60 340**	99 544

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.

11. SHARE CAPITAL

	2018	2017
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

	2018 €'000	2017 €'000
Ordinary shares issued and fully paid		
At the beginning of the period	**571 026**	474 702
Issued in the period	**101 266**	96 324
At the end of period	**672 292**	571 026
Share premium		
At the beginning of the period	**147 534**	95 095
Issued in the period	**56 234**	56 650
Transaction costs for issued share capital	**(450)**	(4 211)
At the end of the period	**203 318**	147 534

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 2018 and 31 December 2017, respectively. Where these are associates of directors of the company, this has been indicated.

11. SHARE CAPITAL (continued)

	Number of shares 2018	**% of issued capital 2018**	Number of shares 2017	% of issued capital 2017
Shareholder type				
Non-public shareholders	**360 134 084**	**43.39**	347 054 712	49.23
Directors and associates (direct and indirect)	**36 147 976**	**4.36**	67 950 787	9.64
Redefine Properties Ltd (holders > 10%)	**323 986 108**	**39.03**	278 303 925	39.48
Treasury	**–**	**–**	800 000	0.11
Public shareholders	**469 855 720**	**56.61**	357 915 498	50.77
Total	**829 989 804**	**100.00**	704 970 210	100.00
Distribution of shareholders				
Public Companies	**353 622 810**	**42.61**	312 902 157	44.39
Collective Investment Schemes	**115 507 058**	**13.92**	95 746 945	13.58
Organs of state	**60 143 870**	**7.25**	–	–
Private Companies	**59 767 482**	**7.20**	111 440 904	15.81
Retail Shareholders	**21 590 528**	**2.60**	45 948 544	6.51
Other	**219 358 056**	**26.43**	138 931 660	19.71
Total	**829 989 804**	**100.00**	704 970 210	100.00

Shares movements in 2017

On 13 April 2017, the company issued 118 918 918 new ordinary shares at a price of €1.27 per share (at a price of ZAR18.50 per share) following a successful equity raise 33 044 324 new shares were issued under the general authority to issue shares for cash and 85 874 594 new shares were issued pursuant to a vendor consideration placement. Immediately post the issue of new shares the ordinary share capital of the company comprises 704 970 210 ordinary shares of €0.81 each (all of which are listed on the LuxSE and the JSE) and 1 preference share of €0.81 (not listed on any stock exchange).

In 2017, the company repurchased 1 850 000 shares at the average price of €0.98 per share. Out of this number, 1 050 000 shares were transferred to the company's directors in relation to the first tranche of the share-based payment programme under the long term incentive plan. 800 000 shares remained on the company's account to be transferred to the directors in relation to first tranche at a later date, shares were disclosed as treasury shares.

Share movements in 2018

On 4 January 2018 EPP, issued 88 582 677 new ordinary shares at a price of €1.27 per share under the general authority to issue shares for cash. The shares were issued in relation to M1 tranche 1 acquisition described in note 5 to a non-public company GPF EPP JV BV.

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

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

11. SHARE CAPITAL (continued)

Shares movements in 2018 (continued)

Post the issue of new shares the ordinary share capital of the company comprises 829 989 804 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 the special dividend in 2017.

12. DISTRIBUTIONS MADE AND PROPOSED

	2018 €'000	2017 €'000
Dividend related to prior year	**40 029**	18 356
Interim dividend first half year	**48 305**	36 648
Special dividend – Outlet/Galaxy extension*	**–**	16 849
Total cash dividend paid out until the reporting date	**88 334**	71 853
Proposed dividend second half year	**47 973**	40 491

* *Outlet III, Outlet IV and Galaxy extensions in 2017.*

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December 2018 and 31 December 2017, respectively.

13. SHARE-BASED PAYMENTS

On 8 December 2017, at the company's extraordinary general meeting the shareholders resolved to implement the motivating program 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 number of shares in each tranche is specified for each Member of Key Personnel, as well as total amount of shares in the whole programme (18 500 000 shares).
- The LTI Plan will expire not later than on the first business day of July 2026.
- Within 30 months from the end of each period ("lock-up period") a Member of Key Personnel shall not sell, or otherwise transfer, or put any encumbrance on shares that were transferred to such Member of Key Personnel.
- The programme includes 10 tranches in total, the schedule of settlement dates, end of lock-up periods and reference periods are presented in below table. Transfer date in the table means the date in each calendar year on which the company shall transfer the shares to the Members of Key Personnel.

13. SHARE-BASED PAYMENTS (continued)

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 January 2019+n – 31 December 2019+n**	First business day of July 2020+n year	**First business day of July 2022+n**

** The programme includes 10 tranches in total.*

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

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

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

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

In the year ended 31 December 2017 the first tranche of 1 850 000 shares 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.

13. SHARE-BASED PAYMENTS (continued)

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. Key parameters used at the grant date (8 December 2017) for calculation of tranches I and II were:

Dividend rate	Interest rate	Exchange rate	Share growth adjustment	Initial share price
8%	**9.28%**	**0.06**	**0%**	**18.17**

The table below summarises the reference date (31 December 2018) financial parameters for tranches III to X:

Dividend rate	Interest rate	Exchange rate	Share growth adjustment	Initial share price
8%	**8.61%**	**0.07**	**0%**	**17.00**

Expenses arising from share-based payment transactions recognised during 2018 amounted to €4 107 000. Total expenses in 2017 amounted to €5 936 000.

14. BANK BORROWINGS

	Liabilities at amortised cost		Liabilities at amortised cost	
	Non-current 2018 €'000	**Current 2018 €'000**	Non-current 2017 €'000	Current 2017 €'000
Interest rate				
Floating interest rate (3M EURIBOR, 1M WIBOR)	**1 273 767**	**30 575**	831 183	117 155
Fixed interest rate	**–**	**–**	–	–
Secured by IRS	**1 081 488**	**26 679**	789 806	16 074

All bank borrowings are denominated in euro.

As at 31 December 2018 all bank loan covenants have been met.

	€'000
Change in liabilities arising from financing activities	
Bank borrowings as at 31 December 2016	794 621
Changes in a group	112 559
Proceeds from borrowings	183 712
Repayment of borrowings and interest	(142 554)
Bank borrowings as at 31 December 2017	948 338
Changes in a group	**277 457**
Proceeds from borrowings	**457 560**
Repayment of borrowings and interest	**(379 013)**
Bank borrowings as at 31 December 2018	**1 304 342**

14. BANK BORROWINGS (continued)

During 2018, there were the following significant movements in bank borrowings:

- On 3 January, EPP enlisted a bank loan of €224 million for the purchase of M1 tranche 1.
- On 26 July 2018, the company entered a bank loan agreement in the amount of €54 million for the purchase of Marcelin Shopping Centre.
- On 27 July 2018, EPP issued bonds in an amount of €102 million and fully redeemed bonds during 2018.
- On 30 July 2018, EPP repaid its €100 million loan towards HSBC Plc.
- On 7 August 2018, EPP paid off bank loans in the amount of €150 million by refinancing it with a facility agreement in the total amount of €186 million to further finance Galeria Echo and Opolska Business Park.
- On 31 October 2018, EPP Finance BV signed an €250 million debt facilities agreement with CPPIB Credit Investment Inc. The facility was partially utilised on 14 November 2018 with a drawing of €130 million. The remaining amount of the facility can be utilised.

15. TAX PAYABLES

	2018 €'000	2017 €'000
Corporate income tax	**1 960**	879
Total	**1 960**	879

16. TRADE PAYABLES AND OTHER LIABILITIES

	2018 €'000	2017 €'000
Current		
Trade payables	**19 272**	28 754
Wages and salaries payables	**524**	8
Deferred income	**1 079**	428
Accruals	**1 830**	4 028
Deposits received from tenants	**838**	1 845
Advances received	**1 340**	2 166
Value added tax	**1 284**	755
Other	**3 021**	2 369
Total current	**29 188**	40 353
Non-current		
Deposits received from tenants	**9 733**	7 810
Advances received	**2 250**	3 000
Rent paid in advance	**3 807**	4 223
Other	**545**	–
Total non-current	**16 335**	15 033

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

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

17. REVENUE

	2018 €'000	2017 €'000
Rental income and recoveries (including property tax recharge):	**157 506**	113 177
Rental income	**135 817**	105 949
Straight-line rental income	**1 950**	504
Property tax recharge	**8 696**	–
Turnover rent	**2 087**	1 641
Parking income	**2 152**	2 678
Advertising	**1 274**	835
Guarantees	**4 079**	–
Property management	**1 451**	1 570
Service charge and recoveries income	**39 610**	39 033
Total revenues	**197 116**	152 210

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

18. ADMINISTRATIVE EXPENSES

	2018 €'000	2017 €'000
Wages and salaries	**(1 844)**	(1 248)
Long-term incentive plan	**(4 107)**	(5 936)
External services	**(8 576)**	(6 350)
Other administrative expenses	**–**	(1 012)
Selling costs	**(1 294)**	(1 040)
Total administrative expenses	**(15 821)**	(15 586)

The audit fees for group and statutory auditors included in the external services line amount to €537 000 (2017: €250 000).

19. FINANCE INCOME

	2018 €'000	2017 €'000
Interest on loans granted	**1 600**	7 221
Fair value remeasurement of ROFO loans (profit share)	**3 087**	–
Other	**178**	198
Total finance income	**4 865**	7 419

20. FINANCE COST

	2018 €'000	2017 €'000
Interest on bank loans	**(30 877)**	(18 961)
Amortised cost valuation	**(3 259)**	(1 796)
Cost of bank debt refinancing	**(3 024)**	–
Other interest expense (including not eliminated interest expense from related-party)	**(2 598)**	(147)
Other financial costs	**–**	(2 181)
Total finance cost	**(39 758)**	(23 085)

21. SEGMENT INFORMATION

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

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

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

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

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

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

21. SEGMENT INFORMATION (continued)

	Retail €'000	Office €'000	Unallocated €'000	Total €'000
2017				
Segment profit				
Rent and recoveries income	105 913	44 602	1 695	152 210
Property operating expenses	(34 116)	(14 287)	(552)	(48 955)
Net property income	71 797	30 315	1 143	103 255
Investment in joint ventures	116 009	–	–	116 009
Investment property	1 347 072	308 500	–	1 655 572
Total segment assets	1 463 081	308 500	–	1 771 581
Bank borrowings	686 982	161 699	99 657	948 338
Total segment liabilities	686 982	161 699	99 657	948 338

All revenues were generated from external customers based in Poland.

All investment properties are located in Poland.

22. 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" on the owners of shopping malls, large shops, office buildings (worth more than PLN10 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 PLN10 million. The abovementioned change is new and has no precedence in Polish taxation regime.

The major components of income tax expense are:

	2018 €'000	2017 €'000
Statement of profit or loss		
Current income tax:		
Current income tax charge	**8 914**	4 873
Deferred income tax:		
Relating to origination and reversal of temporary differences	**4 513**	27 684
Income tax expense reported in the statement of profit or loss	**13 427**	32 557

22. INCOME TAX (continued)

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

	2018 €'000	2017 €'000
Accounting profit before tax	**137 592**	160 905
Income tax at Poland's statutory tax rate of 19%	**26 142**	30 572
Profits from joint ventures	**(4 442)**	(3 051)
Withholding tax charge presented in current tax line	**1 674**	986
Tax losses due to which no deferred income tax was recognised	**–**	908
Adjustments attributable to prior year tax	**(4 130)**	3 142
Difference in overseas tax	**(2 037)**	–
GAV	**171**	–
Previously unrecognised tax losses now recouped to reduce current tax expense	**(3 951)**	–
Income tax expense reported in the statement of profit or loss	**13 427**	32 557
Deferred tax assets/liabilities		
Deferred income tax assets	**1 908**	–
Deferred income tax liabilities		
Revaluation of investment property to fair value	**97 645**	83 321
Loans and borrowings (measurement, foreign exchange differences, etc)	**(420)**	10 240
Losses available for offsetting against future taxable income	**(967)**	–
Other	**852**	192
Deferred tax liabilities net	**97 110**	93 753

The deferred tax liability of €97 645 has been recognised on the difference between the fair and historical value related to the portfolio of investment property owned by the group. The recognition has been triggered by an application of mandatory assumption under IFRS that a sale transaction realising the fair value of such investment property will be performed in a tax regime currently in place and ignoring all restructuring steps undertaken and planned by the group.

In addition, the IFRS also requires to assume that such envisaged transaction will be performed as a disposal of all asset subject to fair valuation. Any other possible transactions such as disposal of shares in the entity owning the assets, which would result in 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 €13 million in 2018 and €17 million in 2017.

23. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Basic earnings per share ("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.

23. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE (continued)

	2018 €'000	2017 €'000
Profit for the period attributable to EPP shareholders	**124 165**	128 348
Change in fair value of investment properties including JV net of tax	**(36 711)**	(82 295)
Change in fair value of investment property	**(17 473)**	(75 305)
Deferred tax on change in fair value of properties	**3 320**	13 627
Change in fair value of properties in JV	**(27 849)**	(25 453)
Deferred tax on change in fair value of properties in JV	**5 291**	4 836
Headline and diluted earnings attributable to EPP shareholders	**87 454**	46 053
Actual number of shares in issue	**829 989 804**	704 970 210
Shares in issue for distributable earnings	**829 989 804**	704 970 210
Weighted number of shares in issue	**808 554 466**	671 412 270
Basic and diluted earnings per share (€ cents)*	**15.36**	19.10
Headline earnings and diluted headline earnings per share (€ cents)**	**10.82**	6.90

* *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 2018 and 31 December 2017, respectively.*

24. 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:

	2018 €'000	2017 €'000
NAV attributable to ordinary equity holders of the parent (excluding deferred tax)	**1 117 891**	927 574
Net tangible asset value (excluding deferred tax)	**1 117 891**	927 574
Number of ordinary shares at the reporting date (thousands)	**829 990**	704 970
NAV per share (excluding deferred tax) (€)	**1.35**	1.32
Net tangible asset value per share (€)	**1.35**	1.32

25. RELATED-PARTY DISCLOSURES

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

	Sales to related parties €'000	Purchases from related parties €'000	Amounts due to related parties* €'000	Amounts due from related parties* €'000
Redefine				
2018	**–**	**746**	**–**	**–**
2017	–	698	–	–
Chariot Top Group				
2018	**4 079**	**–**	**–**	**1 693**
Echo Investment Group*				
2018	**4 661**	**1 236**	**n/a**	**n/a**
2017	10 109	4 703	11 965	712
Griffin RE Group				
2018	**–**	**2 966**	**–**	**–**
2017	–	500	31	–

* *Echo Investment Group is considered a related-party in the year 2017 and throughout the current period until the date of sale of shares in EPP (7 November 2018).*

	Interest €'000	Amounts due from related parties €'000	Amounts due to related parties €'000
Loans to related parties			
Long term loans to JV			
2018	**1 151**	**25 562**	**–**
2017	563	23 357	–
Echo Investment Group			
2017	6 024	5 614	–
Griffin RE Group			
2018	**1 503**	**14 511**	**–**
2017	950	24 258	–
Loans from related parties			
Echo Investment Group			
2017	(146)	–	(19 760)

Loans to related parties are described in note 8.

25. 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 2018, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: € Nil). This assessment is undertaken each financial year through examining the financial position of the related-party and the market in which the related-party operates.

Guarantees

In April 2017, the company was provided with an undertaking by Redefine Properties Ltd, whereby Redefine Properties Ltd undertook to subscribe for shares in the share capital of the company or provide a shareholder loan should the company require additional financing to manage its liquidity position. In consideration for the undertaking the company is paying a fee of 1.22% per annum to Redefine Properties Ltd. The total expense related to the guarantee in 2018 was €746 000.

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 2018 and 31 December 2017, respectively:

	Directly	Indirectly	Total	Percentage[3] %
2018				
Directors' interests				
Beneficially held				
Director				
Hadley Dean	**84 000**	**2 082 000**	**2 166 000**	**0.26**
Marc Wainer	**–**	**31 626 753**[1]	**–**	**3.81**
Andrew König	**1 421 223**	**21 906 753**[2]	**1 421 223**	**2.64**
Robert Weisz	**34 000**	**–**	**34 000**	**–**
Jacek Bagiński	**900 000**	**–**	**900 000**	**0.11**
Total	**2 439 223**	**–**	**–**	**4.36**
2017				
Beneficially held				
Director				
Hadley Dean	84 000[4]	500 000	584 000	0.1
Marc Wainer	10 290 584	25 977 720[5]	36 268 304	5.1
Andrew König	4 888 027	25 726 456[6]	30 614 483	4.3
Robert Weisz	34 000	–	34 000	–
Jacek Bagiński	450 000	–	450 000	0.1
Total	15 746 611	52 204 176	67 950 787	9.6

1. *Marc Wainer held 40% of the equity in The Big Five International Limited, which held 21 906 753 EPP shares and he held equity in the Drawood trust, which had 9 720 000 EPP shares as of 31 December 2018.*
2. *Andrew König held 19% of the equity in The Big Five International Limited, which held 21 906 753 EPP shares at 31 December 2018.*
3. *The total percentage is calculated as total number of EPP shares held by EPP directors divided by the total number of shares.*
4. *As of 31 December 2017 the 800 000 shares to be granted from the LTI Plan to Hadley Dean were kept as treasury shares on the company's trading account.*
5. *Marc Wainer held 40% of the equity in The Big Five International Limited, which held 25 726 456 EPP shares and additionally he owned 50% of shares of Ellwain Investments Proprietary Limited, which held 251 264 shares of EPP.*
6. *Andrew König held 15% of the equity in The Big Five International Limited, which held 25 726 456 EPP shares.*

25. RELATED-PARTY DISCLOSURES (continued)

Directors' interests (continued)

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 2018 and the date of these financial statements other than the various transactions announced on SENS related to the Big Five International Limited, an associate of Mark Wainer and Andrew König.

Directors' interests in transactions

Maciej Dyjas and Nebil Senman as direct beneficial shareholders of Griffin and indirect beneficial shareholders of Echo Investment had beneficial interest in the following transactions effected by the company in 2017 and 2018:

- Griffin advisory agreement
- ROFO projects acquisitions
- Warsaw retail development site agreement
- Loans granted to Aradiana Ltd and Kalisz Retail Sp. z o.o.
- M1 acquisition transaction

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

26. FUTURE OPERATING LEASE REVENUE

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

	Retail €'000	Office €'000	Total €'000
2018			
Within one year	**124 348**	**25 297**	**149 645**
Between two and five years	**541 402**	**62 441**	**603 843**
Beyond five years	**171 090**	**16 392**	**187 482**
Total	**836 840**	**104 130**	**940 970**
2017			
Within one year	106 964	2 469	109 433
Between two and five years	299 994	7 056	307 050
Beyond five years	241 399	1 916	243 315
Total	648 357	11 441	659 798

27. DIRECTORS' REMUNERATION

The details of the directors' emoluments accrued or paid for the year ended 31 December 2018 and period to 31 December 2017 are set out in the table below:

	Basic salaries €'000	Directors' fees €'000	Bonuses and other performance payments €'000	Share-based payment[1] €'000	Other[2] €'000	Total €'000
2018						
Executive directors						
Hadley Dean	**500**	**–**	**500**	**987**	**22**	**2 009**
Jacek Bagiński	**300**	**–**	**300**	**568**	**19**	**1 187**
Non-executive directors						
Robert Weisz	**–**	**100**	**–**	**–**	**–**	**100**
Marc Wainer	**–**	**70**	**–**	**–**	**–**	**70**
Marek Belka	**–**	**70**	**–**	**–**	**–**	**70**
Andrew König	**–**	**60**	**–**	**–**	**–**	**60**
Maciej Dyjas	**–**	**60**	**–**	**–**	**–**	**60**
Nebil Senman	**–**	**70**	**–**	**–**	**–**	**70**
Dionne Ellerine	**–**	**80**	**–**	**–**	**–**	**80**
Andrea Steer	**–**	**100**	**–**	**–**	**–**	**100**
Peter Driessen	**–**	**84**	**–**	**–**	**–**	**84**
Total	**800**	**694**	**800**	**1 555**	**41**	**3 890**

1. *The share-based payments represent the value of shares transferred to the board members in 2018.*
2. *Other includes car lease expense and medical insurance.*

	Basic salaries €'000	Directors' fees €'000	Bonuses and other performance payments €'000	Share-based payment[3] €'000	Other[4] €'000	Total €'000
Year ended 31 December 2017						
Executive directors						
Hadley Dean	475	–	500	2 567	22	3 564
Jacek Bagiński	243	–	300	1 444	10	1 997
Maciej Drozd[1]	87	–	–	–	–	87
Non-executive directors						
Robert Weisz	–	90	–	–	–	90
Marc Wainer	–	35	–	–	–	35
Marek Belka	–	66	–	–	–	66
Andrew König	–	30	–	–	–	30
Maciej Dyjas	–	30	–	–	–	30
Przemysław Krych[2]	–	30	–	–	–	30
Nebil Senman	–	30	–	–	–	30
Dionne Ellerine	–	60	–	–	–	60
Andrea Steer	–	80	–	–	–	80
Peter Driessen	–	79	–	–	–	79
Total	805	530	800	4011	32	6178

1. *Maciej Drozd retired from the board of directors on 19 May 2017.*
2. *Przemysław Krych resigned from the board of directors on 20 December 2017.*
3. *Share-based payment charge in 2017 resulted from the profit and loss expense resulting from first time recognition of the LTI programme.*
4. *Other includes car lease expenses and medical insurance.*

27. DIRECTORS' REMUNERATION (continued)

The table above provides an indication of the total cost to the group in relation to directors' remuneration. Total cash payments and other fees accrued reflect the cost that has been expensed by the group in the consolidated statement of profit or loss in the relevant period.

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

28. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES

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

Name	Country of incorporation	Principal activities	Date of control	**Share 2018 %**	Share 2017 %
1. EPP N.V. (previously Echo Polska Properties N.V.)	●	Parent			
2. EPP Finance B.V.	●	Holding company	22 March 2018	**100**	–
3. EPP GP B.V.	●	Holding company	20 September 2018	**100**	–
4. EPP (Cyprus) – 1 PLC (previously Echo Polska Properties (Cyprus) PLC)	■	Holding company	14 December 2016	**100**	100
5. EPP (Cyprus) – 2 Limited	■	Holding company	14 December 2016	**100**	100
6. EPP (Cyprus) – 3 Ltd	■	Holding company	3 February 2017	**100**	100
7. Galeria Amber Sp. z o.o. (previously Echo – Galeria Amber Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
8. Park Rozwoju Sp. z o.o. (previously Echo – Park Rozwoju Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
9. EPP Sp. z o.o. (previously: Echo Polska Properties Sp. z o.o.)	✦	Holding company	10 May 2016	**100**	100
10. EPP Spółka z ograniczoną odpowiedzialnością S.K. (previously Echo Polska Properties Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Holding company	10 May 2016	**100**	100
11. EPP Retail – Veneda Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
12. EPP Retail – Galeria Sudecka Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
13. EPP Office – Astra Park Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
14. EPP Retail – Centrum Przemyśl Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
15. EPP Retail – Galaxy Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
16. EPP Retail – Galeria Amber Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
17. EPP Retail – Galeria Olimpia Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
18. EPP Retail – Outlet Park Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
19. EPP Retail – Pasaż Grunwaldzki Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
20. Flaxton Investments Sp. z o.o.	✦	Holding company	1 July 2016	**100**	100
21. EPP Retail – Centrum Bełchatów Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
22. EPP Retail – Galeria Echo Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100

28. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (continued)

Name	Country of incorporation	Principal activities	Date of control	**Share 2018 %**	Share 2017 %
23. Pasaż Grunwaldzki Sp. z o.o. (previously Magellan West Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
24. Grupa EPP Sp. z o.o.	✦	Holding company	12 May 2016	**100**	100
25. Grupa EPP Sp. z o.o. S.K.	✦	Holding company	12 May 2016	**100**	100
26. Norcross Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
27. Orkney Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
28. Otway Holdings Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
29. EPP Office – Malta Office Park Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
30. EPP Office – Park Rozwoju Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
31. Pebworth Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
32. Galaxy Szczecin Sp. z o.o. (previously Projekt Echo – 106 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
33. Galeria Echo Sp. z o.o. (previously Projekt Echo – 109 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
34. Centrum Przemyśl Sp. z o.o. (previously Projekt Echo – 118 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
35. Malta Office Park Sp. z o.o. (previously Projekt Echo – 124 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
36. Oxygen Szczecin Sp. z o.o. (previously Projekt Echo – 125 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
37. Outlet Park Szczecin Sp. z o.o. (previously Projekt Echo – 126 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
38. Galeria Sudecka Sp. z o.o. (previously Projekt Echo – 43 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
39. Astra Park Kielce Sp. z o.o. (previously Projekt Echo – 69 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
40. Galeria Veneda Sp. z o.o. (previously Projekt Echo – 97 Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
41. Galeria Olimpia Sp. z o.o. (previously Projekt Echo – 98 Sp. z o.o.)	✦	Holding company	30 May 2016	**100**	100
42. Projekt Echo 138 Sp. z o.o.[1]	✦	Holding company	22 December 2016	**70**	70
43. Trappaud Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
44. Ventry Investments Sp. z o.o.	✦	Holding company	1 July 2016	**100**	100
45. Verwood Investments Sp. z o.o.	✦	Holding company	21 October 2016	**100**	100
46. Centrum Bełchatów Sp. z o.o. (previously Vousoka Polska Sp. z o.o.)	✦	Holding company	23 May 2016	**100**	100
47. Wisbech Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
48. EPP Office – Oxygen Sp. z o.o.	✦	Holding company	25 November 2016	**100**	100
49. EPP Retail – Galeria Solna HoldCo Sp. z o.o.	✦	Holding company	12 July 2017	**100**	100

28. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (continued)

Name	Country of incorporation	Principal activities	Date of control	**Share 2018 %**	Share 2017 %
50. Rosehill Investments Sp. z o.o.[2]	✦	Holding company	31 May 2017	**70**	70
51. EPP – Astra Park Kielce Spółka z ograniczoną odpowiedzialnością S.K. (previously Astra Park – Projekt Echo – 69 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
52. EPP – Centrum Przemyśl Spółka z ograniczoną odpowiedzialnością S.K. (Centrum Przemyśl – Projekt Echo – 118 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
53. EPP – Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K. (previously Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
54. EPP – Park Rozwoju Spółka z ograniczoną odpowiedzialności S.K. (previously Echo – Park Rozwoju Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
55. EPP – Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością S.K. (Echo Pasaż Grunwaldzki Magellan West Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
56. EPP Retail – Galeria Solna Sp. z o.o.	✦	Property investment	12 July 2017	**100**	100
57. EPP – Malta Office Park Spółka z ograniczoną odpowiedzialnością S.K. (previously Farrina Investments – Projekt Echo – 124 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
58. Flaxton Investments Spółka z ograniczoną odpowiedzialnością S.K.	✦	Property investment	1 July 2016	**100**	100
59. EPP – Galaxy Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
60. EPP – Galeria Echo Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100

28. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (continued)

Name	Country of incorporation	Principal activities	Date of control	**Share 2018 %**	Share 2017 %
61. EPP – Galeria Olimpia Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
62. EPP – Galeria Sudecka Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Sudecka – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
63. EPP – Outlet Park Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
64. EPP – Oxygen Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Oxygen – Projekt Echo – 125 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
65. Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K.[1]	✦	Property investment	22 December 2016	**53.74**	53.74
66. EPP – Galeria Veneda Spółka z ograniczoną odpowiedzialnością S.K. (previously Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
67. Ventry Investments Spółka z ograniczoną odpowiedzialnością S.K.	✦	Property investment	1 July 2016	**100**	100
68. EPP – Centrum Bełchatów Spółka z ograniczoną odpowiedzialnością S.K. (previously Vousoka Polska Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property investment	17 February 2016	**100**	100
69. Berea Sp. z o.o.	✦	Property investment	31 May 2017	**70**	70
70. EPP Retail – Zakopianka Sp. z o.o.	✦	Property investment	25 April 2017	**100**	100
71. EPP Retail – Twierdza Kłodzko Sp. z o.o.	✦	Property investment	14 June 2017	**100**	100
72. EPP Retail – Wzorcownia Włocławek Sp. z o.o.	✦	Property investment	14 June 2017	**100**	100
73. EPP Retail – Twierdza Zamość Sp. z o.o.	✦	Property investment	14 June 2017	**100**	100

28. INFORMATION ABOUT SUBSIDIARIES AND JOINT VENTURES (continued)

Name	Country of incorporation	Principal activities	Date of control	**Share 2018 %**	Share 2017 %
74. EPP Facility Management Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K. (previously EPP Facility Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property Management	1 July 2016	**100**	100
75. EPP Property Management – Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K. (previously EPP Property Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.)	✦	Property Management	1 July 2016	**100**	100
76. EPP Development 5 Sp. z o.o.	✦	Holding company	14 November 2017	**100**	–
77 EPP Development 6 Sp. z o.o.	✦	Holding company	24 November 2017	**100**	–
78. EPP Development 7 Sp. z o.o.[3]	✦	Property investment	20 December 2017	**100**	–
79. EPP Development 8 Sp. z o.o.	✦	Holding company	28 December 2018	**100**	–
80. EPP Development 1 Sp. z o.o.	✦	Property investment	4 January 2018	**100**	–
81. Paars Sp. z o.o.	✦	Holding company	4 January 2018	**100**	–
82. EPP Development 2 Sp. z o.o.	✦	Property investment	4 January 2018	**100**	–
83. Goud Sp. z o.o.	✦	Holding company	4 January 2018	**100**	–
84. EPP Development 3 Sp. z o.o.	✦	Property investment	4 January 2018	**100**	–
85. Groen Sp. z o.o.	✦	Holding company	4 January 2018	**100**	–
86. EPP Development 4 Sp. z o.o.	✦	Property investment	4 January 2018	**100**	–
87. Grijs Sp. z o.o.	✦	Holding company	4 January 2018	**100**	–

● Netherlands. ■ Cyprus ✦ Poland

1. *Based on the shareholders agreement dated on 22 December 2016 the company and Echo Investment S.A. agreed to have joint control over Projekt Echo 138 Sp. z o.o. and Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K., therefore the equity consolidation method is applied.*
2. *The group has a 70% share in Rosehill Investments Sp. z o.o., a holding entity related to the Galeria Młociny project, which under shareholders' agreement is a joint venture with Echo Investment Group with the equity consolidation method applied.*
3. *On 4 December 2018, the company EPP Development 7 Sp. z o.o. merged with Poznań Żonkil S.A, which was acquired on 31 July 2018.*

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Market risk

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

Interest rate risk

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

To manage its interest rate risk, the group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2018, after taking into account the effect of interest rate swaps, 85% of the group's borrowings are economically hedged (83% as at 31 December 2017, respectively).

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

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

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

	Increase/ (decrease) in basis points	Effect on profit before tax €'000
2018		
EURIBOR	**30**	**–**
EURIBOR	**(30)**	**–**
WIBOR	**30**	**–**
WIBOR	**(30)**	**–**
2017		
EURIBOR	1	–
EURIBOR	(1)	–
WIBOR	1	–
WIBOR	(1)	–

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange rate risk

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

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

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

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

- Cash and cash equivalent
- Trade receivables
- Trade payables

	2018 €'000	2017 €'000
Consolidated statement of comprehensive income		
Polish Zloty strengthens by 10%	**6 819**	2 960
Polish Zloty weakens by 10%	**(5 579)**	(1 465)

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, represents the maximum credit exposure due to financial assets.

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

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

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

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

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

Due to the nature of our receivables and contract assets, despite introducing the methodology changes required by IFRS 9, the impairment allowance for receivables has remained at a similar level as calculated according to the principles that were effective before 1 January 2018. Hence, the implementation of IFRS 9 had immaterial impact on the group's retained earnings.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Tenant receivables

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

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the group's treasury department in accordance with the group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on an annual basis, and may be updated throughout the year, subject to approval of the group's management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2018 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 discounted payments:

	Up to one year €'000	One to three years €'000	Three to five €'000	>Five years €'000	Total €'000
2018					
Bank borrowings	**29 766**	**902 282**	**386 429**	**–**	**1 318 477**
Related-party financial liabilities	**92**	**–**	**–**	**–**	**92**
Deposits from tenants	**838**	**4 153**	**3 479**	**2 101**	**10 571**
Trade and other payables	**28 350**	**3 688**	**587**	**2 327**	**34 952**
2017					
Bank borrowings	101 661	161 881	515 130	178 525	957 197
Related-party financial liabilities	18 019	1 741	–	–	19 760
Deposits from tenants	1 845	2 410	2 332	3 068	9 655
Trade and other payables	38 508	3 365	845	3 013	45 731

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

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

	Carrying value €'000	Fair value €'000
2018		
Financial assets		
Rent and other receivables	**9 943**	**9 943**
Restricted cash	**27 571**	**27 571**
Cash and short-term deposits	**60 340**	**60 340**
Loans receivable	**21 837**	**21 837**
Financial liabilities		
Interest-bearing loans and borrowings	**1 304 342**	**1 304 342**
Deposits from tenants	**10 571**	**10 571**
Trade and other payables	**34 952**	**34 952**
2017		
Financial assets		
Rent and other receivables	6 120	6 120
Restricted cash	23 613	23 613
Cash and short-term deposits	99 544	99 544
Loans receivable	29 872	29 872
Financial liabilities		
Interest-bearing loans and borrowings	968 098	968 098
Deposits from tenants	9 655	9 655
Trade and other payables	45 731	45 731

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
2018				
Interest-bearing loans and borrowings	**–**	**1 304 342**	**–**	**1 304 342**
Investment property	**–**	**–**	**2 201 737**	**2 201 737**
Loans receivable	**–**	**21 837**	**–**	**21 837**
Deposits from tenants	**–**	**10 571**	**–**	**10 571**
Trade and other payables	**–**	**34 952**	**–**	**34 952**
2017				
Interest-bearing loans and borrowings	–	968 098	–	968 098
Investment property	–	–	1 655 619	1 655 572
Loans receivable	–	29 872	–	29 872
Deposits from tenants	–	9 655	–	9 655
Trade and other payables	–	45 731	–	45 731

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy (continued)

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

- Receivables are evaluated by the group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2018 and 31 December 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of obligations under finance leases and deposits from tenants is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings.
- Fair values of the group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 31 December 2018 and as at 31 December 2017.

Capital management

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

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

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

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

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

	2018 €'000	2017 €'000
Interest-bearing loans	**1 304 342**	968 098
Cash without tenant's deposits	**(77 487)**	(114 670)
Net indebtedness	**1 226 855**	853 428
Investment property	**2 201 737**	1 655 572
Investment in joint venture	**138 698**	116 009
Other financial assets	**21 837**	29 872
Total investment assets	**2 362 272**	1 801 453
Loan to value ratio	**51.9%**	47.4%

30. EMPLOYEES

The average number of employees, expressed in full-time equivalents, in 2018 was 198 (2017: 153), respectively, and can be detailed as follows:

	Number of employees 2018	Number of employees 2017
Department		
Retail	**95**	85
Office	**10**	11
Other	**93**	57
Total	**198**	153

31. COMMITMENTS AND CONTINGENCIES

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

	Amount €'000	Maturity	Description
2018			
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 o.o.) in case of the occurrence one of the guarantees acts described in the guarantee agreement dated 31 August 2017.
Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP SA)	**203 547**	22 August 2023	Guarantee of borrowers' obligations granted by EPP N.V. for obligations under the facility agreement dated 7 August 2018, and related finance documents, upon the occurrence of a building permit event (as defined in the guarantee agreement). The guarantee may be terminated and replaced by a support agreement after the lender receives title insurance for Kielce property covering risks connected with the building permit event, with appropriate endorsement of rights under such policy to the bank.
Fidelin Development spółka z ograniczoną odpowiedzialnością spółka komandytowa	**42 000**	23 May 2029	Suretyship granted by EPP N.V. for the payment of the purchase price resulting from Towarowa acquisition agreement upon occurrence of the prerequisites envisaged in the agreement.

31. COMMITMENTS AND CONTINGENCIES (continued)

	Amount €'000	Maturity	Description
2017			
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.
HSBC Bank PLC	**96 500**	30 December 2019	Guarantee granted by EPP N.V. as collateral for default of payment by Galeria Kielce – Projekt Echo – 109 spółka z ograniczoną odpowiedzialnością – spółka komandytowa resulting from bank loan agreement dated 16 December 2016.
Fidelin Development spółka z ograniczoną odpowiedzialnością spółka komandytowa	**42 000**	23 May 2029	Suretyship granted by EPP N.V. to for the payment of the purchase price resulting from Towarowa acquisition agreement upon occurrence of the prerequisites envisaged in the agreement.

Our bank borrowings are secured on pledges on the respective investment properties.

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

32. EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events do be disclosed.

Signatures of members of board of directors:

Hadley Dean
Chief executive officer

Jacek Bagiński
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marek Marian Belka
Independent non-executive director

Marc Wainer
Non-executive director

Andrew König
Non-executive director

Maciej Dyjas
Non-executive director

Nebil Senman
Non-executive director

Dionne Ellerine
Independent non-executive director

Andrea Philippa Steer
Independent non-executive director

Peter Driessen
Independent non-executive director

Amsterdam, 6 March 2019

EPP N.V. STANDALONE FINANCIAL STATEMENTS

COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 €'000	2017 €'000
Other results after taxation (note 3)	**(17 041)**	(6 921)
Share in profit/(loss) of participating interests	**153 605**	131 832
Net profit/(loss)	**136 564**	124 911

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

(Before profit appropriation)

	Notes	**31 December 2018 €'000**	31 December 2017 €'000
ASSETS			
Financial fixed assets	4	**1 219 717**	966 388
Investments in subsidiaries		**1 219 717**	966 388
Current assets	5	**10 482**	42 708
Amounts receivable from group companies		**757**	–
Other amounts receivable		**188**	113
Prepayments		**8 964**	8 408
Other receivables		**144**	92
Cash at bank and in hand		**429**	34 095
Total assets		**1 230 199**	1 009 096
EQUITY AND LIABILITIES			
Shareholders' equity	6	**1 035 134**	833 868
Share capital		**672 292**	571 026
Share premium		**203 318**	147 534
Legal reserves		**188 377**	102 806
Retained earnings/(accumulated deficit)		**(165 418)**	(112 409)
Unappropriated result		**136 564**	124 911
Long-term liabilities	7	**113 582**	39 063
Amounts payable to group companies		**113 582**	39 063
Current liabilities	8	**81 484**	136 165
Amounts payable to credit institutions		**–**	99 657
Amounts payable to group companies		**78 930**	35 272
Amounts payable and accrued expenses		**2 554**	1 236
Total equity and liabilities		**1 230 199**	1 009 096

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General

The company financial statements are part of the 2018 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 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 2018 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.

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.

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.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

2. Principles for the measurement of assets and liabilities and the determination of the result (continued)

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.

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. is 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 financial position.

3. Income statement

Interest income and costs stem materially only from transactions with group companies. In 2018 the company charged €2.6 million interest to other group companies and was charged €5.7 million interest expenses by group companies. In 2017 these were respectively €2.1 million and €0.5 million.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

4. Financial fixed assets

	Investments in subsidiaries €'000	Investments in joint ventures €'000	Loans due from subsidiaries €'000	Total €'000
Balance as at 1 January 2017	296 739	54 285	127 510	478 534
Cost of acquisition	148 101	–	–	148 101
Redemption/sale of shares	(130)	–	–	(130)
Loans provided	–	–	63 516	63 516
Contributions	389 934	(54 285)	(192 218)*	143 431
Share in result of participating interests	131 832	–	–	131 832
Exchange differences	(88)	–	1 192	1 104
Balance as at 31 December 2017	966 388	–	–	966 388
Cost of acquisition (1)	32 522	–	–	32 522
Redemption/sale of shares (1)	(29 616)	–	–	(29 616)
Contributions/incorporations (2 until 7)	133 970	–	–	133 970
Dividends received	(31 344)	–	–	(31 344)
Share in result of participating interests	153 605	–	–	153 605
Exchange differences	(5 808)	–	–	(5 808)
Balance as at 31 December 2018	**1 219 717**	**–**	**–**	**1 219 717**

* *Additional short-term loans were contributed to subsidiaries in the total amount of €143 431.*

1. On January 4, 2018 €32.5 million loans to Chariot Top Group B.V. were converted into ordinary shares of four entities involved in the M1 acquisition. Shares in those four entities were subsequently swapped for €29.6 million share capital in EPP (Cyprus) – 1 PLC.
2. On March 22, 2018 the company incorporated EPP Finance B.V. and paid-up €0.1 million as share capital.
3. On April 30, 2018 the company contributed an amount of €132 million to EPP (Cyprus) – 1 PLC.
4. On July 28, 2018 the company contributed €1.5 million to EPP Finance B.V. as share premium.
5. On October 18, 2018 the company incorporated EPP GP B.V. and paid-up €0.1 million as share capital.
6. On October 19, 2018 the company made a contribution in kind (composed of shares of some of the direct subsidiaries) in EPP GP B.V. for the total amount of €0.1 million.
7. On November 6, 2018 the company contributed €0.2 million to EPP GP B.V. as share premium.

4. Financial fixed assets (continued)

Investments in direct subsidiaries

As at 31 December 2018, the company held interests in the following direct subsidiaries:

Name	Place of business	Share percentage %
EPP Finance B.V.	Amsterdam, the Netherlands	**100**
EPP GP B.V.	Amsterdam, the Netherlands	**100**
EPP (Cyprus) – 1 PLC (previously Echo Polska Properties (Cyprus) PLC)	Nicosia, Cyprus	**100**
Grupa EPP Sp. z o.o.	Warsaw, Poland	**100**
EPP Sp. z o.o. (previously: Echo Polska Properties Sp. z o.o.)	Warsaw, Poland	**100**

Movements in direct subsidiaries compared to prior are a result of contributions to EPP (Cyprus) – 1 PLC and EPP GP B.V. as mentioned in *3 and *6 above.

Investments in indirect subsidiaries

As of 31 December 2018, the company held interests in the following indirect subsidiaries:

Name	Place of business	Share percentage %
EPP (Cyprus) – 2 Ltd	Nicosia, Cyprus	**100**
EPP (Cyprus) – 3 Ltd	Nicosia, Cyprus	**100**
Galeria Amber Sp. z o.o. (previously Echo – Galeria Amber Sp. z o.o.)	Warsaw, Poland	**100**
Park Rozwoju Sp. z o.o. (previously Echo – Park Rozwoju Sp. z o.o.)	Warsaw, Poland	**100**
EPP Spółka z ograniczoną odpowiedzialnością S.K. (previously Echo Polska Properties Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP Retail – Veneda Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Galeria Sudecka Sp. z o.o.	Warsaw, Poland	**100**
EPP Office – Astra Park Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Centrum Przemyśl Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Galaxy Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Galeria Amber Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Galeria Olimpia Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Outlet Park Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Pasaż Grunwaldzki Sp. z o.o.	Warsaw, Poland	**100**
Flaxton Investments Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Centrum Bełchatów Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Galeria Echo Sp. z o.o.	Warsaw, Poland	**100**
Pasaż Grunwaldzki Sp. z o.o. (previously Magellan West Sp. z o.o.)	Warsaw, Poland	**100**
Grupa EPP Sp. z o.o. S.K.	Warsaw, Poland	**100**
Norcross Sp. z o.o.	Warsaw, Poland	**100**
Orkney Sp. z o.o.	Warsaw, Poland	**100**
Otway Holdings Sp. z o.o.	Warsaw, Poland	**100**

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

4. Financial fixed assets (continued)

Investments in indirect subsidiaries (continued)

Name	Place of business	Share percentage %
EPP Office – Malta Office Park Sp. z o.o.	Warsaw, Poland	**100**
EPP Office – Park Rozwoju Sp. z o.o.	Warsaw, Poland	**100**
Pebworth Sp. z o.o.	Warsaw, Poland	**100**
Galaxy Szczecin Sp. z o.o. (previously Projekt Echo – 106 Sp. z o.o.)	Warsaw, Poland	**100**
Galeria Echo Sp. z o.o. (previously Projekt Echo – 109 Sp. z o.o.)	Warsaw, Poland	**100**
Centrum Przemyśl Sp. z o.o. (previously Projekt Echo – 118 Sp. z o.o.)	Warsaw, Poland	**100**
Malta Office Park Sp. z o.o. (previously Projekt Echo – 124 Sp. z o.o.)	Warsaw, Poland	**100**
Oxygen Szczecin Sp. z o.o. (previously Projekt Echo – 125 Sp. z o.o.)	Warsaw, Poland	**100**
Outlet Park Szczecin Sp. z o.o. (previously Projekt Echo – 126 Sp. z o.o.)	Warsaw, Poland	**100**
Galeria Sudecka Sp. z o.o. (previously Projekt Echo – 43 Sp. z o.o.)	Warsaw, Poland	**100**
Astra Park Kielce Sp. z o.o. (previously Projekt Echo – 69 Sp. z o.o.)	Warsaw, Poland	**100**
Galeria Veneda Sp. z o.o. (previously Projekt Echo – 97 Sp. z o.o.)	Warsaw, Poland	**100**
Galeria Olimpia Sp. z o.o. (previously Projekt Echo – 98 Sp. z o.o.)	Warsaw, Poland	**100**
Trappaud Sp. z o.o.	Warsaw, Poland	**100**
Ventry Investments Sp. z o.o.	Warsaw, Poland	**100**
Verwood Investments Sp. z o.o.	Warsaw, Poland	**100**
Centrum Bełchatów Sp. z o.o. (previously Vousoka Polska Sp. z o.o.)	Warsaw, Poland	**100**
Wisbech Sp. z o.o.	Warsaw, Poland	**100**
EPP Office – Oxygen Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Galeria Solna HoldCo Sp. z o.o.	Warsaw, Poland	**100**
EPP – Astra Park Kielce Spółka z ograniczoną odpowiedzialnością S.K. (previously Astra Park – Projekt Echo – 69 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Centrum Przemyśl Spółka z ograniczoną odpowiedzialnością S.K. (previously Centrum Przemyśl – Projekt Echo – 118 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K. (previously Echo – Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Park Rozwoju Spółka z ograniczoną odpowiedzialności S.K. (previously Echo – Park Rozwoju Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością S.K. (previously Echo Pasaż Grunwaldzki Magellan West Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP Retail – Galeria Solna Sp. z o.o.	Warsaw, Poland	**100**
EPP – Malta Office Park Spółka z ograniczoną odpowiedzialnością S.K. (previously Farrina Investments – Projekt Echo – 124 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
Flaxton Investments Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**100**
EPP – Galaxy Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

4. Financial fixed assets (continued)

Investments in indirect subsidiaries (continued)

Name	Place of business	Share percentage %
EPP – Galeria Echo Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Kielce – Projekt Echo – 109 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Galeria Olimpia Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Olimpia – Projekt Echo – 98 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Galeria Sudecka Spółka z ograniczoną odpowiedzialnością S.K. (previously Galeria Sudecka – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Outlet Park Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Outlet Park – Projekt Echo – 126 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Oxygen Szczecin Spółka z ograniczoną odpowiedzialnością S.K. (previously Oxygen – Projekt Echo – 125 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP – Galeria Veneda Spółka z ograniczoną odpowiedzialnością S.K. (previously Veneda – Projekt Echo – 97 Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
Ventry Investments Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**100**
EPP – Centrum Bełchatów Spółka z ograniczoną odpowiedzialnością S.K. (previously Vousoka Polska Spółka z ograniczoną odpowiedzialnością S.K.)	Warsaw, Poland	**100**
EPP Retail – Zakopianka Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Twierdza Kłodzko Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Warsaw, Poland	**100**
EPP Retail – Twierdza Zamość Sp. z o.o.	Warsaw, Poland	**100**
EPP Facility Management Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K. (previously EPP Facility Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.)	Kielce, Poland	**100**
EPP Property Management – Grupa EPP Spółka z ograniczoną odpowiedzialnością S.K. (previously EPP Property Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.)	Kielce, Poland	**100**
EPP Development 5 Sp. z o.o.	Warsaw, Poland	**100**
EPP Development 6 Sp. z o.o.	Warsaw, Poland	**100**
EPP Development 7 Sp. z o.o.	Warsaw, Poland	**100**
EPP Development 8 Sp. z o.o.	Warsaw, Poland	**100**
EPP Development 1 Sp. z o.o.	Warsaw, Poland	**100**
Paars Sp. z o.o.	Warsaw, Poland	**100**
EPP Development 2 Sp. z o.o.	Warsaw, Poland	**100**
Goud Sp. z o.o.	Warsaw, Poland	**100**
EPP Development 3 Sp. z o.o.	Warsaw, Poland	**100**
Groen Sp. z o.o.	Warsaw, Poland	**100**
EPP Development 4 Sp. z o.o.	Warsaw, Poland	**100**
Grijs Sp. z o.o.	Warsaw, Poland	**100**

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

4. Financial fixed assets (continued)

Indirect investments in joint ventures

As at 31 December 2018, the company held interests in the following joint ventures:

Name	Place of business	**Share percentage %**
Projekt Echo 138 Sp. z o.o.	Warsaw, Poland	**70**
Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K.	Warsaw, Poland	**53.74**
Berea Sp. z o.o.	Warsaw, Poland	**70**
Rosehill Investments Sp. z o.o.	Warsaw, Poland	**70**

5. Current assets

	31 December 2018 €'000	31 December 2017 €'000
Other receivables		
VAT receivable	**44**	75
Other receivables	**100**	17
Total	**144**	92
Cash at bank and in hand		
Current account Rabobank (EUR)	**270**	651
Current account Rabobank (PLN)	**17**	–
Current account Investec Bank (ZAR)	**49**	6
Current account HSBC Bank (EUR)	**5**	33 438
Brokerage account Anchor	**88**	–
Total	**429**	34 095

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 2018, 829 989 804 (31 December 2017: 704 970 211) shares have been placed and fully paid up. For fiscal purposes, the share capital is considered fully paid-up.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

6. Shareholders' equity (continued)

Reconciliation of movement in capital and reserves

	Issued share capital €'000	Share premium €'000	Foreign currency translation reserve €'000	Partici-pation interest reserve €'000	Retained earnings/ (accumu-lated deficit) €'000	Unappro-priated result €'000	Total equity attributable to the owners of the company €'000
Balance as at 1 January 2017	474 702	95 095	(255)	43 754	(78 007)	75 871	611 160
Appropriated profit	–	–	–	–	75 871	(75 871)	–
Issue of ordinary shares	96 324	56 650	–	–	–	–	152 974
Transaction cost related to issuance of shares	–	(4 211)	–	–	–	–	(4 211)
Acquisition of own shares	–	–	–	–	(1 810)	–	(1 810)
Recognition of share-based payments	–	–	–	–	5 936	–	5 936
Translation results	–	–	(88)	–	–	–	(88)
Participation interest reserve movement	–	–	–	59 395	(59 395)	–	–
Divided to equity holders	–	–	–	–	(55 004)	–	(55 004)
Result for the year	–	–	–	–	–	124 911	124 911
Balance as at 31 December 2017	571 026	147 534	(343)	103 149	(112 409)	124 911	833 868
Appropriated profit	**–**	**–**	**–**	**–**	**124 911**	**(124 911)**	**–**
Issue of ordinary shares	**101 266**	**56 234**	**–**	**–**	**–**	**–**	**157 500**
Transaction cost related to issuance of shares	**–**	**(450)**	**–**	**–**	**–**	**–**	**(450)**
Acquisition of own shares	**–**	**–**	**–**	**–**	**(2 312)**	**–**	**(2 312)**
Share-based payments expenses	**–**	**–**	**–**	**–**	**4 107**	**–**	**4 107**
Translation results	**–**	**–**	**(5 808)**	**–**	**–**	**–**	**(5 808)**
Participation interest reserve movement*	**–**	**–**	**–**	**91 380**	**(91 380)**	**–**	**–**
Divided to equity holders	**–**	**–**	**–**	**–**	**(88 334)**	**–**	**(88 334)**
Result for the year	**–**	**–**	**–**	**–**	**–**	**136 564**	**136 564**
Balance as at 31 December 2018	**672 292**	**203 318**	**(6 151)**	**194 528**	**(165 418)**	**136 564**	**1 035 134**

* *The movement of participation interest reserve in 2018 includes the prior year's result (amounting to €28.6 million) of joint ventures from which the group cannot enforce payment of dividends.*

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 11 of the consolidated financial statements. Further details about share-based payments and treasury shares can be found in note 13 of the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

6. Shareholders' equity (continued)

Profit-sharing certificates and similar rights

The company has issued one preference share to Echo Prime Assets B.V. The holder of the preference share was solely entitled to receive from the company an interim dividend with priority over any other distributions made by the company in relation to each planned extension to the Galaxy Shopping Centre, Outlet Park Phase III and Outlet Park Phase IV ("preferred distribution"). No other distribution shall be made on the preference share.

The preferred distribution was payable to the holder of the preference share, if:

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

The preferred distribution was paid out in 2017. As of 31 December 2018 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.

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, until these are realised, the company recorded a legal reserve. Additionally, this reserve relates to the results of joint ventures from which we cannot enforce payment of dividends.

Proposal for profit appropriation

The general meeting will be asked to approve the following appropriation of the 2018 profit after tax: an amount of €47 973 000 to be paid out as dividend, the remainder is to be added to the other reserves.

6. Shareholders' equity (continued)

Reconciliation retained earnings and equity with consolidated financial statements

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

	2018 €'000	2017 €'000
Profit for the period as per consolidated statement of profit or loss	**124 165**	128 348
Realised results subsidiaries with a negative equity from prior years	**(47)**	(3 484)
Net asset value of subsidiaries with a negative equity that had positive NAV in prior years	**12 446**	47
Net profit as per company income statement	**136 564**	124 911

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

	31 December 2018 €'000	31 December 2017 €'000
Equity as per consolidated statement of financial position	**1 022 688**	833 821
Difference results subsidiaries with a negative net asset value	**12 445**	47
Equity as per company balance sheet	**1 035 134**	833 868

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

7. Long-term liabilities

Amounts payable to group companies

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

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

Long-term liabilities that were outstanding at the end of 2017 were paid off from the proceeds of the 2018 share capital issuance.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

7. Long-term liabilities (continued)

Amounts payable to group companies (continued)

As at 31 December 2017 the following long-term loans to subsidiaries were outstanding:

Group company	Issued principal €'000	Accrued interest €'000	Related project	Maturity	Loan terms
Echo Polska (Cyprus) PLC	**100**	**2**	A4	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**1 413**	**31**	Astra	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**460**	**10**	Emfold	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**550**	**12**	Farrina	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**652**	**15**	Galeria Amber	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**3 829**	**82**	Galeria Kielce	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**732**	**16**	Amber/Veneda	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**685**	**15**	Outlet Park	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**804**	**17**	Outlet Park 2	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**550**	**12**	Park Rozwoju	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**533**	**11**	Ventry	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**240**	**5**	West Gate	March 31, 2020	EURIBOR 3M+ 2.7%
Echo Polska (Cyprus) PLC	**569**	**12**	Veneda	March 31, 2020	EURIBOR 3M+ 5.0%
Echo Polska (Cyprus) PLC	**10 200**	**98**	Various	March 31, 2020	EURIBOR 3M+ 5.0%
EPP (Cyprus) – 2 Limited	**3 300**	**33**	Various	March 31, 2020	EURIBOR 3M+ 5.0%
EPP (Cyprus) – 3 Limited	**13 800**	**104**	Various	March 31, 2020	EURIBOR 3M+ 5.0%
Friedland Sp. z o.o.	**170**	**1**	Various	September 30, 2020	EURIBOR 3M+ 2.7%
Total amount	**38 587**	**476**			

The above loans from subsidiaries, excluding the loan received from Friedland Sp. z o.o., were subordinated in relation to the bank facility.

8. Current liabilities

Due to credit institutions

There were no amounts due to credit institutions as at 31 December 2018.

The amount due to credit institutions as at 31 December 2017 related to a credit facility issued by HSBC Bank PLC on April 13, 2017 in the total amount of €100 000 000 and can be detailed as follows:

	31 December 2017 €'000
HSBC facility	99 243
Accrued interest	414
Total	99 657

The facility matured at 13 October 2018, and carried an interest percentage of 3.5% up to 12 April 2017, and 4.75% in the period until 13 October 2018. Interest was payable on a quarterly basis.

8. Current liabilities (continued)

Due to credit institutions (continued)

Under the facility, the company has drawn down the full amount of €100 000 000. The effective interest rate amounts to 5.25% and transaction costs amounted to €1 518 717. As per 2017 year-end the amortised cost of the loan amounted to €99 657 082.

The HSBC Bank PLC loan was secured by second rank pledge over assets in Galeria Kielce – Projekt Echo – 109 spółka z ograniczoną odpowiedzialnością – spółka komandytowa and Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa, pledge on shares and assets in EPP Retail – Zakopianka Sp. z o.o. and pledge on shares of EPP – Cyprus 3 Ltd.

Amounts payable to group companies

The amounts payable as per 31 December 2018 to group companies can be detailed as follows:

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

The short-term loans due to subsidiaries as at 31 December 2017 could be detailed as follows:

Group company	Issued principal €'000	Accrued interest €'000	Total €'000	Maturity	Loan terms
Echo Polska (Cyprus) PLC	**2 722**	**2**	**2 724**	June 30, 2018	EURIBOR 3M+ 2.7%
EPP (Cyprus) – 3 Limited	**17 299**	**11**	**17 310**	June 30, 2018	EURIBOR 3M+ 2.7%
Verwood Investments Sp. z o.o.	**15 220**	**18**	**15 238**	March 31, 2018	EURIBOR 3M+ 2.7%
Total amount	**35 241**	**31**	**35 272**		

Amounts payable and accrued expenses

	31 December 2018 €'000	31 December 2017 €'000
Amounts payable	**1 724**	721
Accrued expenses	**830**	515
Total	**2 554**	1 236

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

9. Audit fees

The audit fees can be detailed as follows:

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

Group-wide totals have been presented. The audit fees include the costs for the legal audit of the annual report by Ernst & Young Accountants LLP, being the ultimate external auditor (EY Netherlands), Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (EY Poland) and Ernst & Young Inc. (EY South Africa) (together the "auditors") in the total amount of €340 000 (2017: €250 000). The other audit fees amounted to €197 000 (2017: €0). The auditors or associated companies rendered tax, advisory – and other services in the total amount €796 000 (2017: €1 124 000). 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.

The audit fees for the year 2017 can be detailed as follows:

	Ernst & Young Accountants LLP €'000	Associated Ernst & Young Companies €'000	Total 2017 €'000
Audit fees annual report	90	160	250
Other audit fees	–	–	–
Services related to taxes and advisory	–	1 124	1 124
Total	90	1 304	1 394

10. Employees

The average number of employees on the company's payroll, expressed in full-time equivalents, in 2018 and in 2017 was nil.

11. Commitments and contingencies

As per January 1, 2018, the company entered into a lease agreement with Tribes Offices for the lease of office space in Amsterdam, the Netherlands. The lease was entered into for the period of one year, commencing on 1 January 2018 and ending on 31 December 2018 (the "lease period"). Upon expiry of the lease period, the lease was extended for the period of one year. The annual lease amounts to €27 500 exclusive of 21% value added tax.

Please be referred to note 31 of the consolidated financial statements for more information of the commitments and contingencies.

12. Board of management

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

Executive directors

- Hadley James Tyzack Dean
- Jacek Bagiński

Non-executive directors

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

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 2018 and period to 31 December 2017 are set out in the tables below:

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

1. The share-based payments represent the value of shares transferred to the board members in 2018.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

12. Board of management (continued)

	Basic salaries €'000	Directors' fees €'000	Bonuses and other performance payments €'000	Share-based payment €'000	Other €'000	Total €'000
2017						
Executive directors						
Hadley Dean	475	–	500	2 567	22	3 564
Jacek Bagiński	243	–	300	1 444	10	1 997
Maciej Drozd*	87	–	–	–	–	87
Total	805	–	800	4 011	32	5 648
Non-executive directors						
Robert Weisz	–	90	–	–	–	90
Marc Wainer	–	35	–	–	–	35
Marek Belka	–	66	–	–	–	66
Andrew König	–	30	–	–	–	30
Maciej Dyjas	–	30	–	–	–	30
Przemysław Krych**	–	30	–	–	–	30
Nebil Senman	–	30	–	–	–	30
Dionne Ellerine	–	60	–	–	–	60
Andrea Steer	–	80	–	–	–	80
Peter Driessen	–	79	–	–	–	79
Total	–	530	–	–	–	530

* *Maciej Drozd retired from the Board of Directors on 19 May 2017.*

** *Przemysław Krych resigned from the Board of Directors on 20 December 2017.*

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

12. Board of management (continued)

Director	Number outstanding shares granted but not yet transferred at 31 December 2017	**Number granted in 2018[1]**	Number transferred	Adjustment	**Number outstanding shares granted but not yet transferred at 31 December 2018[2]**	Fair value of transferred shares per share
Hadley Dean	1 600 000	**800 000**	(1 582 000)	(18 000)	**800 000**	€1.12[3]
Jacek Bagiński	350 000	**450 000**	(450 000)		**350 000**	€1.265

1. *We refer to note 13 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.*
2. *The total maximum number of shares according to the plan is 8 000 000 for Hadley Dean and 4 500 000 for Jacek Bagiński.*
3. *In 2018, the company transferred shares that had a FV of 0.98 (800 000 that were kept as treasury shares at the end of 2017) and 782 000 that had a FV of €1.265 – as such the average FV of the shares transferred is 1.12.*

Reference is also made to note 13 and 27 of the consolidated financial statements.

SUBSEQUENT EVENTS

For more information on the events after the reporting period, please be referred to note 32 to the consolidated financial statements.

Signatures of members of board of directors:

Hadley Dean
Chief executive officer

Jacek Bagiński
Chief financial officer

Robert Weisz
Independent non-executive chairman

Marc Wainer
Non-executive director

Peter Driessen
Independent non-executive director

Andrew König
Non-executive director

Maciej Dyjas
Non-executive director

Nebil Senman
Non-executive director

Andrea Philippa Steer
Independent non-executive director

Dionne Ellerine
Independent non-executive director

Marek Marian Belka
Independent non-executive director

Amsterdam, 6 March 2019

08

Other **information**

PASAŻ GRUNWALDZKI


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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 2018 INCLUDED IN THE INTEGRATED REPORT

Our opinion

We have audited the financial statements 2018 of EPP N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the standalone 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 2018, and of its result and its cash flows for 2018 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 standalone financial statements give a true and fair view of the financial position of EPP N.V. as at 31 December 2018, and of its result for 2018 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 2018.
- The following statements for 2018: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The standalone financial statements comprise:

- The company balance sheet as at 31 December 2018.
- The company income statement for 2018.
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Materiality

Materiality	**€10 100 000 (2017: €8 300 000)**
Benchmark applied	**1% of equity**
Explanation	**We considered the equity measurement base to be the most appropriate benchmark for materiality. Equity of an investment entity is viewed as a measure of importance to the primary users as equity reflects the investor's interest in the investment entity the best.**

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

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

Scope of the group audit

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

Our group audit mainly focused on significant group entities. We considered entities to be significant based on size or the existence of significant risks. We have used the work of other EY firms regarding the audit of the consolidated financial statements of EPP N.V. for group entities as included in note 28 of the consolidated financial statements, except for EPP Finance B.V. for which we performed the audit procedures ourselves. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

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

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

Our key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are in line with the prior year including the new key audit matter regarding the acquisition of investment properties in relation to the M1 transaction.

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

Fair value of investment properties (note 5)	
Risk	The investment properties of EPP N.V. comprise income-generating assets in Poland. The total investment properties as of 31 December 2018 amount to €2.2 billion (2017: €1.7 billion) representing 89% (2017: 85%) of total assets. The portfolio consists of both retail properties and office properties. Furthermore, the total net asset value of investments in joint ventures as of 31 December 2018 amounts to €139 million (2017: €116 million), which is significantly impacted by the fair value of the related investment properties. Total fair value of the investment properties in the joint ventures amounts to €430 million as per 31 December 2018 (2017: €289 million). Fair value is determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the properties and estimates of the suitable discount rate for these cash flows. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties. Valuation techniques for investment properties are subjective in nature and involve various assumptions regarding pricing factors. These assumptions include the capitalisation rate, market rental income, market-derived discount rate, projected net operating income, vacancy levels, estimate of the reversion/ terminal value, rent-free period, letting fee, letting voids and fit-out allowance for vacant space or renewals. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.
Our audit approach	Our audit procedures included, among others, the following: ◆ We obtained an understanding of the internal processes related to determining the fair value, performed a walk-through and evaluated the design of controls; ◆ We obtained for each investment property measured at fair value an external valuation; ◆ We determined that the valuator used for external valuation is RICS certified, JSE acceptable and independent of EPP; ◆ We involved EY valuation specialists to assist with the audit of the valuation of the selected sample of investment properties based on their specific experience and knowledge in the local markets; ◆ We performed procedures to determine that the specialists involved (EY and management specialists) have sufficient knowledge, qualifications and experience to perform the valuations; methodology used for the valuation, reviewing key assumptions included in the valuation; ◆ We performed an analytical review on fair value movements over the period and investigated unexpected movements, by reviewing the valuations in detail; ◆ We summarised information about the real estate projects (rent-rolls, vacancy, weighted average unexpired lease terms, ageing of agreements) and performed further audit procedures on the selected sample; ◆ We assessed the input parameters used for the valuation on a sample basis (selection based on risk analysis, outcome of analytical review and professional judgement); ◆ We performed a benchmark study for net realisable value ("NRV") and yields applied in management's valuations; ◆ We inspected whether the accounting treatment of the group's investment properties is in line with the group's accounting principles; and ◆ We evaluated the disclosures included in note 5 to the consolidated financial statements against the requirements of IFRS and agreed them to the accounting records.
Key observations	We consider management's estimates and key assumptions underlying the valuation of investment properties used to be within an acceptable range and we assessed the disclosures as being appropriate.

Transactions with related parties (note 25)	
Risk	EPP was involved in the transactions below, among others, with related parties in 2018: ◆ Acquisition of Phase II of Symetris Business Center (Symetris II) on 27 July 2018. The acquisition was 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 and was acquired through a right of first offer ("ROFO") agreement with Echo Group. ◆ M1 portfolio: Due to the size, nature and complexity of this related-party transaction, we have considered this transaction to be a separate KAM: "Acquisition of investment properties in relation to the M1 transaction". We considered the related-party transactions to be significant to the audit as the risk is that if these transactions are not conducted at arm's length, are not for a valid business rationale, the terms of interest and repayment for loans are not fair and/or the accounting treatment of the rights and obligations of these transactions is incorrect, it could materially influence the results of the group. Furthermore, for financial reporting purposes, IAS 24: *Related-Party Disclosure*, requires complete and appropriate disclosure of transactions with related parties.
Our audit approach	Our audit procedures included, among others, the following: ◆ We obtained an understanding of management's process for identifying related-party transactions, performed a walk-through and evaluated the design of controls; ◆ We obtained audit evidence that the transactions are approved in accordance with internal procedures including the involvement of key personnel at the appropriate level; ◆ We agreed the acquisitions to supporting documentation including external valuations around the acquisition date, to obtain support for the existence of the properties and the directors' assertions that the transactions were at arm's length; ◆ We evaluated the business rationale and the relevant terms and the conditions of the transactions; ◆ We assessed the accounting treatment: considered management's assessment whether the deal is classified as a business combination or asset deal, and whether the applied method of incorporating the figures of the acquired activities is in terms of IFRS (pooling of interest, carry-over accounting or purchase accounting); and ◆ We determined whether management has disclosed related-party relationships and transactions in accordance with IAS 24.
Key observations	We assessed that the related-party transactions are conducted at arm's length and that the accounting treatment of the rights and obligations of these transactions is appropriate. Furthermore we assessed the disclosures regarding the related-party transactions as being appropriate.

Acquisition of investment properties in relation to the M1 transaction (note 5)	
Risk	On 4 January 2018, EPP completed the acquisition of the first tranche of a transaction agreed with Chariot Top Group B.V. for an overall portfolio of 12 investment properties with a combined consideration of €692.1 million in three tranches. Chariot Top Group B.V. is a consortium set up by Pimco, Oaktree and Redefine Properties, wherein Redefine Properties (a shareholder of EPP) holds a stake of 25%. The transaction is structured in such a way that EPP purchases all the shares of the entities holding the investment properties from Chariot Top Group B.V. To complete the first tranche acquisition EPP allotted, issued and listed shares on both the Euro MTF market of the Luxembourg Stock Exchange and the Main Board of the JSE. All newly issued shares have been subscribed by GPF EPP JV B.V., an entity managed by Pimco and Oaktree. The second tranche and third tranche are expected to be finalised in 2019 and 2020. EPP accounted for the acquisition of the first tranche as an asset deal and disclosed in the notes to the financial statements the commitment to purchase the second and third tranche. We considered the transaction to be significant to the audit given the size, nature and complexity of the transaction. The complexity relates to assessing the accounting treatment and whether or not the transaction should be accounted for as a business combination in terms of IFRS 3: *Business Combinations* or as an asset acquisition. We considered whether the acquisition of the investment property constituted a business as defined in IFRS 3, including evaluating the three elements (input, process and output) of a business.
Our audit approach	Our audit procedures included, among others, the following: ◆ We obtained an understanding of the internal processes related to the recognition of the transaction, performed a walk-through and evaluated the design of controls; ◆ We obtained and inspected the contract regarding clauses within the contract which could have a material impact on the financial statements; ◆ We assessed the accounting treatment and evaluated whether this is in accordance with IFRS 3: *Business Combinations*; ◆ We audited the acquisition with supporting documentation including external valuations around the acquisition date to evaluate the directors' assertions that the transaction was at arm's length; ◆ We evaluated the business rationale, the relevant terms and the conditions of the transaction; ◆ We assessed whether the acquisition of the first tranche was accounted for as an asset deal and evaluated the disclosure of the commitment to purchase the second and third tranche; and ◆ We evaluated of the disclosures included in note 5 to the consolidated financial statements.
Key observations	We assessed that the transaction is conducted at arm's length and that the accounting treatment of the rights and obligations of the transaction is appropriate. Furthermore we assessed the disclosures regarding the transaction as being appropriate.

REPORT ON OTHER INFORMATION INCLUDED IN THE INTEGRATED REPORT

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

Directors' report; consisting of:

- EPP overview
- Our strategy
- Performance review
- Acting sustainably
- Governance
- Property portfolio

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

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

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

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

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of the board of directors for the financial statements

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

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

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

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

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

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

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

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

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

From the matters communicated with the non-executive directors, 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.

Signed by JHA de Jong
Ernst & Young Accountants LLP

Utrecht, 6 March 2019

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 93 to 150, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, and the consolidated statement of other comprehensive income, and 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How the matter was addressed in the audit
Fair value of investment property (notes 4 and 5)	
The investment properties of EPP N.V. comprise of income generating assets in Poland. The total investment properties as of 31 December 2018 amount to €2.2 billion (2017: €1.7 billion) representing 89% (2017: 85%) of total assets. The portfolio consists of both retail properties and office properties. Furthermore, the total net asset value of investments in joint ventures as of 31 December 2018 amounts to €139 million (2017: €116 million), which is significantly impacted by the fair value of the related investment properties. Total fair value of the investment properties in the joint ventures amounts to €440 million as per 31 December 2018 (2017: €289 million). Fair value is determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the properties and estimates of the suitable discount rate for these cash flows. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties. Valuation techniques for investment properties are subjective in nature and involve various assumptions regarding pricing factors. These assumptions include the capitalisation rate, market rental income, market-derived discount rate, projected net operating income, vacancy levels, estimate of the reversion/terminal value, rent-free period, letting fee, letting voids and fit-out allowance for vacant space or renewals. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The fair value of investment property remains a key audit matter in the current year as this is an area of significant management judgement and for which new valuations are done each year. The valuation of investment property continues to be significant to the audit of the financial statements due to the extent of audit effort that it requires.	Our audit procedures included, among others, the following: ◆ We obtained an understanding of the internal processes related to determining the fair value, performed a walk-through and evaluated the design of controls; ◆ We obtained for each investment property measured at fair value an external valuation; ◆ We determined that the valuator used for external valuation is RICS certified, JSE acceptable and independent of EPP; ◆ We involved EY valuation specialists to assist with the audit of the valuation of the selected sample of investment properties based on their specific experience and knowledge in the local markets; ◆ We performed procedures to determine that the specialists involved (EY and management specialists) have sufficient knowledge, qualifications and experiences to perform the valuations; methodology used for the valuation, reviewing key assumptions included in the valuation; ◆ We performed an analytical review on fair value movements over the period and investigated unexpected movements, by reviewing the valuations in detail; ◆ We summarised information about the real estate projects (rent-rolls, vacancy, weighted average unexpired lease term, ageing of agreements) and performed further audit procedures on the selected sample; ◆ We assessed the input parameters used for the valuation on a sample basis (selection based on risk analysis, outcome of analytical review and professional judgement); ◆ We performed a benchmark study for net realisable value ("NRV") and yields applied in management's valuations; ◆ We inspected whether the accounting treatment of the group's investment properties is in line with the group's accounting principles; and ◆ We evaluated the disclosures included in notes 4 and 5 to the consolidated financial statements against the requirements of IFRS and agreed them to the accounting records.

Key audit matter	How the matter was addressed in the audit
Transactions with related parties (note 25)	
EPP was involved in the transactions below, among others, with related parties in 2018: ◆ Acquisition of Phase II of Symetris Business Center ("Symetris II") on 27 July 2018. The acquisition was 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 and was acquired through a right of first offer ("ROFO") agreement with Echo Investment Group. ◆ M1 portfolio: Due to the size, nature and complexity of this related-party transaction, we have considered this transaction to be a separate KAM: "Acquisition of investment properties in relation to the M1 transaction". We considered the related-party transactions to be significant to the audit as the risk is that if these transactions are not conducted at arm's length, are not for a valid business rationale, the terms of interest and repayment of loans are not fair and/or the accounting treatment of the rights and obligations of these transactions is incorrect, it could materially influence the results of the group. Furthermore, for financial reporting purposes, IAS 24: *Related-Party Disclosure*, requires complete and appropriate disclosure of transactions with related parties.	Our audit procedures included, among others, the following: ◆ We obtained an understanding of management's process for identifying related-party transactions, performed a walk-through and evaluated the design of controls; ◆ We obtained audit evidence that the transactions are approved in accordance with internal procedures including the involvement of key personnel at the appropriate level; ◆ We agreed the acquisitions to supporting documentation including external valuations around the acquisition date, to obtain support for the existence of the properties and the directors' assertions that the transactions were at arm's length; ◆ We evaluated the business rationale and the relevant terms and the conditions of the transactions; ◆ We assessed the accounting treatment: considered management's assessment of whether the deal is classified as a business combination or asset deal, and whether the applied method of incorporating the figures of the acquired activities is in terms of IFRS (pooling of interest, carry-over accounting or purchase accounting); and ◆ We determined whether management has disclosed the related-party relationships and transactions in accordance with IAS 24.
Acquisition of investment properties in relation to the M1 transaction (note 5)	
On 4 January 2018, EPP completed the acquisition of the first tranche of a transaction agreed with Chariot Top Group B.V. for an overall portfolio of 12 investment properties with a combined consideration of €692.1 million in three tranches. Chariot Top Group B.V. is a consortium set up by Pimco, Oaktree and Redefine Properties, wherein Redefine Properties (a shareholder of EPP) holds a stake of 25%.	Our audit procedures included, among others, the following: ◆ We obtained an understanding of the internal processes related to the recognition of the transaction, performed a walk-through and evaluated the design of controls; ◆ We inspected the contract and considered specific clauses within the contract which could have a material impact on the financial statements;

Key audit matter	How the matter was addressed in the audit
The transaction is structured in such a way that EPP purchases all of the shares of the entities holding the investment properties from Chariot Top Group B.V. To complete the first tranche acquisition, EPP allotted, issued and listed shares on both, the Euro MTF market of the Luxembourg Stock Exchange and the Main Board of the JSE. All newly issued shares have been subscribed by GPF EPP JV B.V., an entity managed by Pimco and Oaktree. The second tranche and third tranche are expected to be finalised in 2019 and 2020. EPP accounted for the acquisition of the first tranche as an asset deal and disclosed in the notes to the financial statements the commitment to purchase the second and third tranche. We considered the transaction to be significant to the audit given the size, nature and complexity of the transaction. The complexity relates to assessing the accounting treatment and whether or not the transaction should be accounted for as a business combination in terms of IFRS 3: *Business Combinations* or as an asset acquisition. We considered whether the acquisition of the investment property constituted a business as defined in IFRS 3, including evaluating the three elements (input, process and output) of a business.	◆ We assessed the accounting treatment and evaluated whether this is in accordance with IFRS 3: *Business Combinations*; ◆ We agreed the acquisition to supporting documentation including external valuations around the acquisition date to evaluate the directors' assertions that the transactions were at arm's length; ◆ We evaluated the business rationale, the relevant terms and the conditions of the transaction; ◆ We assessed whether the acquisition of the first tranche was accounted for as an asset deal and evaluated the disclosure of the commitment to purchase the second and third tranche; and ◆ We evaluated the disclosures included in note 5 to the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the directors' report and the integrated report. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of EPP N.V. for three years.

Ernst & Young Inc.

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

6 March 2019

102 Rivonia Road
Sandton
South Africa

PROVISIONS IN THE ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OR PROFIT

Under article 29 of the company's articles of association, the profit is at the disposal of the general meeting of shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

PROFIT SHARING CERTIFICATE 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 were to be made on the preference share. The preference distribution took place in 2017.

09

Shareholder **information**

OUTLET PARK


Kazar
WC
Parking

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 December 2018 and for the year ended 31 December 2018

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	1 035	19.23	476 308	0.06
1 001 – 10 000	3 154	58.61	12 546 128	1.51
10 001 – 100 000	905	16.82	24 599 594	2.96
100 001 – 1 000 000	214	3.98	58 865 859	7.09
Over 1 000 000	73	1.36	733 501 914	88.37
Total	5 381	100.00	829 989 803	100.00
Distribution of shareholders				
Assurance companies	37	0.69	8 501 715	1.02
BEE entities	2	0.04	4 663	0.00
Close corporations	60	1.12	958 172	0.12
Collective investment schemes	188	3.49	115 507 058	13.92
Control accounts	4	0.07	29 727	0.00
Custodians	18	0.33	112 311 152	13.53
Foundations and charitable funds	78	1.45	4 679 782	0.56
Hedge funds	2	0.04	108 600	0.01
Insurance companies	4	0.07	44 834	0.01
Investment partnerships	27	0.50	590 285	0.07
Managed funds	31	0.58	10 617 805	1.28
Medical aid funds	8	0.15	1 769 784	0.21
Organs of state	5	0.09	60 143 870	7.25
Private companies	220	4.09	59 767 482	7.20
Public companies	11	0.20	353 622 810	42.61
Public entities	5	0.09	236 943	0.03
Retail shareholders	3 717	69.08	21 590 528	2.60
Retirement benefit funds	134	2.49	52 237 816	6.29
Scrip lending	8	0.15	3 902 555	0.47
Stockbrokers and nominees	18	0.33	1 363 468	0.16
Trusts	803	14.92	22 000 749	2.65
Unclaimed scrip	1	0.02	5	0.00
Total	5 381	100.00	829 989 803	100.00
Shareholder type				
Non-public shareholders	7	0.13	324 186 348	39.06
Directors and associates (direct and indirect)	6	0.11	36 645 507	4.42
Redefine Properties Ltd (holders > 10%)	1	0.02	287 540 841	34.64
Public shareholders	5 374	99.87	505 803 455	60.94
Total	5 381	100.00	829 989 803	100.00

	Number of shareholdings	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares			
Public Investment Corporation	1	54 823 136	6.61
Sesfikile Capital	1	30 639 931	3.69
Investec Asset Management	1	30 486 334	3.67
Stanlib Asset Management	1	29 948 318	3.61
Total	4	145 897 719	17.58
Beneficial shareholders with a holding greater than 3% of the issued shares			
Redefine Properties Ltd	1	323 986 108	39.03
Clearstream (Custodian)	1	95 704 666	11.53
Government Employees Pension Fund	1	53 010 433	6.39
Total	3	472 701 207	56.95
Total number of shareholders	5 381		
Total number of shares in issue	829 989 803		

SHARE PRICE PERFORMANCE

Opening price 2 January 2019	**R16.70**
Closing price 31 December 2018	**R18.75**
Closing high for period	**R21.72**
Closing low for period	**R14.49**
Number of shares in issue	**829 989 803**
Volume traded during period	**236 578 048**
Ratio of volume traded to shares issued (%)	**28.5**
Rand value traded during the period	**R4 429 683 832**
Price/earnings ratio as at 29 December 2018 (%)	**13.83**
Earnings yield as at 29 December 2018 (%)	**7.23**
Dividend yield as at 29 December 2018 (%)	**7.83**
Market capitalisation at 31 December 2018	**R15 562 308 806**

SHAREHOLDERS' DIARY

Financial year-end	**31 December**
Preliminary annual results announcement	**7 March 2019**
Annual report published	**7 March 2019**
Annual general meeting	**11 June 2019**
Interim results announcement	**September 2019**

DISTRIBUTION DETAILS

	2018 (€ cents per share)	2017 (€ cents per share)
Six months ended		
30 June	**5.82**	5.192
31 December	**5.78**	5.678
12 months ended 31 December	**11.60**	10.87

DEFINITIONS

Board	The board of directors of EPP N.V.
CEE	Central Eastern European
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DPS	Dividend per share
Echo Investment	Echo Investment S.A.
EPP or the company	EPP N.V.
ESG	Environment Social Governance
GLA	Gross lettable area
Griffin Real Estate	Griffin Real Estate sp. z o.o., a strategic investor in Echo Investment
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board
JSE	Johannesburg Stock Exchange, on which EPP is listed in the Real Estate Holdings and Development Sector
King IV or King IV Report	King Report on Corporate Governance for South Africa 2016
LFL	Like-for-like
LTV	Loan-to-value
LuxSE	Luxembourg Stock Exchange on which EPP is listed on the Euro MTF market
NAV	Net asset value
NOI	Net operating income
NRI	Non-recurring income
OCR	Occupancy cost ratio
Redefine	Redefine Properties Limited
ROFO agreements	Collectively, the ROFO office agreement and the ROFO retail agreement
ROFO office agreement	The ROFO office agreement entered into between Echo Investment, EPP and Minster Investments on 1 June 2016, in terms of which Echo Investment grants EPP a right of first offer to acquire the office ROFO projects

DEFINITIONS (CONTINUED)

ROFO projects acquisition agreements	The binding term sheet concluded by EPP and Echo Investment on 5 July 2016, in terms of which EPP will acquire the O3 Business Campus Phase I, A4 Business Park Phase III, Tryton Business House and Symetris Business Park Phase I
ROFO retail agreement	Agreement entered into between Echo Investment, EPP and Camas Investments LP on 1 June 2016, in terms of which Echo Investment grants EPP a right of first offer to acquire the retail ROFO project
ROFO	A company or partnership that is the direct holder (ie owner and/or perpetual usufruct holder) of a property on which a given ROFO project is being developed at the relevant time
ROFO agreements	Collectively, the ROFO office agreement and the ROFO retail agreement
RTS	Rent-to-sales
SA Companies Act	The South African Companies Act, 2008 (Act 71 of 2008)
SENS	Securities Exchange News Service of the JSE
The year	The year ended 31 December 2018
WALT	Weighted average lease term
WAULT	Weighted average unexpired lease term

ADDENDUM: DIRECTORS' CVs

DIRECTORATE

Hadley Dean (47)

Chief executive officer

British ✚

Appointed: 1 June 2016 (term expires 2020)

BSc (University of Newcastle-upon-Tyne), Property Valuation and Management degree (Sheffield Hallam University)

Hadley has more than 21 years of real estate experience. Prior to joining EPP he was CEO of Compass Offices' European, Middle Eastern and African operations, where he helped Compass grow to become Hong Kong's largest serviced office provider with a network extending to Australia, Japan, Kazakhstan, Singapore and the United Arab Emirates. Prior to Compass, Hadley served as a Managing Partner at Colliers International, an industry-leading global real estate services company operating in 66 countries. Responsible for Colliers' Eastern Europe region, he managed businesses across 12 countries, 16 offices, and more than 750 employees. He was also Colliers' EMEA Management Board Member.

Skills brought to EPP: Real estate, business management, strategy, board experience.

Jacek Bagiński (49)

Chief financial officer

Polish

Appointed: 19 May 2017 (term expires 2019)

Masters (SGH Warsaw School of Economics)

Jacek is a senior financial executive with over 21 years' experience in various businesses operating across Poland and Central and Eastern Europe ("CEE") countries, ranging from retail, production and sale of pharmaceuticals, fast moving consumer goods, to exploration of oil and gas and other natural resources. He was a member of a number of management boards and CFO of companies, controlled by the largest private equity funds operated in CEE countries, listed on the Warsaw Stock Exchange. Additionally, he has served in senior management and executive positions in multinational corporations, including PepsiCo and BP/Amoco, with turnovers ranging from €15 million to over €750 million. Jacek was responsible for business development, including M&As, financing and taxation as well as financial planning and controlling. Recently, he was a member of the management board and 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.

INDEPENDENT NON-EXECUTIVE

Robert Weisz (69)

Chairman

Dutch

Appointed: 12 August 2016 (term expires 2019)

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.

Marek Belka (67)

Polish

Appointed: 12 August 2016 (term expires 2021)

Economics MA, PhD and Habilitacja (higher degree common in continental Europe)

Marek is a former Prime Minister of Poland (2004 to 2005) and President of Narodowy Bank Polski (Polish Central Bank) (2010 to 2016). He has held various political positions since 1996, including Advisor to the President of Poland, Minister of Finance and Deputy Prime Minister. He has also held positions in international organisations, serving as executive secretary of the Economic Commission for Europe (in the rank of Undersecretary General of the UN) and Director of the European Department in the International Monetary Fund (2008 to 2010). Marek worked in Albania as advisor to three consecutive prime ministers of the country and in the Coalition Provisional Authority in Iraq (2003 to 2004). He was a member of the board of directors of two commercial banks in Poland (at different times) and served as chairman of LOT Polish Airlines from 2002 to 2003.

Skills brought to EPP: Political advisory, economics, strategy, finance, board experience.

Peter Driessen (71)

Dutch

Appointed: 12 August 2016 (term expires 2021)

Law (University of Tilburg)

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

Skills brought to EPP: Property investment advisory, legal, strategy, board experience.

Dionne Ellerine (52)

South African ●■

Appointed: 1 June 2016 (term expires 2021)

BCom LLB (University of the Witwatersrand)

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

Skills brought to EPP: Legal, property investment, strategy, board experience.

Andrea Steer (48)

South African/Irish ✱●■

Appointed: 12 August 2016 (term expires 2021)

BCom (University of the Witwatersrand), LLB (Unisa)

Andrea was admitted as an Attorney, Notary and Conveyancer of the High Court of South Africa after completing her degree. She is currently registered as a Solicitor of England and Wales. Andrea runs her own legal consultancy business, and until recently acted as International Legal Counsel at Randstad Holding N.V., a global leader in the HR services industry, headquartered in Amsterdam and listed on the Amsterdam Stock Exchange ("AEX"). Previously, she held roles as legal consultant at the SBS Broadcasting group (Amsterdam) and as an associate at Clifford Chance LLP (Amsterdam). She currently holds a number of other non-executive directorships in privately held companies in the Netherlands and South Africa.

Skills brought to EPP: Legal, HR services, strategy, board experience.

NON-EXECUTIVE

Maciej Dyjas (55)

German ✚

Appointed: 1 June 2016 (term expires 2020)

Mathematics, IT and Management (University of Warsaw) (University of Stuttgart)

Maciej is a Co-Managing Partner and Co-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.

ADDENDUM: DIRECTORS' CVs (CONTINUED)

Andrew König (51)

South African ✚
Appointment: 1 June 2016 (term expires 2019)
BCom BAcc, CA(SA)

A qualified Chartered Accountant with 23 years of commercial and financial experience, Andrew was previously the group Financial Director of Independent News and Media. He is the chief executive officer of Redefine responsible for all aspects of regulatory compliance, corporate activity and communications, and for ensuring the board's strategy is implemented.

Skills brought to EPP: Finance, property investment, regulatory compliance, strategy, board experience.

Nebil Senman (47)

German/Turkish ■✚
Appointment: 12 August 2016 (term expires 2019)
BEng, MBA (TU Berlin) (Paris, ESCP-EAP) (London, LSE), Postgraduate diploma Real estate management (EBS)

Nebil is a Co-Managing Partner of Griffin Real Estate, a leading investment group operating in Central and Eastern Europe's commercial real estate market. Previously, Nebil held positions for nine years as Senior Vice President and Supervisory Board Member of Oaktree's German and Polish real estate funds and operations worth several billion euro. Before joining Oaktree, Nebil spent eight years within the real estate advisory and corporate finance division at Ernst & Young Real Estate (previously Arthur Andersen) where he held different managerial positions. He is a member of the Royal Institute of Chartered Surveyors, MRICS.

Skills brought to EPP: Management, real estate advisory, finance, strategy, board experience.

Marc Wainer (70)

South African ✚
Appointment: 1 June 2016 (term expiry 2020)

Until August 2014, Marc was chief executive officer of Redefine Properties Limited, before moving into his role as executive chairman. He has 41 years' experience in all aspects of real estate. Marc's primary focus is on acquisitions and disposals, international investments, and investor relations, as well as playing a role in conceptual development at Redefine.

Skills brought to EPP: Real estate, acquisitions and disposals, strategy, board experience.

Key to committees

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

CONTACT DETAILS

EPP N.V.
Registration number: 64965945
Incorporated on 4 January 2016 in The Netherlands

Registered office and business address
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