

**Echo Polska Properties N.V.**  
(Incorporated in the Netherlands)  
(Company number 64965945)  
JSE share code: EPP  
ISIN: NL0011983374  
LEI code: 7245003P7O9N5BN8C098  
(“EPP” or “the Company” or “the Group”)



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**Board of Directors**

**Amsterdam, 7 March 2018**

## **General information**

### **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 Ellérine	(Independent non-executive director)
Andrea Philippa Steer	(Independent non-executive director)
Peter Driessen	(Independent non-executive director)

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### **JSE Auditors**

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## **DIRECTORS' REPORT**

### **I. RESPONSIBILITY STATEMENT**

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

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

### **II. DIRECTORS' REPORT**

#### **1. Overview and Company's structure**

EPP is a Dutch-based real estate company that follows the REIT formula and is one of the leading owners of retail space in Poland. Its portfolio is complemented by high quality offices located in regional cities across Poland. The company currently operates a portfolio of 14 retail centres located across the majority of the regional cities across Poland and 6 offices. By the end of 2020 expects to own 27 shopping centres post the conclusion of the M1 transaction. EPP shopping centres are dominant in their locations and attract both local and international brands.

EPP owns and operates 444,350 m<sup>2</sup> retail gross lettable area (“GLA”) and 137,359 m<sup>2</sup> office GLA, excluding joint ventures. During 2017 124 000 m<sup>2</sup> retail GLA was added via completed acquisitions. The company’s team has grown significantly during this period to adequately support the growth of its operations, and currently comprises 153 professionals with expertise in accounting, architecture, asset management, administration, development, finance, investments, law, leasing, marketing, property management and tax. EPP is listed on the Euro MTF market of the Luxembourg Stock Exchange (“LuxSE”) and on the Main Board of the JSE in the Real Estate Holdings and Development Sector. The company has primary listings on both LuxSE and the JSE.

Details of all direct and indirect subsidiaries of the company as at 31 December 2017 are presented in Note 27 of the Financial Statements.

#### **2. Long-term value creation strategy**

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

##### ***Investment***

We seek to make strategic investments aimed at improving the quality of our portfolio while ensuring long-term sustainability in income and capital appreciation. In assessing suitable investments we apply a strict set of investment criteria including dominance in catchment area, opportunity for expansion and quality of

asset. In doing so, we are also cognisant of consolidating the retail sector in Poland. This objective is being driven by strong demand for retail assets in regional cities across Poland as well as dominant assets in secondary cities. The operational targets aligned to this objective are geographic diversification and increasing the retail portfolio to over 70% of the total portfolio.

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

### ***Finance***

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

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

### ***Assets***

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

### ***Rental income***

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

### ***Management***

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

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

### ***Distributable earnings***

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

### ***Environmental matters***

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

### ***Social and employee matters***

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

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

## **3. Acquisitions**

2017 was an incredibly busy year which saw the company conclude deals to the value of nearly a billion euros and also enter into a joint venture with regard to a key retail development site Mlociny in Warsaw. Mlociny is earmarked for a 78,000 m<sup>2</sup> GLA retail, leisure and office project and is expected to be delivered in 2019. It is located in a much desired site in the north of Warsaw. In 2017, upon fulfillment of all outstanding conditions, EPP purchased the A4 Business Park Phase III and O3 Business Campus Phase II. The plans announced in the 2016 Directors' Report including extensions to Galaxy and Outlet Park and the purchase of Zakopianka Shopping Centre have been concluded. Further, the Group, in line with its strategy of acquiring quality retail centres that are dominant in their catchment areas, purchased three additional retail centres during the year. In total we acquired five shopping centres for an aggregate consideration of EUR 220 million. The shopping centres are listed below:

- Twierdza Kłodzko Shopping Centre with a GLA of 23,000 m<sup>2</sup> situated in Klodzko, Poland;
- Galeria Zamość Shopping Centre with a GLA of 24,000 m<sup>2</sup> situated in Zamosc, Poland;
- Wzorcownia Shopping Centre with a GLA of 26,000 m<sup>2</sup> situated in Wloclawek, Poland;
- Galeria Solna, Shopping Centre with a GLA of 24,000 m<sup>2</sup> situated in Inowrocław, Poland and
- Zakopianka, Shopping Centre with a GLA of 27,000 m<sup>2</sup> situated in Krakow, Poland.

## **4. Disposals**

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

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

The aggregate consideration for the portfolio was EUR 160 million.

## **5. Financial overview**

### **GENERAL**

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

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

Future acquisitions and development projects will be financed from a mix of external debt and equity keeping the LTV ratio of 47,4 % on a comparable level. The LTV decreased when compared to 2016 (52,7%) due to the issuance of new equity of EUR 152 million in April 2017.

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

The net profit attributable to the company's shareholders for the year ended 31 December 2017 amounted to EUR 128 million (2016: EUR 72 million) with distributable earnings amounting to EUR 77 million (2016: EUR 34 million) in line with expectations. The profit increased in line with net property income due to acquisition of 7 new properties and the full year impact of properties acquired in 2016.

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

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

Department	Number of employees	
	2017	2016
Retail	85	47
Office	11	9
Other	57	32
<b>Total</b>	<b>153</b>	<b>88</b>

## PROPERTY VALUATIONS

The portfolio was valued at 31 December 2017 by Savills Sp. z o.o., an independent valuation expert as per the investment property accounting policy at EUR 1.656 million (2016: EUR 1.359 million) with a 4,6% increase in value on the existing portfolio when compared to 31 December 2016. This significant growth was driven by our effective and active asset management measured by an increase in footfall of 5,6% on the 2016 portfolio and yield compression.

In the current year the group acquired new properties to the value of EUR 334 million as compared to EUR 114 million during the 2016 financial year. The vacancy rate (based on GLA) is 1,64% in the retail sector and 9,1% in the office sector (2016: 2,04% and 11%, respectively).

## BORROWINGS

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

As at 31 December 2017, the all-in blended rate of the group's debt was 2,14% (2016: 1.85%). The group has total debt facilities of EUR 968 million (2016: EUR 795 million) that are measured using the amortised cost method. The average loan maturity as at 31 December 2017 is 3.9 years (2016: 5.1 years).

The group's financial position is analysed taking into account the cash and cash equivalents position and LTV which at 31 December 2017 amounts to 47,4% (2016: 52.7%).

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

During the current period, the group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

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

## SEGMENT OPERATIONS

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

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

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

<b>Period ended 31 December 2016</b>	<b>Retail</b>	<b>Office</b>	<b>Total</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<b>Segment profit</b>			
Rent and recoveries income	71 638	23 640	95 278
Straight line rental income	196	1 037	1 233
Property operating expenses	(22 643)	(6 566)	(29 209)

<b>31 December 2017</b>	<b>Retail</b>	<b>Office</b>	<b>Total</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<b>Segment assets</b>			
Investment in joint ventures	116 009	-	116 009
Investment property	1 347 072	308 500	1 655 572
<b>Total segment assets</b>	<b>1 463 081</b>	<b>308 500</b>	<b>1 771 581</b>
Bank borrowings	686 982	161 699	848 681
<b>Total segment liabilities</b>	<b>686 982</b>	<b>161 699</b>	<b>848 681</b>

<b>31 December 2016</b>	<b>Retail</b>	<b>Office</b>	<b>Total</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<b>Segment assets</b>			
Investment in joint ventures	54 285	-	54 285
Investment property	972 392	387 040	1 359 432
<b>Total segment assets</b>	<b>1 026 677</b>	<b>387 040</b>	<b>1 413 717</b>
Bank borrowings	564 241	230 380	794 621
<b>Total segment liabilities</b>	<b>564 241</b>	<b>230 380</b>	<b>794 621</b>

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 of directors (“board”) of the company on a segmental basis.

## 6. Outlook

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

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

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

In December 2017, the group announced the acquisition of 12 major shopping centres and retail parks (M1 portfolio) from Chariot Top Group B.V., a consortium in which Redefine Properties Limited owns 25%. The assets’ aggregated value is EUR 692,1 million. The acquisition has been divided into three tranches. The first tranche was successfully concluded in January 2018 and tranche 2 and 3 are due to complete in June 2019 and June 2020, respectively.

Tranche 1, with a Gross Asset Value (“GAV”) of EUR 358.7 million, comprises of M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze totalling collectively 194,400 m<sup>2</sup> GLA and NOI of EUR 25.1 million.

Tranche 2, at EUR 222,5 million GAV, comprises of M1 Bytom, M1 Czestochowa, M1 Radom and Power Park Olsztyn, Power Park Opole and Power Park Kielce totaling collectively 184,000 m<sup>2</sup> GLA and NOI of EUR 16,3 million.

Tranche 3, at EUR 110,9 million GAV, comprises of M1 Poznan and Power Park Tychy totalling collectively 68,100 m<sup>2</sup> GLA and NOI of EUR 7,6 million.

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

## III. RISK PROFILE AND RISK MANAGEMENT

### 1. Risk appetite

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

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

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

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

The Group's policy is to hedge the interest rate risk to the extent, where the hedging cost do not exceed the forecasted risk exposure for each particular borrowing. As described below in the financial risk section, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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

## **2. Risk management**

### **2.1. Risk management process**

Risk management is integral to the company's growth strategy and ensuring that our strategic objectives are achieved. Over the last year the Company build a formal frame for its risk management process incorporating several policies within the company, including formal Code of conduct, Board Regulations and Whistleblower policy. A thorough management process is in place to identify, assess, manage and monitor risks. Procedures are under continuous improvement, to meet the needs of a fast-growing business. Within the course of the next year the Company plans to establish a Social and Ethics Committee within its Board of Directors to further strengthen the corporate governance environment.

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

### **2.2. Risk management framework**

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

## **3. Main risks and risk mitigation.**

### **3.1. Strategic and business risks**

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

- **Market value of the portfolio**

Significant increases (decreases) in estimated rental value ("ERV") and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

The risk in the decrease of portfolio value resulting from the drop in the rental revenues and increase in vacancy rate is mitigated by active asset management and:

- Ensuring high occupancy levels;
- Proactive asset management;

- Contractual leases with financially sound tenants;
- Geographic diversity;
- Tenant mix; and
- Staggering of major lease expires.

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

If the risk materialized and the market value of the portfolio dropped by 10% our Loan to Value ratio would decrease from 47,4% as currently reported in the Financial statements to 52,1%.

- **Development risk**

A delayed schedule for master planning, increased costs of construction and rental revenues below the expectations may significantly impact the results of the investments.

On development projects EPP continues a partnership dialogue and cooperation with city authorities. EPP together with its strategic business partners provide proper assurance on the positive social and urban impact of the project to the city authorities. Echo Investment S.A. our partner in two major development projects – Galeria Mlociny and Towarowa 22, is one of the largest and most reputable developers in Poland. It has a successful long-term track record in both construction and development of commercial projects across Poland. Cost assessment has been prepared and updated based on the current market conditions. Retail projects are being validated with the leading retailers in Poland with feedback requested from most of the anchors' tenants.

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

- **E-commerce**

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

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

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

### **3.2. Operational risks**

- **Profitability**

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

The property and facility management function has been internalised as of 1 July 2016 enabling the group to fully control the property management process. The group is able to better control operational costs and the costs growth risk is mitigated by operational control of budget performance and structuring of the lease agreements with operational costs being recharged to tenants. Each shopping centre has a shopping centre director and the retail director at the company provides additional supervision across all the centres owned by the company.

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

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

- **Attractive retail centres**

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

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

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

### **3.3. Compliance risks**

- **Tax compliance**

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

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

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

- **Non-compliance with laws and regulations**

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

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

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

### **3.4. Financial risks**

- **Liquidity risk**

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans monitoring the available cash position on a daily basis and performing continuing analysis of cash requirements taking into account the group's operations and planned acquisitions.

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

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

- **Interest rate risk**

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

To manage its interest rate risk, the group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2017, after taking into account the effect of interest rate swaps, 83% of the Group's borrowings are economically hedged (90% as at 31 December 2016 respectively).

The interest rate sensitivity analysis of the changes in the interest rates and their impact on the group's equity and profit before tax is presented in note 28 to the consolidated financial statements.

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

- **Credit risk**

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

Tenants are assessed according to group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance and present security of its liabilities resulting from lease agreements in the form of bank or parent entity guarantee or cash deposit. The credit quality of the tenant is assessed based on a credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

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

#### **IV. CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

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

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

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

##### **1. Corporate Governance Code in the Netherlands**

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

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

## **2. Exceptions to the application of the Dutch Code**

Certain principles and best practice provisions in the Dutch Code do not apply to EPP or are not yet implemented within the organisation. EPP is still in its start-up phase and is currently in the process of formulating its regulations and policy. Reasons as to why and to what extent EPP has not yet implemented or decided not to adopt certain principles and best practice provisions are explained below.

### **1.3 Internal audit function**

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

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

#### **1.3.1 Appointment and dismissal**

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

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

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

#### **1.3.2 Assessment of the internal audit function**

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

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

### **1.3.3 Internal audit plan**

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

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

### **1.3.4 Performance of work**

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

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

### **1.3.5 Reports of findings**

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

- i. any flaws in the effectiveness of the internal risk management and control systems;*
- ii. any findings and observations with a material impact on the risk profile of the company and its affiliated enterprise; and*
- iii. any failings in the follow-up of recommendations made by the internal audit function*

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

### **2.1.1 Profile**

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

- i. the desired expertise and background of the supervisory board members;*
- ii. the desired diverse composition of the supervisory board, referred to in best practice provision 2.1.5;*
- iii. the size of the supervisory board; and*
- iv. the independence of the supervisory board members.*

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

### **2.1.5 Diversity policy**

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

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

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

The current board's diversity of professional expertise and demographics make it a highly effective board with regards to EPP's current strategies. The board, through the nomination and remuneration committee shall ensure that in nominating successive directors for appointment by the general meeting, the board as a whole will continue to reflect, whenever possible, a diverse set of professional and personal backgrounds ensuring a clear balance of power and authority so that no one director has unfettered powers of decision making.

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

### **Principle 2.2 Appointment, succession and evaluation**

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

The Company applies this best practice in its one-tier structure, with the exception of the diversity principle explained. The current board's diversity of professional expertise and demographics make it a highly effective board with regards to EPP's current strategies. The board, through the nomination and remuneration committee, shall ensure that in nominating successive directors for appointment by the general meeting, the board as a whole will continue to reflect, whenever possible, a diverse set of professional and personal backgrounds ensuring a clear balance of power and authority so that no one director has unfettered powers of decision making.

### **2.2.1 Appointment and reappointment periods – management board members**

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

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

The current board's diversity of professional expertise and demographics make it a highly effective board with regards to EPP's current strategies. The board, through the nomination and remuneration committees, shall ensure that in nominating successive directors for appointment by the general meeting, the board as a whole will continue to reflect, whenever possible, a diverse set of professional and personal backgrounds ensuring a clear balance of power and authority so that no one director has unfettered powers of decision making.

#### **2.2.8. Evaluation accountability**

*The supervisory board's report should state:*

*i. how the evaluation of the supervisory board, the various committees and the individual supervisory board members has been carried out;*

*ii. how the evaluation of the management board and the individual management board members has been carried out; and*

*iii. what has been or will be done with the conclusions from the evaluations*

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

#### **2.3.2 Establishment of committees**

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

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

#### **2.3.6 Chairman of the supervisory board**

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

*i. the supervisory board has proper contact with the management board, the employee participation body (if any) and the general meeting;*

*ii. the supervisory board elects a vice-chairman;*

*iii. there is sufficient time for deliberation and decision-making by the supervisory board;*

*iv. the supervisory board members receive all information that is necessary for the proper performance of their duties in a timely fashion;*

*v. the supervisory board and its committees function properly;*

*vi. the functioning of individual management board members and supervisory board members is assessed at least annually;*

*vii. the supervisory board members and management board members follow their induction programme;*

*viii. the supervisory board members and management board members follow their education or training programme;*

*ix. the management board performs activities in respect of culture;*

*x. the supervisory board recognises signs from the enterprise affiliated with the company and ensures that any (suspicion of) material misconduct and irregularities are reported to the supervisory board without delay;*

*xi. the general meeting proceeds in an orderly and efficient manner;*

- xii. effective communication with shareholders is assured; and*
- xiii. the supervisory board is involved closely, and at an early stage, in any merger or takeover processes.*

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

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

### **2.3.7 Vice-chairman of the supervisory board**

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

According to the Board Regulations, in the absence of the Chairman, the meeting shall appoint one of the Non-Executive Directors as Chairman.

### **2.4.2 Other positions**

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

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

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

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

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

### **2.7.3 Reporting**

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

- i. in which a member of the management board or the supervisory board personally has a material financial interest; or*
- ii. which has a member of the management board or the supervisory board who is related under family law to a member of the management board or the supervisory board of the company.*

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

*A supervisory board member should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such supervisory board member to the chairman of the supervisory board without delay and should provide all relevant information in that regard, including the relevant information pertaining to his spouse, registered partner or other life companion,*

*foster child and relatives by blood or marriage up to the second degree. If the chairman of the supervisory board has a conflict of interest or potential conflict of interest, he should report this to the vice-chairman of the supervisory board without delay.*

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

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

#### **2.7.4 Accountability regarding transactions: management board and supervisory board members**

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

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

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

#### **3.1.2 Remuneration policy**

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

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

The Company does not entirely comply with this best practice. The Company has prepared a long-term incentive programme for certain members of key personnel of the Company and/or its affiliated companies, pursuant to which these members of key personnel will have an option to receive shares in the Company against no consideration. In order to strengthen the loyalty, all shares transferred under the long-term incentive programme will remain under a 2.5 year lock-up, calculated from the end-date of the relevant reference period. During this lock-up the participant is not allowed to sell, or otherwise transfer or encumber

the shares, without the consent of the management board consents. Taking into account a short history of the Company, its development stage and additional safeguarding measures, the current lock-up period of 2.5 years is deemed to be more appropriate.

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

#### **3.4.2 Agreement of management board member**

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

The Company does not entirely comply with this best practice. These elements have been disclosed in the prospectus for the initial public offering of the Company in respect of one board member. The relevant information in respect of other board members is presented in the Remuneration Policy and Financial Statements published on the Company's website [www.echo-pp.com](http://www.echo-pp.com).

#### **4.1.3 Agenda**

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

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

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

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

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

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

#### **4.1.9 External auditor's attendance**

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

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

#### **4.2.2 Policy on bilateral contacts with shareholders**

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

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

#### **4.3.3 Cancelling the binding nature of a nomination or dismissal**

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

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

### **3. Corporate Governance Code in the South Africa**

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

### **4. Board of directors**

EPP maintains a one-tier board consisting of two executive directors and nine non-executive directors, five of whom are considered independent according to King IV and the Dutch Code. The chairman, Robert Weisz, is an independent non-executive director whose role is separate from that of the chief executive officer.

The board is collectively responsible for EPP's management and the general affairs of EPP's business. The executive directors are in charge of the day-to-day management of EPP.

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

Each member of the board has a duty to properly perform the duties assigned to him or her and to act in EPP's corporate interest.

The non-executive directors are individuals of calibre, credibility and have the necessary skills and experience to provide judgement that is independent of management on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance.

The current board's diversity of professional expertise and demographics make it a highly effective board with regards to EPP's current strategies. The board, through the nomination and remuneration committee, shall ensure that in nominating successive directors for appointment by the general meeting, the board as a whole will continue to reflect, whenever possible, a diverse set of professional and personal backgrounds ensuring a clear balance of power and authority so that no one director has unfettered powers of decision making. The information needs of the board are reviewed annually.

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

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

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

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

The board appraises the chairperson's performance and ability to add value on an annual or such other basis as the board may determine. The nomination and remuneration committee appraises the performance of the chief executive officer and other senior executives, at least annually.

The board as a whole, as well as individual directors, have their overall performance reviewed on an annual basis in order to identify areas of concern or improvement in the discharge of its/their functions. This review is undertaken by the chairperson and, if so determined by the board, an independent service provider. Nominations for the re-appointment of a director only occur after the evaluation of the performance and attendance of the director.

The board has commenced drafting a policy for detailing the procedures for appointments to the board. Such appointments are to be formal and transparent and a matter for the board as a whole assisted where appropriate by the nomination and remuneration committee.

The board has approved a charter setting out its responsibilities for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the company's risk management and internal controls, communication policy and director selection, orientation and evaluation. The group member companies adopted the governance framework, policies, processes and procedures as set by the board in consultation with the directors of its various subsidiaries.

The board has delegated certain functions to the audit and risk committee, the nomination and remuneration committee and investment committee. In March 2018 the new social and ethics committee will be

established. The board is conscious of the fact that delegation of duties to committees is not an abdication of the board members' responsibilities.

#### **5. Investment Committee**

The board has established an investment committee comprised of Marc Wainer (chairperson), Peter Driessen, Andrew König, Maciej Dyjas, Nebil Senman and Hadley Dean. All of the members of the committee are experienced investors who have successfully concluded and realised investments in the property sector, in Poland or internationally. The committee's primary objective will be:

- (i) to consider suitable acquisitions, which fit within the company's business strategy; and
- (ii) to make final decisions regarding acquisitions and disposals to be made by the company, acting under a delegated mandate from the board.

The investment committee meets on an ad hoc basis as may be required in order to fulfil its mandate. In 2017 the investment committee met several times in order to review acquisitions proposals and make final decisions for the company regarding investments.

#### **6. Audit and risk committee**

##### **General**

The board has established an audit and risk committee comprising Peter Driessen (chairperson), Robert Weisz and Andrea Steer, all of whom are independent non-executive directors. All of the members are financially literate. The audit and risk committee is governed by a charter which was approved by the board.

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

The audit and risk committee meets at least three times a year. Executives and managers responsible for finance and the external auditors attend the audit and risk committee meetings. The audit and risk committee is responsible for reviewing the finance function of the company on an annual basis.

##### **Financial and operating controls**

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

##### **Non-audit services**

The audit and risk committee may authorise engaging for non-audit services with the appointed external auditors or any other practising audit firm, after consideration of the following:

- the essence of the work to be performed may not be of a nature that any reasonable and informed observer would construe as being detrimental to good corporate governance or in conflict with that normally undertaken by the accountancy profession;
- the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments;
- the work being done may not conflict with any requirement of generally accepted accounting practice or principles of good corporate governance;

- consideration to the operational structure, internal standards and processes that were adopted by the audit firm in order to ensure that audit independence is maintained in the event that such audit firm is engaged to perform accounting or other non-audit services to its client base. Specifically:
- of these services to the company;
- the company may not appoint an audit firm to EPP's systems or processes where such audit firm will later be required to express a view as to the functionality or effectiveness of such systems or processes;
- the company may not appoint an audit firm to provide services where such audit firm will later be required to express a view on the fair representation of information based on the result the total fee earned by an audit firm for non-audit services in any financial year of the company, expressed as a percentage of the total fee for audit services, may not exceed 35% without the approval of the board; and
- an audit firm will not be engaged to perform any management functions (e.g. acting as curator) without the express prior approval of the board. An audit firm may be engaged to perform operational functions, including that of bookkeeping, when such audit firm are not the appointed external auditors of the company and work is being performed under management supervision.

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

Management shall report back on the use of the appointed external auditors or any other practising audit firm for non-audit services at meetings of the audit and risk committee.

Separate disclosure of the amounts paid to the appointed external auditors for non-audit services as opposed to audit services, shall be made in the annual financial statements.

### **Appointments**

The audit and risk committee must consider on an annual basis and satisfy itself of the appropriateness of the expertise and experience of the chief financial officer and chief executive officer and the company must confirm this by reporting to shareholders in its annual report that the audit and risk committee has executed this responsibility. The audit and risk committee has satisfied itself of the appropriateness of the expertise and experience of the chief financial officer. The audit and risk committee has reviewed these annual financial statements prior to submission to the Board for approval.

The risk management policy is in accordance with industry practice and specifically prohibits EPP from entering into any derivative transactions that are not in the normal course of the company's business.

The audit and risk committee consists only of independent non-executive directors and has reviewed these annual financial statements prior to submission to the Board for approval. The audit and risk committee has also assessed the independence of the external auditors and is satisfied with their independence, in line with paragraph 3.84 g (iii) of the JSE Listing Requirements.

### **7. Nomination and Remuneration Committee**

The nomination and remuneration committee is comprised of Marek Belka (chairperson), Andrea Steer and Dionne Ellerine, all of whom are independent non-executive directors. The nomination and remuneration committee's primary responsibilities are:

- to assess, recruit, nominate for appointment and approve new directors; and

- to monitor the remuneration policy of the company and more specifically the executive directors and ensure that directors and executives are remunerated fairly and responsibly following adoption of the respective policies by the company.

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

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

The committee is mandated by the board to authorise the remuneration and incentivisation of all employees, including executive directors. In addition, the committee recommends directors' fees payable to non-executive directors and members of board sub-committees.

The committee's responsibilities and duties are governed by a charter.

## **8. 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 internal audit department, adequate alternative measures have been taken to ensure the effectiveness of internal control system. Due to the size and complexity of the Company's operations, the management board is of the opinion that the current Company's controlling structure provides adequate insight into its operations.

The Company introduced a tailored internal risk management and control system, the proper operation of which has been closely monitored in 2017. EPP's management closely monitors the operational controls to ensure that monthly results reporting is performed on accurate, up to date, information and adequate segregation of duties is implemented. Whenever necessary EPP employs external specialists to ensure the financial statements closing cycle operates without material errors. Changes to the controls system are introduced where necessary, given the development stage of the Group and its growth of operations. Also, the Company has a set of whistle-blower rules in place to ensure employees of the Company and its subsidiaries have the possibility of reporting alleged irregularities. As directors of the company, we believe that the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems worked properly in the period under review without any failings.

## 9. Composition of the Board of Directors

The directors of the company as at the date of this report were:

Hadley Dean (Chief executive officer)

(Male, 47, British)

Hadley Dean brings more than 20 years of real estate experience to EPP. Most recently the CEO of Compass Offices' European, Middle Eastern and African operations, Hadley helped Compass grow to become Hong Kong's largest serviced office provider with a network extending to Australia, Japan, Kazakhstan, Singapore and the United Arab Emirates. Prior to Compass, Hadley served as a Managing Partner at Colliers International, an industry-leading global real estate services company operating in 66 countries. Responsible for Colliers' Eastern Europe region, he managed business across 12 countries, 16 offices, and more than 750 employees. He was also Colliers' EMEA Management Board Member. Hadley holds a BSc from the University of Newcastle-upon-Tyne, and a Property valuation and Management degree from Sheffield Hallam University. Hadley was appointed to the Board effective 1 June 2016. His current term expires in 2020.

Jacek Bagiński (Chief financial officer)

(Male, 48, Polish)

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

Robert Weisz (Independent non-executive chairman)

(Male, 68, Dutch)

Robert serves as Partner and Managing Director of Timevest, a European commercial property investment company. Its portfolio includes high street shopping and commercial retail locations in Germany, the Czech Republic, and the Netherlands. Previously, Robert was Partner and Managing Director of DBN group, a commercial property company operating in the Netherlands and the US. He has been visiting professor at the Technical University of Eindhoven's Urban Planning Design group since 2004 and was formerly a guest lecturer in property finance and valuation at the Amsterdam School of Real Estate and University of Groningen. Robert is the co-author of three textbooks on property investment. He holds an MBA, and is a CA, Fellow of the Royal Institute of Chartered Surveyors RICS. Robert was appointed the Board effective 12 August 2016. His current term expires in 2019.

Marek Marian Belka (Independent non-executive director)

(Male, 66, Polish)

Marek is a former Prime Minister of Poland (2004 to 2005) and President of Narodowy Bank Polski (Polish Central Bank) (2010 to 2016). He qualified as an economist with an MA, PhD and Habilitacja (higher degree common in continental Europe). He has held various political positions since 1996, including Advisor to the President of Poland, Minister of Finance and Deputy Prime Minister. He has also held positions in international organisations, serving as Executive Secretary of the Economic Commission for Europe (in the rank of Undersecretary General of the UN) and Director of European Department in the International

Monetary Fund (2008 to 2010). Marek worked in Albania as advisor to three consecutive prime ministers of the country and in the Coalition Provisional Authority in Iraq (2003 to 2004). He was a member of the board of directors of two commercial banks in Poland (at different times) and served as Chairman of LOT Polish Airlines from 2002 to 2003. Marek was appointed the Board effective 12 August 2016. His current term expires in 2018.

Peter Driessen (Independent non-executive director)

(Male, 71, Dutch)

Until 1 July 2016, Peter served as the European Director of Capital Markets with CB Richard Ellis in Amsterdam, where he focused primarily on providing strategic and property-specific investment advice to both Dutch and international investors across all property sectors. Previously, Peter served as Co-Founder and Managing Director of Colliers BDR/Insignia BDR, as a board member of BCD Holdings, and as Director Real Estate Investments at Centraal Beheer Pensioenverzekeringen N.V. (Achmea group). He currently serves as a member of the supervisory board of three international real estate investment funds of Syntrus Achmea Real Estate & Finance. Peter holds a degree from University of Tilburg, faculty of law. He was appointed to the Board effective 12 August 2016. His current term expires in 2018.

Maciej Dyjas (Non-executive director)

(Male, 54, German)

Maciej Dyjas is a Co-Managing Partner and Co-CEO of Griffin Real Estate, a leading and dynamically growing investment group operating in Central and Eastern Europe's commercial real estate market. He is also a Managing Partner at Cornerstone Partners – a private equity investment firm, active in the CEE region – with an impressive track record of transactions. Before joining Griffin Real Estate and Cornerstone, he was a Managing Partner and CEO of Eastbridge group, a Luxembourg-based private investment fund that manages over EUR 1.5 billion in assets related to retail, consumer goods and real estate. He graduated from the University of Warsaw and University of Stuttgart with degrees in Mathematics, IT and Management. Maciej was appointed to the Board effective 1 June 2016. His current term expires in 2020.

Dionne Ellerin (Independent non-executive director)

(Female, 50, South African)

Dionne has a BCom LLB from Wits and thereafter was admitted as an Attorney of the Supreme Court of South Africa. She lived in London for 11 years where she worked at Stenham Property managing commercial property investments for offshore clients. On her return to South Africa, she was appointed as a director of Ellerin Bros. Proprietary Limited, which is involved in equities and property investments. Dionne was appointed to the Board effective 1 June 2016. Her current term expires in 2018.

Andrew König (Non-executive director)

(Male, 50, South African)

A qualified Chartered Accountant with 22 years of commercial and financial experience, Andrew was previously the group Financial Director of Independent News and Media. He is the Chief Executive Officer of Redefine responsible for all aspects of regulatory compliance, corporate activity and communications, and for ensuring the board's strategy is implemented. Andrew holds a BCom and a BAcc and is a CA(SA). Andrew was appointed to the Board effective 1 June 2016. His current term expires in 2019.

Nebil Senman (Non-executive director)

(Male, 46, German/Turkish)

Nebil Senman is a Co-Managing Partner of Griffin Real Estate, a leading and dynamically growing investment group operating in Central and Eastern Europe's commercial real estate market. Previously, Nebil held positions for nine years as Senior Vice President and Supervisory Board Member of Oaktree's German and Polish real estate funds and operations worth several billion Euro. Before joining Oaktree, Nebil spent eight years within the real estate advisory and corporate finance division at Ernst & Young Real

Estate (previously Arthur Andersen) where he held different managerial positions. Nebil is a graduate of universities in Berlin (TU Berlin), Paris (ESCP-EAP) and London (LSE). He holds an MBA and a degree in civil engineering, and a post-graduate diploma in real estate management (EBS). He is a member of the Royal Institute of Chartered Surveyors, MRICS. Nebil was appointed to the Board effective 12 August 2016. His current term expires in 2019.

Andrea Philippa Steer (Independent non-executive director)

(Female, 47, South African/Irish)

Andrea holds BCom (WITS) and LLB (UNISA) degrees and was admitted as an Attorney, Notary and Conveyancer of the High Court of South Africa. She is currently registered as a Solicitor of England and Wales. Andrea runs her own legal consultancy business, and until recently acted as International Legal Counsel at Randstad Holding N.V., a global leader in the HR services industry, headquartered in Amsterdam and listed on the Amsterdam Stock Exchange (“AEX”). Previously, she held roles as legal consultant at the SBS Broadcasting group (Amsterdam) and as an associate at Clifford Chance LLP (Amsterdam). She currently holds a number of other non-executive directorships in privately held companies in the Netherlands and South Africa. Andrea was appointed to the Board effective 12 August 2016. Her current term expires in 2018.

Marc Wainer (Non-executive director)

(Male, 69, South African)

Until August 2014, Marc was Chief Executive Officer of Redefine Properties Limited, before moving into his role as Executive Chairman. He has 40 years’ experience in all aspects of real estate. Marc’s primary focus is on acquisitions and disposals, international investments, and investor relations, as well as playing a role in conceptual development at Redefine. Marc was appointed to the Board effective 1 June 2016. His current term expires in 2020.

Przemyslaw Krych resigned as director on 20 December 2017.

## 10. Director’s interest

Set out below are the direct and indirect beneficial interests of the Company’s Directors and their associates in EPP ordinary shares, as at 31 December 2017 and 31 December 2016 respectively:

### 31 December 2017

Beneficially held				
Director	Directly	Indirectly	Total	Percentage
Hadley Dean	84 000 <sup>1)</sup>	500 000	584 000	0.1%
Marc Wainer	10 290 584	25 977 720 <sup>2)</sup>	36 268 304	5.1%
Andrew Konig	4 888 027	25 726 456 <sup>3)</sup>	30 614 483	4.3%
Robert Weisz	34 000	-	34 000	0.0%
Jacek Baginski	450 000	-	450 000	0.1%
<b>Total</b>	<b>15 746 611</b>	<b>52 204 176</b>	<b>67 950 787</b>	<b>9.6%</b>

1) As of 31 December 2017 the 800 000 shares to be granted from the LTI program to Hadley Dean were kept as treasury shares on the Company’s trading account.

2) Marc Wainer holds 40% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares and additionally he owns 50% of shares of Ellwain Investments Proprietary Limited, which holds 251 264 shares of EPP

3) Andrew Konig holds 15% of the equity in The Big Five International Limited, which holds 25 726 456 EPP shares.

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

### 31 December 2016

Beneficially held				
Director	Directly	Indirectly	Total	Percentage
Hadley Dean	500 000	-	500 000	0.1%
Marc Wainer	10 290 584	25 726 456*	36 017 040	6.14%
Andrew Konig	4 888 027	25 726 456*	30 614 483	5.22%
<b>Total</b>	<b>15 678 611</b>	<b>51 452 912</b>	<b>67 131 523</b>	<b>11.45%</b>

\* Marc Wainer and Andrew Konig hold 40% and 15% of the Equity in The Big Five International Limited, which holds 25 726 456 EPP shares.

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

#### 11. Director's interest in contracts

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

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

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

	Sales to related parties	Purchases from related parties	Amounts due to related parties <sup>*)</sup>	Amounts due from related parties <sup>*)</sup>
<i>EUR'000</i>				
<b>Echo Investment Group</b>	-			
<b>2017</b>	10 109	4 703	11 965	712
<b>2016</b>	-	-	2 723	2 232
<b>Griffin RE Group</b>	-			-
<b>2017</b>	-	500	31	-
<b>2016</b>	-	150	185	-

<sup>\*)</sup> The amounts are classified as trade receivables and trade payables, respectively.

	<b>Interest</b>	<b>Amounts due from related parties</b>	<b>Amounts due to related parties</b>
<i>EUR '000</i>			
<b>Loans from related parties</b>			
<b>Echo Investment Group</b>			
<b>2017</b>	(146)	-	(19 760)
<b>2016</b>	(57)	13 167	(6 106)
<b>Loans to related parties</b>			
<b>Echo Investment Group</b>			
<b>2017</b>	229	5 614	-
<b>2016</b>	-	-	-
<b>Griffin RE Group</b>			
<b>2017</b>	950	24 258	-
<b>2016</b>	-	-	-
<b>Other financial liabilities</b>			
<b>Echo Investment Group</b>			
<b>2017</b>	-	-	-
<b>2016</b>	-	-	(16 356)

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

The loans are granted for 1 or 5 years depending on the purpose of the loan.

#### **Terms and conditions of transactions with related parties**

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

### Directors' interests in transactions

Set out below are details of the directors (including directors who resigned during the last 18 months) who have or had a material beneficial interest, direct or indirect, in transactions effected by the Company since incorporation:

Name of director	Particulars of contract	Nature/Extent of interest
Maciej Dyjas	Griffin advisory agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Griffin advisory agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	ROFO project acquisition agreements	Maciej Dyjas is an indirect beneficial shareholder of Echo (vendor).
Nebil Senman	ROFO project acquisition agreements	Nebil Senman is an indirect beneficial shareholder of Echo (vendor).
Maciej Dyjas	Warsaw retail development site acquisition agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Warsaw retail development site acquisition agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	Loans granted to Aradiana Ltd. and Kalisz Retail Sp z o.o.	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Loans granted to Aradiana Ltd. and Kalisz Retail Sp z o.o.	Nebil Senman is an indirect beneficial shareholder of Griffin.

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

### V. NON-EXECUTIVE DIRECTORS' REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

## **VI. DIRECTORS' REMUNERATION – OVERVIEW**

### **Remuneration Policy**

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

The Remuneration Policy is aimed at attracting, motivating and retaining highly qualified executives and rewarding member of the Board of Directors with a competitive remuneration package that is focused on sustainable results and is aligned with the Company's long-term strategy. The Remuneration Policy also

seeks to promote the achievement of strategic objectives within the Company's risk appetite, promote positive outcomes and promote an ethical culture and responsible corporate citizenship.

Pursuant to the Remuneration Policy, the remuneration of the members of the Board of Directors will consist of the following components which are discussed in more detail below:

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

In 2017 there were/was no:

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

### **Fixed annual base salary**

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

### **Annual variable remuneration**

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

### **Long-term variable remuneration**

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

Key conditions of the LTI Plan are as follow:

- The Company will grant and transfer, free of charge, shares to the Members of Key Personnel.
- The annual maximum aggregate number of shares that may be granted to all Members of the Key Personnel is 1 850 000 shares. The amount of shares in each tranche is specified for each employee, as well as total amount of shares in the whole program (18 500 000 shares).
- LTI Plan will expire not later than on the first business day of July year 2026.

- Within 30 months from the end of each period (“Lock-up period”) a Member of Key Personnel, shall not sell, or otherwise transfer, or put any Encumbrance on Shares that were transferred to such Member of Key Personnel. The Lock-up period is shorter than five years, but taking into account a short history of the Company, its development stage and additional safeguarding measures, the 30 months lock-up period is deemed to be more appropriate.
- The programme includes 10 tranches in total, the schedule of settlement dates, end of Lock-up periods and reference periods are presented in below table. Vesting date in the table means the date in each calendar year, on which the Company shall transfer the shares to the Members of Key Personnel.

<b>Tranche</b>	<b>Reference period</b>	<b>Transfer date</b>	<b>End of lock-up Period</b>
<i>First Tranche</i>	These shares are not linked with any Reference Period	2017	First business day of July 2019
<i>Second Tranche</i>	01 January 2017 – 31 December 2017	First business day of July 2018	First business day of July 2020
<i>Third Tranche</i>	01 January 2018– 31 December 2018	First business day of July 2019	First business day of July 2021
<i>Fourth Tranche</i>	01 January 2019 – 31 December 2019	First business day of July 2020	First business day of July 2022
Tranche (n) <sup>1</sup>	01 January 2015+n – 31 December 2015+n	First business day of July 2016+n year	First business day of July 2018+n

1) *The program includes 10 tranches in total*

The first tranche was transferred without any conditions. For each of the next tranches the Plan stipulates vesting conditions:

- 25% of maximum annual fixed number of shares for each employee will be granted for loyalty (“service condition”).
  - 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”).
- Service condition is met for a particular tranche in case where a Member of Key Personnel was engaged by the Company or by any of the Company’s affiliates to provide work, duties and/or services, in particular upon an employment contract, service agreement or any other agreement or arrangement during the whole reference period applicable for appropriate tranche.
  - Performance conditions are as follow:
    - dividend per share growth of X% in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
    - EBITDA growth of X% in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
    - 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.
  - The performance conditions will be proposed by the Company and shall be agreed and set by the Board of Directors until 30 April of each respective reference period.

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

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

Year ended 31 December 2017	Basic salaries	Directors' fees	Bonuses and other performance payments	Share- Based Payment	Total
<i>EUR'000</i>					
<b>Executive Directors</b>					
Hadley Dean	475	-	500	2 567	3 542
Jacek Bagiński	243	-	300	1 444	1 987
Maciej Drozd*	87	-	-	-	87
<b>Total</b>	<b>805</b>	<b>-</b>	<b>800</b>	<b>4 011</b>	<b>5 616</b>
<b>Non -Executive Directors</b>					
Robert Weisz	-	90	-		<b>90</b>
Marc Wainer	-	35	-		<b>35</b>
Marek Belka	-	66	-		<b>66</b>
Andrew Konig	-	30	-		<b>30</b>
Maciej Dyjas	-	30	-		<b>30</b>
Przemysław Krych**	-	30	-		<b>30</b>
Nebil Senman	-	30	-		<b>30</b>
Dionne Ellérine	-	60	-		<b>60</b>
Andrea Steer	-	80	-		<b>80</b>
Peter Driessen	-	79	-		<b>79</b>
<b>Total</b>	<b>-</b>	<b>530</b>	<b>-</b>		<b>530</b>

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

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

Period ended 31 December 2016	Basic salaries	Directors' fees	Bonuses and other performance payments	Total
<i>EUR'000</i>				
<b>Executive Directors</b>				
Hadley Dean	161	-	275	436
Maciej Drozd	87	-	50	137
<b>Total</b>	<b>248</b>	<b>-</b>	<b>325</b>	<b>573</b>
<b>Non -Executive Directors</b>				
Robert Weisz	-	45	-	45
Marc Wainer	-	25	-	25
Marek Belka	-	31	-	31
Andrew Konig	-	25	-	25
Maciej Dyjas	-	25	-	25
Nebil Senman	-	25	-	25
Dionne Ellerine	-	30	-	30
Andrea Steer	-	40	-	40
Peter Driessen	-	37	-	37
<b>Total</b>	<b>-</b>	<b>283</b>	<b>-</b>	<b>283</b>

## VII. OTHER

### 1. Corporate social responsibilities

The EPP business model relies on well-managed and maintained assets. Green building is a core value of EPP. We are certified in terms of sustainable property management and certain properties are certified with globally recognised LEED (Leadership in Energy and Environmental Design) and BREEAM certificates.

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

### 2. Corporate culture

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

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

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

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

These include:

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

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

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

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

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

### 3. Going concern

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

### 4. The company secretary

The board of directors has direct access to the company secretary, Rafał Kwiatkowski, who provides guidance and assistance in line with the requirements outlined in King IV and the JSE Listings Requirements and Dutch Code.

The company secretary is subjected to an annual evaluation by the board wherein the board will satisfy itself as to the competence, qualifications and experience of the company secretary.

The company secretary, where necessary, arranges training on changing regulations and legislation and could involve the group's sponsors, auditors or organisations such as the institute of directors. The company secretary is not a member of the board and an arm's length relationship exists between the board of directors and the company secretary.

The board is satisfied that an arm's length relationship is maintained between the company and the company secretary through the provisions of a service agreement entered into between the company and the company secretary which limits the duties of the company secretary to only those related to the corporate governance of the company and the administration of company documentation.

### 5. Directors' dealings

In 2017 the company adopted a policy of Dealing in Securities and Insider Trading prohibiting dealings by directors, the company secretary and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results, any period while the company is trading under cautionary announcement and at any other time deemed necessary by the board.

## **6. Communication**

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

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

## **7. Business rescue**

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

## **8. Anti-takeover measures**

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

## **9. Subsequent events**

In December 2017, the Group announced the acquisition of 12 major shopping centres and retail parks (M1 portfolio) from Chariot Top Group B.V., a consortium where Redefine Properties owns 25%. The assets aggregated value is EUR 692,1 million. The acquisition has been divided into three tranches. The first tranche was successfully concluded in January 2018 and tranche 2 and 3 are due to complete in June 2019 and June 2020, respectively.

Tranche 1, had Gross Asset Value (GAV) of EUR 358.7 million, comprises of M1 Czeladz, M1 Krakow, M1 Łódz and M1 Zabrze totaling collectively 194,400 m<sup>2</sup> GLA and NOI of EUR 25.1 million.

Tranche 2, at EUR 222,5 million Gross Asset Value (GAV), comprises of M1Bytom, M1 Czestochowa, M1 Radom and Power Park Olsztyn, Power Park Opole and Power Park Kielce collectively 184,000 m<sup>2</sup> GLA and NOI of EUR 16,3 million.

Tranche 3, at EUR 110,9 million Gross Asset Value (GAV), comprises of M1 Poznan and Power Park Tychy totaling collectively 68,100 m<sup>2</sup> GLA and NOI of EUR 7,6 million.

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

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

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

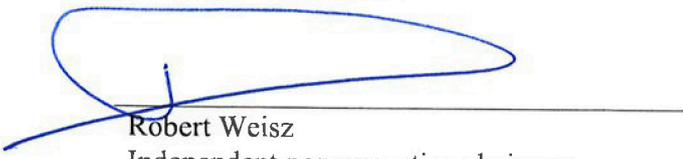
The Group's consolidated financial statements and the stand-alone financial statements were approved by the board of directors on 7 March 2018.

Amsterdam, 7 March 2018



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Hadley Dean  
Chief executive officer



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Robert Weisz  
Independent non-executive chairman



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Marc Wainer  
Non-executive director



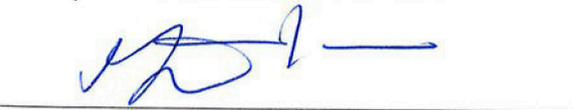
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Maciej Dyjas  
Non-executive director



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Dionne Ellerine  
Independent non-executive director



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Peter Driessen  
Independent non-executive director



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Jacek Baginski  
Chief financial officer



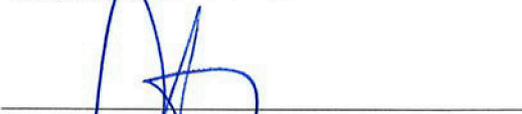
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Marek Marian Belka  
Independent non-executive director



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Andrew König  
Non-executive director



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Nebil Senman  
Non-executive director



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Andrea Philippa Steer  
Independent non-executive director

## GENERAL INFORMATION

Echo Polska Properties N.V. (the “**Company**” or “**EPP**”) is a real estate company that indirectly owns a portfolio of prime retail and office assets throughout Poland, a dynamic Central and Eastern Europe (“**CEE**”) economy with a very attractive real estate market.

EPP was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law on 4 January 2016 in accordance with the applicable laws of the Netherlands and converted to a public company on 12 August 2016. The Company’s official seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered address is at Gustav Mahlerplein 28, 1082 Amsterdam, the Netherlands. The Company is registered with the Dutch trade register under number 64965945.

The consolidated financial statements for the period ended 31 December 2017 comprise the Company and its subsidiaries (the “**Group**” or “**EPP Group**”).

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

As of 31 December 2017 the composition of the Company’s Board of Directors was as follows:

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

The reconciliation between basic earnings, headline earnings and distributable earnings is disclosed on the NOTE 24.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<b>NOTES</b>			
		<b>Year from 1 January 2017 till 31 December 2017</b>	<b>Period from 4 January 2016 till 31 December 2016 <i>Restated</i></b>
		<i>EUR '000</i>	<i>EUR '000</i>
Profit for the period		128 348	72 328
<b><i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i></b>			
Foreign currency translation reserve Joint Ventures		3 553	
Foreign currency translation reserve		(3 403)	(434)
<b>Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods</b>		<b>150</b>	<b>(434)</b>
<b>Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>128 498</b>	<b>71 894</b>
<b>Total comprehensive income attributable to the Parent for the period, net of tax</b>		<b>128 498</b>	<b>71 894</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium /Capital reserves	Treasury shares	Accumulated profit / (loss)	Foreign currency translation reserve	Share-based payment reserve	Total equity
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<b>Balance as at 4 January 2016</b>	<b>20</b>	-	-	-	-	-	<b>20</b>
Profit for the period	-	-	-	72 328	-	-	72 328
Other comprehensive income	-	-	-	-	(434)	-	(434)
Total comprehensive income	-	-	-	72 328	(434)	-	71 894
Issue of ordinary shares	474 682	110 157	-	-	-	-	584 839
Acquisition of subsidiary and transaction costs	-	(15 062)	-	-	-	-	(15 062)
Accrual for preference dividend on date of issuance	-	-	-	(11 920)	-	-	(11 920)
Dividend paid	-	-	-	(22 333)	-	-	(22 333)
<b>Balance as at 31 December 2016 after restatement</b>	<b>474 702</b>	<b>95 095</b>	-	<b>38 075</b>	<b>(434)</b>	-	<b>607 438</b>
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)
<b>Balance as at 31 December 2017</b>	<b>571 026</b>	<b>147 534</b>	<b>(783)</b>	<b>111 419</b>	<b>(284)</b>	<b>4 909</b>	<b>833 821</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

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

## HEADLINE EARNINGS AND DISTRIBUTABLE INCOME RECONCILIATION

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

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

\*\* There are no dilutionary instruments in issue and therefore basic and diluted earnings are the same.

\*\*\*There are no dilutionary instruments in issue and therefore headline earnings and diluted headline earnings are the same.

\*\*\*\* Calculated based on actual number of shares in issue as at 31 December 2017 and 31 December 2016 respectively. The detailed calculation is being included in NOTE 24.

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### NOTE 1. BASIS OF PREPARATION

The Consolidated Financial Statements were prepared by the Management of the Company on 7 March 2018 in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the JSE Listings Requirements and International Financial Reporting Standards ('IFRS') as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

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

#### Restatement

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

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

The Preferred Distribution was payable to Echo, if:

1. an occupancy permit in relation to a given extension has been granted by the relevant authority irrespective of whether such permit contains any conditions or post-issuance obligations; and
2. at least sixty percent (60%) of the extended space of a given extension has been leased or pre-leased to third parties on arm's length terms pursuant to the applicable development agreement; and
3. Echo has executed the Master Lease for a period of three (3) years in relation to the space which has not been leased or pre-leased (at a rate per square meter no less than the average rate concluded with third parties in (2) above).

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

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

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

**Impact on consolidated statement of financial position:**

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

### Impact on consolidated statement of profit or loss:

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

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

	Period from 4 January 2016 till 31 December 2016	Period from 4 January 2016 till 31 December 2016 <i>Restated</i>
Earnings per share:		
Basic and diluted earnings, on profit for the period (EUR cents)	20.9	19.7

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

## NOTE 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### New and amended standards and interpretations

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

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

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

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

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

### **NOTE 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 OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

##### *(ii) Group companies*

The results and financial position of all group entities that have a functional currency other than EUR are translated into EUR in accordance with IAS 21. Assets and liabilities for each statement of financial position presented are translated at the closing foreign exchange rate as at the date of that financial position and income and expenses for each statement of comprehensive income are translated at the average exchange rate for that period (unless this average exchange rate is not a reasonable approximation of cumulative effect of the exchange rates effective on the transaction days - in which case income and expenses are translated at the exchange rates prevailing at the date of each transaction). The resulting exchange differences are recognised in other comprehensive income and the cumulative amounts are recognised in a separate

component of equity. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

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

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

#### *(ii) Property acquisitions and business combinations*

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are

not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date. Accordingly, no goodwill or deferred taxation arises. Acquisition costs related to issuance of debt or equity securities are recognised in accordance with IAS 32 and IAS 39.

*(iii) Investments in joint ventures*

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

The financial year of joint ventures and of the parent is the same. Prior to calculating the parent's share in the net assets of joint ventures, appropriate adjustments are made to bring the financial statements of those entities into line with the IFRSs applied by the Group. Joint ventures are carried in the consolidated financial statements in accordance with the equity method. Pursuant to this method, investments in joint ventures are initially recognized 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 recognized 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 period the properties developed by the Group are classified as investment property under construction and recognised as investment property once they are available for use.

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

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

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

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

## **Financial assets**

The following categories of financial assets are included in these financial statements:

Loans and receivables - financial assets other than derivatives with fixed or determinable payments that are not quoted on an active market.

The classification of financial assets is determined at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs for all financial assets not carried at fair value.

Financial assets are recognized on the transaction date, and derecognized only when the contractual rights to cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

### *(i) Bonds, loans, other financial assets and trade and other receivables*

Bonds, loans, other financial assets and trade and other receivables are financial assets classified as "Loans and receivables". They are subsequently measured at amortized 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 has 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 reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*(ii) Cash and cash equivalents*

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

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

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

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

### **Derivatives**

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

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

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

Derivatives in the form of interest rate swaps (“**IRS**”) directly related to the signed bank loan agreements and as a result converting loan variable interest rate into fixed interest rate ones for contracted loan volume are jointly measured with loan liabilities at amortised cost (i.e. the loan is considered a loan with a fixed rate). Derivatives in the form of IRS beyond that volume and not related to the specific loan agreement are treated as a separate derivative and measured separately at fair value through profit or loss.

### **Financial liabilities**

Financial liabilities include loans, borrowings, debt securities, trade payables and other financial liabilities. Financial liabilities (including trade payables) are initially measured at fair value less transaction costs and thereafter stated at amortised cost. In cases where the difference between that value and the amount due has no significant impact on the Group's financial results, such liabilities are stated at the amount due.

*(i) Interest bearing loans and borrowings*

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

*(ii) Received deposits and advances*

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

**Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss account, except to the extent that it relates to items recognised directly in other comprehensive income – in which case, the tax is also recognised in other comprehensive income, or to items recognised directly in equity – in which case, the tax is also recognised in equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising from the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all deductible temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

## **Equity**

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

## **Cash dividend**

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

## **Share based payments arrangements**

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

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

## **Provisions**

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, for which it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

## **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

### *(i) Rental income*

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognized 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 recognized as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognized 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 recognized in the statement of profit or loss when the right to receive them arises.

*(ii) Service charge and similar revenue*

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

**Property operating expenses**

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

**Other operating income and expenses**

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

**Finance income and cost**

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

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

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

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

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

## **Fair value measurements**

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

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

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

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

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

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

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

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

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

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

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

## **Operating segments**

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

## Significant accounting judgements and estimates

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

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

Capital management NOTE 29

Financial risk management objectives and policies NOTE 29

Sensitivity analyses disclosures NOTE 29

## Judgements

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

### (i) Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). Acquisitions made in 2016 were in substance business acquisitions while the acquisitions completed in 2017 were in substance asset acquisitions.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised. Acquisitions made in 2017 were in substance asset acquisitions.

### (ii) Classification of property

The Group determines whether a property is classified as investment property or inventory property:

Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Inventory property comprises property that is held for sale in the ordinary course of business. All properties owned by the Group are classified as investment properties.

### (iii) Consolidation and joint arrangements

The Group has determined that it controls and consolidates the subsidiaries in which it owns a majority of the shares. The Group is part owner of two investments: Towarowa 22 and Mlociny. The Group has

determined that it has joint control over the investees and the ownership is shared with the other owner. These investments are joint arrangements.

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

*(iv) Operating lease contracts – the Group as lessor*

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

***Estimates and assumptions***

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

*(i) Taxes*

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

*(ii) Valuation of investment property*

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except

where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 5.

### **Standards and interpretations applicable, not yet effective**

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

#### **IFRS 9 Financial Instruments**

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

During 2017, the Group performed an assessment of the expected impact of IFRS 9 on its consolidated financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. The Group expects that two separate classes of financial assets, currently accounted for under amortized cost in line with IAS 39, will not pass SPPI (“Solely Payments of Principal and Interest”) test and will be classified as FVTHPL (“**Fair Value Through P&L**”) under IFRS 9. The financial assets considered are:

- Other financial assets representing loans granted to Kalisz Retail sp. z o.o. and to Aradiana Ltd, a shareholder and a controlling party of Kalisz Retail sp. z o.o. (“**Kalisz loans**”)
- Other financial assets in related entities representing advances to each of the Right Of First Offer (“**ROFO**”) entities in connection with the ROFO projects (“**ROFO loans**”).

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

In relation to Kalisz loans granted by EPP Group there are various repayment scenarios possible that includes a prepayment of the loan, repayment of the loan after 5 year period, refinancing of the loan after 5 year period, sale of the underlying asset and repayment of the loan. Options available are outside of EPP control, as such the Group Management decided to assume than loan will be repaid after 5 year period. Under that assumption amortized cost valuation as of 31 December 2017 approximates the fair value of the loan granted.

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

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

## **IFRS 15 Revenue from Contracts with Customers**

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

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

## **IFRS 16 Leases**

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

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

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 *Leases* (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) - effective for financial years beginning on or after 1 January 2018,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* which are part of *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* which are part of *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018,

- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: *Transfers of Investment Property* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2019,
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (issued on 12 October 2017) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- *Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued on 12 December 2017) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019,
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.

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

#### **NOTE 4. INVESTMENT IN JOINT VENTURES**

##### **TOWAROWA 22**

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

In terms of the purchase agreement, EPP acquired an interest in a special purpose vehicle that owns the property, with the final equity share of 70%, with Echo Investment owning the remaining share. Currently, EPP’s interest in the special purpose vehicle is 53,74%. Echo Investment has also been appointed to develop the property, with EPP appointed to manage the property. The total purchase price payable for the property is up to EUR120 million, EUR78 million (including EUR5 million already paid) was payable upon the completion of the purchase of the property, with payment of an additional amount of up to EUR42 million dependent on the timing of satisfaction of various conditions. EPP and Echo will each be liable for only their pro rata portion of the purchase price.

The property is the biggest commercial area located in the centre of Warsaw, with a total area of about 6.5 ha and development capacity of over 100 000 sqm 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 2 instalments due after 31 December 2017 as follows:

- EUR 21 000 000 when the City of Warsaw authorities approve the zoning plan allowing for the development of the Warsaw retail development site project; and
- EUR 21 000 000 on receipt of a positive decision on the Warsaw retail development site project's impact on the environment.

## **GALERIA MLOCINY**

On 31 May 2017 EPP has concluded an acquisition agreement to effectively acquire 70% of the Galeria Mlociny Shopping Centre ("**Galeria Mlociny**"). 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 EUR 29 million from Powell Real Estate International B.V, Elsonia Trading Limited, Tarbernacle Limited and Tarbernacle Investments Limited, including EUR 13.7 million of repayment of loans granted to Rosehill. Rosehill indirectly owns the land on which Galeria Mlociny is being developed (the "**development**"). Echo Investment S.A was appointed as the developer and leasing manager of Galeria Mlociny and acquired the remaining 30% of the equity in Rosehill for an aggregate consideration of EUR12.4 million, out of which EUR 5.8 million was repayment of loans granted to Rosehill. The transaction was in line with EPP's stated strategy of acquiring quality retail assets and developments in strategic locations.

Currently Galeria Mlociny is financed by a mix of Senior Facility from a consortium of banks for the construction period and a five-year investment period, mezzanine liability in a form of issued bonds owned by a non-banking investment fund with maturity of 3 years and subordinated liabilities in the form of loans granted by both JV partners.

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

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

The total cost for the land on which Galeria Mlociny is being developed is approximately EUR104.5 million. The balance of cost of the land on which Galeria Mlociny is being developed was financed through mezzanine loans granted by reputable private equity funds to the value of EUR63.1 million. Galeria Mlociny will be developed at an estimated development yield on cost of c. 7.1% and on completion is expected to be accretive to EPP. The combination of the Galeria Mlociny and the Towarowa 22 project (scheduled for completion in 2021) will afford EPP an earlier foothold into the lucrative Warsaw retail market in 2019 and, combined with Towarowa 22, leverage its scale and influence with retailers across the whole of Poland.

The Group's interest in joint ventures is accounted for using the equity method in the consolidated financial statements.

A reconciliation of summarised financial information to the carrying amount of the Group's interest in joint venture is set out below:

	31 December 2017	31 December 2017	31 December 2017
Summarised statement of Financial Position	<i>Galeria Mlociny</i>	<i>Towarowa 22</i>	<i>TOTAL</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Current assets	7 117	753	7 870
Non-current assets – investment property	186 600	102 000	288 600
Other non-current assets	-	-	-
<b>Total assets</b>	<b>193 717</b>	<b>102 753</b>	<b>296 470</b>
Current liabilities	(8 388)	(3 421)	(11 809)
Non-current liabilities	(161 093)	(195)	(161 288)
<b>Total liabilities</b>	<b>(169 481)</b>	<b>(3 616)</b>	<b>(173 097)</b>
<b>Equity</b>	<b>24 236</b>	<b>99 137</b>	<b>123 373</b>
Group's share in %	70.00%	53.74%	
Groups share in EUR	16 965	53 276	70 241

	31 December 2016
	<i>Towarowa 22</i>
Summarised statement of Financial Position	<i>EUR '000</i>
Current assets	67 902
Non-current assets – investment property	102 000
<b>Total assets</b>	<b>169 902</b>
Current liabilities	(68 700)
Non-current liabilities	(183)
<b>Total liabilities</b>	<b>(68 883)</b>
<b>Equity</b>	<b>101 019</b>
Proportion of the Group's interest	53.74%
Group's carrying amount of the investment	54 285

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

	Period from 4 January 2016 till 31 December 2016
	<i>Towarowa 22</i>
<b>Extract from statements of Comprehensive Income</b>	<i>EUR '000</i>
Rental income	43
Property expenses	(22)
Other expenses	(519)
Gain on valuation of investment property	24 371
Finance income	68
Finance expense	(95)
<b>Profit before income tax</b>	<b>23 846</b>
Income tax expense	-
<b>Profit for the year/period</b>	<b>23 846</b>
Other comprehensive income	(259)
Total comprehensive income for the year/period	23 587
<b>Group's share of profit for the period</b>	<b>12 526</b>

<b>Summarised statement of Financial Position</b>			
	<i>Galeria Mlociny</i>	<i>Towarowa 22</i>	<i>TOTAL</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Aggregate carrying amount of the investment in Joint venture as at 31 December 2016	-	54 284	54 284
Increase related to purchase of shares in Mlociny	15 378	-	15 378
Increase related to share in profit from operations	19 649	(4 201)	15 448
Increase/(decrease) related to foreign currency translation	364	3 189	3 553
Long term loans to Joint ventures granted in 2017	21 780	1 577	23 357
Acquisition costs	3 989	-	3 989
<b>Investment in Joint ventures as at 31 December 2017</b>	<b>61 160</b>	<b>54 849</b>	<b>116 009</b>

#### NOTE 5. INVESTMENT PROPERTIES

<b>Country</b>	<b>Poland</b>		<b>Total</b>
	<b>Retail</b>	<b>Office</b>	
<b>Class</b>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
<b>Balance as at 4 January 2016</b>			
Contribution in kind	912 881	273 307	1 186 188
Direct acquisitions of property	-	113 473	113 473
Capital expenditure on owned properties	10 544	10 458	21 002
Disposals	-	(7 338)	(7 338)
Capitalised letting fees	358	249	607
Amortisation of letting fees	(37)	(21)	(58)
Straight line rental income	196	1 037	1 233
Net gain/(loss) from fair value adjustment	48 450	(4 125)	44 325
<b>Balance as at 31 December 2016</b>	<b>972 392</b>	<b>387 040</b>	<b>1 359 432</b>
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
<b>Balance as at 31 December 2017</b>	<b>1 347 072</b>	<b>308 500</b>	<b>1 655 572</b>

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<i>EUR '000</i>	<i>EUR '000</i>
Market value as estimated by the external valuer	1 655 572	1 359 432
Add: finance lease obligation recognised separately	-	-
Less: lease incentive balance included in prepayments	-	-
<b>Fair value for financial reporting purposes</b>	<b>1 655 572</b>	<b>1 359 432</b>

EPP Group is a real estate group that owns a portfolio of 15 retail and 7 office assets located throughout Poland, a dynamic CEE economy with a very attractive real estate market. The properties are high quality, modern assets with solid property fundamentals.

The property portfolio offers an attractive and secure yield ranging from 5.5% to 7% fully let, a long lease expiration profile and a portfolio weighted average unexpired lease term of over five years for retail portfolio and 4 years for office portfolio.

#### VALUATION TECHNIQUES

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

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

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

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

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

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:

<b>31 December 2017</b>	<b>Level 1<sup>*)</sup></b>	<b>Level 2<sup>**)</sup></b>	<b>Level 3<sup>***)</sup></b>	<b>Total fair value</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Retail	-	-	1 347 072	1 347 072
Office	-	-	308 500	308 500
<b>Total</b>	-	-	<b>1 655 572</b>	<b>1 655 572</b>

<b>31 December 2016</b>	<b>Level 1<sup>*)</sup></b>	<b>Level 2<sup>**)</sup></b>	<b>Level 3<sup>***)</sup></b>	<b>Total fair value</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Retail	-	-	972 392	972 392
Office	-	-	387 040	387 040
<b>Total</b>	-	-	<b>1 359 432</b>	<b>1 359 432</b>

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

\*\*\*) Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

\*\*\*\*) Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

<b>31 December 2017</b>	<b>Valuation</b>	<b>Valuation technique</b>	<b>Net initial yield</b>	<b>Discount rate</b>	<b>Exit cap rate</b>
	<i>EUR '000</i>		%	%	%
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%
<b>Total</b>	<b>1 655 572</b>				

<b>31 December 2016</b>	<b>Valuation</b>	<b>Valuation technique</b>	<b>Net initial yield</b>	<b>Discount rate</b>	<b>Exit cap rate</b>
	<i>EUR '000</i>		%	%	%
Retail	972 392	Discounted Cash Flow	5.5% – 9%	6% - 8%	5.85%-8.25%
Office	387 040	Discounted Cash Flow	7% – 9%	7% -9.5%	6.5% -8%
<b>Total</b>	<b>1 359 432</b>				

The portfolio had the following vacancy rates and duration.

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

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

## **INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENTS**

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

Expected market rental growth was higher/(lower);

Expected expense growth was lower/(higher);

Vacant periods were shorter/(longer);

Occupancy rate was higher/(lower);

Rent-free periods were shorter/(higher);

Discount rate was lower/(higher);

Exit capitalisation rate was lower/(higher);

Capitalisation rate was lower/(higher); or

Bulk rate was higher/(lower).

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

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

The properties are encumbered by mortgages as security for bank borrowings outlined in the NOTE 14.

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

## **ACQUISITIONS**

### **A4 Business Park Phase III**

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

### **Zakopianka Shopping Centre**

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

### **Blackstone Retail Property Portfolio**

On 14 June 2017, EPP completed, on an unconditional basis, the acquisition of 100% of the equity of Klodzko Retail LLC, Zamosc Retail LLC and Wloclawek Retail LLC, which own Galeria Twierdza in Klodzko, Galeria Twierdza in Zamosc and Galeria Wzorcownia in Wloclawek respectively. The aggregate purchase consideration for these 3 properties is EUR141.60 million.

### Galeria Solna

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

### O3 Business Campus Phase II

On 28 December 2017 upon fulfillment of all outstanding conditions precedent to the acquisition of Phase II of O3 Business Campus located in Krakow, Poland, the EPP subsidiary completed acquisition of the property of 19,000 sqm GLA.

### DISPOSALS

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

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

### NOTE 6. TAX RECEIVABLES

	31 December 2017	31 December 2016
	<i>EUR '000</i>	<i>EUR '000</i>
Corporate income tax	209	9
<b>Total</b>	<b>209</b>	<b>9</b>

### NOTE 7. TRADE AND OTHER RECEIVABLES

	31 December 2017	31 December 2016
	<i>EUR '000</i>	<i>EUR '000</i>
Rent and service charge receivables	6 120	3 843
Prepayments and deferred costs	5 005	1 372
Value added tax	15 031	26 901
Other receivables	567	542
<b>Total</b>	<b>26 723</b>	<b>32 658</b>

Rent and service charge receivables are non-interest bearing and are typically due within 14 days. As at 31 December 2017, receivables with nominal value of EUR 1 602 000 were impaired (EUR 420 000 as at 31 December 2016 respectively).

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

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

See NOTE 29 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of receivables that are neither past due nor impaired.

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

#### NOTE 8. FINANCIAL ASSETS

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<i>EUR '000</i>	<i>EUR '000</i>
Other financial assets in related entities	25 917	4 110
Other financial assets	-	5 922
<b>Long-term financial assets</b>	<b>25 917</b>	<b>10 032</b>
Other financial assets in related entities	3 955	9 057
Other financial assets	-	-
<b>Short-term financial assets</b>	<b>3 955</b>	<b>9 057</b>
<b>Total</b>	<b>29 872</b>	<b>19 089</b>

Other financial assets in related entities represent:

- loans granted to Kalisz Retail sp. z o.o. and to Aradiana Ltd, a shareholder and a controlling party of Kalisz Retail sp z o.o. in the nominal amount of EUR 21 800 000 and EUR 1 500 000 respectively and accrued interest. Both loans are to be repaid after 5 years, with an extension option for another 5 years. Loans to related parties are denominated in EUR with a variable interest rate of EURIBOR 3M plus margin ranging from 7.3% to 7.6%.

- advances by EPP subsidiaries to each of the Right Of First Offer (“**ROFO**”) entities in connection with the ROFO projects. The advance represent 25% of the aggregate amount of the equity so far invested in the specified ROFO project at an agreed return. The contribution does not entitle EPP to any voting rights nor the share in the profit or loss other than realized profit on the sale of respective investment property. These advances bear interest at 2% per annum.

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

The carrying amount of the other financial assets approximate the fair value.

#### NOTE 9. RESTRICTED CASH

	31 December 2017	31 December 2016
	<i>EUR '000</i>	<i>EUR '000</i>
Tenants deposits	8 487	14 227
Debt service	1 970	769
Capital expenditures	10 005	3 127
Fit-out	767	2 406
Guarantee	295	278
Other	2 089	1 038
<b>Total</b>	<b>23 613</b>	<b>21 845</b>

#### NOTE 10. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
	<i>EUR '000</i>	<i>EUR '000</i>
Cash at bank and on hand	98 580	16 539
Short-term deposits	964	5 382
<b>Total</b>	<b>99 544</b>	<b>21 921</b>

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.

**NOTE 11. SHARE CAPITAL**

	31 December 2017	31 December 2016
<i>Authorised shares (number)</i>		
Ordinary share of EUR 0.81 each	2 572 645 659	2 572 645 659
Preference share of EUR 0.81 each	1	1

	31 December 2017	31 December 2016
<i>Ordinary shares issued and fully paid</i>	<i>EUR'000</i>	<i>EUR'000</i>
At the beginning of period	474 702	20
Issued in the period	96 324	474 682
At the end of period	571 026	474 702

	31 December 2017	31 December 2016
<i>Share premium</i>	<i>EUR'000</i>	<i>EUR'000</i>
At the beginning of period	95 095	-
Issued in the period	56 650	110 157
Transaction costs for issued share capital	(4 211)	(15 062)
At the end of period	147 534	95 095

Set out below are the names of shareholders, other than directors, that are directly or indirectly beneficially interested in 5% or more of the issued shares of EPP as at 31 December 2017 and 31 December 2016 respectively. Where these are associates of directors of the Company, this has been indicated.

Shareholder Type	31 December 2017		31 December 2016	
	Number of shares	% of issued capital	Number of shares	% of issued capital
<b>Non-Public Shareholders</b>	<b>347 054 712</b>	<b>49.23%</b>	<b>355 921 894</b>	<b>60.73%</b>
Directors and Associates (Direct & Indirect)	67 950 787	9.64%	30 857 220	5.27%
Redefine Properties Ltd (Holders > 10%)	278 303 925	39.48%	235 147 077	40.12%
Echo Prime Assets BV (Holders > 10%)*	-	-	89 917 597	15.34%
Treasury	800 000	0.11%	-	-
<b>Public Shareholders</b>	<b>357 915 498</b>	<b>50.77%</b>	<b>230 129 398</b>	<b>39.27%</b>
<b>Total</b>	<b>704 970 210</b>	<b>100.00%</b>	<b>586 051 292</b>	<b>100.00%</b>

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

Distribution of Shareholders	Number of Shares	% of issued Capital	Number of Shares	% of issued Capital
	31 December 2017		31 December 2016	
Public Companies	312 902 157	44.39%	294 374 796	50.23%
Private Companies	111 440 904	15.81%	131 843 394	22.50%
Collective Investment Schemes	95 746 945	13.58%	37 649 079	6.42%
Retail Shareholders	45 948 544	6.51%	59 188 540	10.10%
Other	138 931 660	19.71%	62 995 483	10.75%
<b>Total</b>	<b>704 970 210</b>	<b>100.00%</b>	<b>586 051 292</b>	<b>100.00%</b>

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

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

On 12 August 2016, the Company issued 500 000 new ordinary shares with a nominal value of EUR 405 000 acquired and paid up by Hadley James Tyzack Dean by means of a cash contribution for the amount of EUR 500 000.

On 31 August 2016 EPP undertook a private placement on the JSE, which closed on 6 September 2016. (the “**private placement shares**”) issuing new ordinary shares with the value of EUR 103 707 000.

Immediately prior to the private placement and listing on the JSE the authorised share capital of the Company comprised 2 572 645 659 ordinary shares of EUR 0.81 each and 1 preference share of EUR 0.81 and the issued share capital of the Company comprised 514 529 131 ordinary shares of EUR 0.81 each and 1 preference share of EUR 0.81 (not listed on any stock exchange).

Immediately post the private placement and listing on the JSE the authorised ordinary share capital of the Company comprises 2 572 645 659 ordinary shares of EUR 0.81 each and 1 preference share of EUR 0.81 and the issued share capital of the Company comprises 586 051 292 ordinary shares of EUR 0.81 each (all of which are listed on the LuxSE and the JSE) and 1 preference share of EUR 0.81 (not listed on any stock exchange).

On 13 April 2017, the Company issued 118 918 918 new ordinary shares at a price of EUR 1.27 per share (at a price of ZAR 18.50 per share) following successful equity raise. Immediately post the issue of new shares the ordinary share capital of the Company comprises 704 970 210 ordinary shares of EUR 0.81 each (all of which are listed on the LuxSE and the JSE) and 1 preference share of EUR 0.81 (not listed on any stock exchange).

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

## NOTE 12. DISTRIBUTIONS MADE AND PROPOSED

	31 December 2017	31 December 2016
	<i>EUR '000</i>	<i>EUR '000</i>
Cash dividends on ordinary shares declared and paid:		
Special dividend – Outlet/Galaxy extension <sup>1</sup>	16 849	9 775
Interim dividend	36 602	12 558
Proposed interim dividend	40 491	18 356
<b>Total cash dividend</b>	<b>93 942</b>	<b>40 689</b>

<sup>1</sup> Outlet III, Outlet IV and Galaxy extensions in 2017 and Outlet II in 2016 respectively

<sup>2</sup> The EUR 18 356 000 of dividend declared in 2016 was paid in 2017 in addition to special and interim dividends described above

The holder of the preference share shall be solely entitled to receive from the Company an interim dividend with priority over any other distributions made by the Company in relation to each planned extension to the Galaxy Shopping Centre, Outlet Park Phase III and Outlet Park Phase IV (Preferred Distribution). No other distribution shall be made on the preference share.

The Preferred Distribution shall be payable to holder of the preference share, if:

- (a) an occupancy permit in relation to a given Extension has been granted by the relevant authority irrespective of whether such permit contains any conditions or post-issuance obligations; and
- (b) at least sixty percent (60%) of the extended space of a given Extension has been leased or pre-leased to third parties on arm's length terms pursuant to the applicable DA; and
- (c) Echo has executed the Master Lease for a period of three (3) years in relation to the space which has not been leased or pre-leased (at a rate per square meter no less than the average rate concluded with third parties in (b) above).

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

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognized as a liability as at 31 December 2017 and 31 December 2016 respectively.

## NOTE 13. SHARE-BASED PAYMENTS

On 8 December 2017 at the Company's extraordinary general meeting 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. The program will be equity settled.

Key conditions of the LTI Plan are as follow:

- The Company will grant and transfer, free of charge, shares to the Members of Key Personnel.
- The annual maximum aggregate number of shares that may be granted to all Members of Key Personnel is 1 850 000 shares. The amount of shares in each tranche is specified for each Member

of Key Personnel. The whole program will consist of 18 500 000 shares with a fair value of EUR 16 000 000.

- LTI Plan will expire not later than on the first business day of **July year 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 program 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.

<b>Tranche</b>	<b>Reference period</b>	<b>Transfer date</b>	<b>End of lock-up Period</b>
<i>First Tranche</i>	These shares are not linked with any Reference Period	2017	First business day of July 2019
<i>Second Tranche</i>	01 January 2017 – 31 December 2017	First business day of July 2018	First business day of July 2020
<i>Third Tranche</i>	01 January 2018– 31 December 2018	First business day of July 2019	First business day of July 2021
<i>Fourth Tranche</i>	01 January 2019 – 31 December 2019	First business day of July 2020	First business day of July 2022
Tranche (n) <sup>1</sup>	01 January 2015+n – 31 December 2015+n	First business day of July 2016+n year	First business day of July 2018+n

1) *The program includes 10 tranches in total*

- 1) The first tranche was transferred without any conditions. For each of the next tranches the LTI Plan stipulates vesting conditions:
  - a. 25% of maximum annual fixed number of shares for each employee will be granted for loyalty (“**service condition**”).
  - b. Up to 75% of maximum annual fixed number of shares for each employee will be granted depending on the achievement of economic targets specified for the respective reference period (“**performance conditions**”).
- 2) Service condition is met for a particular tranche where a Member of Key Personnel was engaged by the Company or by any of the Company’s affiliates to provide work, duties and/or services, in particular upon an employment contract, service agreement or any other agreement or arrangement during the whole reference period applicable for appropriate tranche.
- 3) Performance conditions are as follow:
  - a. dividend per share growth of X% in the reference period – achievement of this target will entitle the Member of Key Personnel to 30% of maximum annual fixed shares number;
  - b. EBITDA growth of X% in the reference period – delivery of this target will entitle to 30% of maximum annual fixed shares number;
  - c. individual targets assigned for each the Member of Key Personnel by the Board of Directors (“**Individual Performance**”) – delivery of this target will entitle to 15% of maximum annual fixed shares number.

- 4) The performance conditions will be proposed by the Company and shall be agreed and set by the Board of Directors until 30 April of each respective reference period.

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

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

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

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

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

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

#### NOTE 14. BANK BORROWINGS

Borrowers	Type	Lender	Interest	Maturity	Liability amortised cost 2017		Liability amortised cost 2016	Fixed rate (IRS)	Termination date of IRS	% of loan secured with IRS
					Non-current	Current				
<b>Echo Pasaż Grunwaldzki - Magellan West spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Pasaż Grunwaldzki, Wrocław	BZ WBK SA / Erste Bank / Helaba	3M EURIBOR, IRS	2022	153 319	3 304	159 686	0.471% (IRS 1) 0.000% (IRS 2)	2022-12-05 (IRS 1) 2022-12-05 (IRS 2)	100%
<b>Galaxy - Projekt Echo - 106 Spółka z ograniczoną odpowiedzialnością - Spółka komandytowa</b>	Investment loan - Galaxy, Szczecin	BZ WBK SA / Erste Bank / Helaba	3M EURIBOR, IRS	2022	144 694	3 129	128 444	0.56% (IRS 1) 0.000% (IRS 2)	2022-12-05 (IRS 1) 2022-12-05 (IRS 2)	100%
<b>Galaxy - Projekt Echo - 106 Spółka z ograniczoną odpowiedzialnością - Spółka komandytowa</b>	VAT loan - Galaxy, Szczecin, PLN	BZ WBK SA / Erste Bank / Helaba	1M WIBOR	2018	-	398				0%
<b>Galeria Kielce - Projekt Echo - 109 spółka z ograniczoną odpowiedzialnością - spółka komandytowa</b>	Investment loan - Galeria Echo, Kielce	HSBC Bank plc	3M EURIBOR, IRS	2019	91 905	1 930	95 933	0.24% (IRS 1) -0.2650% (IRS 2)	2019-12-30 (IRS 1) 2019-12-30 (IRS 2)	100%
<b>Ventry Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Opolska I and Opolska II phase, Kraków	HSBC Bank plc	3M EURIBOR, IRS	2019	55 267	1 154	39 569	0.20%	2019-12-30	51%

Borrowers	Type	Lender	Interest	Maturity	Liability amortised cost 2017		Liability amortised cost 2016	Fixed rate (IRS)	Termination date of IRS	% of loan secured with IRS
					Non-current	Current				
<b>Echo - Galeria Amber Spółka z ograniczoną odpowiedzialnością - Spółka komandytowa</b>	Investment loan - Galeria Amber, Kalisz	Helaba / Erste Group	3M EURIBOR, IRS	2023	49 342	1 054	51 356	0.21% (IRS 1) 0.01% (IRS 2)	2023-05-15 (IRS 1) 2023-05-15 (IRS 2)	100%
<b>Galeria Sudecka - "Projekt Echo - 43" Spółka z ograniczoną odpowiedzialnością - spółka komandytowa</b>	Investment loan - Galeria Sudecka, Jelenia Góra	Helaba / Erste Group	3M EURIBOR, IRS	2023	31 391	671	32 675	0.21% (IRS 1) 0.01% (IRS 2)	2023-05-15	100%
<b>Galeria Olimpia - "Projekt Echo - 98" Spółka z ograniczoną odpowiedzialnością - spółka komandytowa</b>	Investment loan - Galeria Olimpia, Bełchatów	Helaba / Erste Group	3M EURIBOR, IRS	2023	25 734	550	26 803	0.21% (IRS 1) 0.01% (IRS 2)	2023-05-15	100%
<b>Veneda - "Projekt Echo - 97" Spółka z ograniczoną odpowiedzialnością - spółka komandytowa</b>	Investment loan - Veneda, Łomża	Helaba / Erste Group	3M EURIBOR, IRS	2023	20 669	442	21 506	0.21% (IRS 1) 0.01% (IRS 2)	2023-05-15	100%
<b>Outlet Park - Projekt Echo - 126 Spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Outlet Park, Szczecin	Helaba / Erste Group	3M EURIBOR, IRS	2023	37 009	792	38 581	0.21% (IRS 1) 0.01% (IRS 2)	2023-05-15	100%
<b>"Centrum Przemysł - Projekt Echo 118 Spółka z ograniczoną odpowiedzialnością" spółka komandytowa</b>	Investment loan - CH Przemysł	Helaba / Erste Group	3M EURIBOR, IRS	2023	2 939	63	3 054	0.21% (IRS 1) 0.01% (IRS 2)	2023-05-15	100%
<b>"Vosoka Polska" spółka z ograniczoną odpowiedzialnością - spółka komandytowa</b>	Investment loan - CH Bełchatów	Helaba / Erste Group	3M EURIBOR, IRS	2023	5 965	128	6 206	0.21% (IRS 1) 0.01% (IRS 2)	2023-05-15	100%

Borrowers	Type	Lender	Interest	Maturity	Liability amortised cost 2017		Liability amortised cost 2016	Fixed rate (IRS)	Termination date of IRS	% of loan secured with IRS
					Non-current	Current				
<b>Farrina Investments - Projekt Echo - 124 spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Malta Office Park, Poznań	Berlin Hyp / ING	3M EURIBOR, IRS	2021	29 211	684	33 546	-0.112% (IRS 1) -0.114% (IRS 2) -0.166% (IRS 3)	2021-06-01	100%
<b>"Echo - Park Rozwoju" spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Park Rozwoju phase I and II, Warsaw	Berlin Hyp / ING	3M EURIBOR, IRS	2021	36 067	844	41 391	-0.112% (IRS 1) -0.114% (IRS 2) -0.166% (IRS 3)	2021-06-01	100%
<b>Oxygen - Projekt Echo - 125 spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Oxygen, Szczecin	PKO BP SA	3M EURIBOR, IRS	2020	10 522	278	11 109	-0.030%	2020-03-27	100%
<b>Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Symetris I phase, Łódź	BGŻ BNP Paribas	3M EURIBOR, IRS	2021	13 264	640	14 129	0.055%	2021-12-20	50%
<b>Astra Park - "Projekt Echo - 69" spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	Investment loan - Astra Park	Raiffeisen Bank Polska S.A.	3M EURIBOR, IRS	2022	13 716	53	-	0.330%	2022-03-20	100%
<b>EPP Retail - Twierdza Zamość Sp. z o.o.</b>	Investment loan - Twierdza Zamość	Helaba / Erste Group	3M EURIBOR, IRS	2022	26 966	276	-	0.215%	2022-06-07	100%
<b>EPP Retail - Twierdza Kłodzko Sp. z o.o.</b>	Investment loan - Twierdza Kłodzko	Helaba / Erste Group	3M EURIBOR, IRS	2022	24 445	250	-	0.215%	2022-06-07	100%
<b>EPP Retail - Wzorcownia Włocławek Sp. z o.o.</b>	Investment loan - Wzorcownia Włocławek	Helaba / Erste Group	3M EURIBOR, IRS	2022	26 824	274	-	0.215%	2022-06-07	100%
<b>EPP Retail - Galeria Solna Sp. z o.o.</b>	Investment loan	Pekao S.A.	3M EURIBOR, IRS	2022	31 934	584	-	0.98% (IRS 1) 0.65% (IRS 2)	2019-06-28	76%

Borrowers	Type	Lender	Interest	Maturity	Liability amortised cost 2017		Liability amortised cost 2016	Fixed rate (IRS)	Termination date of IRS	% of loan secured with IRS
					Non-current	Current				
<b>Echo Polska Properties N.V.</b>	Investment loan	HSBC Bank plc	3M EURIBOR	2018	-	99 657	-	-	-	0%
<b>Echo – West Gate Spółka z ograniczoną odpowiedzialnością Spółka komandytowa<sup>1</sup></b>	Investment loan - West Gate	Berlin Hyp AG	3M EURIBOR, IRS	2021	-	-	20 602	-	-	-
<b>A4 – Business Park – "Iris Capital" Spółka z ograniczoną odpowiedzialnością Spółka komandytowa<sup>1</sup></b>	Investment loan - A4 Business Park phase I-II, Katowice	Berlin Hyp AG /ING Bank Śląski S.A.	3M EURIBOR, IRS	2021	-	-	21 037	-	-	-
<b>Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa<sup>1</sup></b>	Investment loan - Tryton, Gdańsk	HSBC BANK PLC	3M EURIBOR, IRS	2019	-	-	33 406	-	-	-
<b>Emfold Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa<sup>1</sup></b>	VAT loan - Tryton, Gdańsk	HSBC BANK PLC	1M WIBOR	2017	-	-	10 918	-	-	-
<b>Flaxton Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa</b>	VAT loan - Symetris I, Łódź	BGŻ BNP Paribas	1M WIBOR	2017	-	-	4 670	-	-	-
<b>Total</b>					<b>831 183</b>	<b>117 155</b>	<b>794 621</b>			

<sup>1</sup> On 22 December 2017 the shares in the respective entities were sold as described in the Note 5.

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

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

\*These amounts exclude related party transactions.

**NOTE 15. TAX PAYABLES**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<i>EUR'000</i>	<i>EUR'000</i>
Corporate income tax	879	172
Other	-	3
<b>Total</b>	<b>879</b>	<b>175</b>

## NOTE 16. TRADE PAYABLES AND OTHER LIABILITIES

	31 December 2017	31 December 2016
	EUR '000	EUR '000
<b>Current</b>		
Trade payables	28 754	8 260
Wages and salaries payables	8	8
Deferred income	428	863
Accruals	4 028	2 008
Deposits received	1 845	1 147
Prepayments received	2 166	908
Value added tax	755	616
Other	2 369	9
<b>Total current</b>	<b>40 353</b>	<b>13 819</b>
<b>Non-current</b>		
Deposits received from tenants	7 810	5 960
Advances received	3 000	1 657
Rent paid in advance	4 223	4 264
<b>Total non-current</b>	<b>15 033</b>	<b>11 881</b>

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.

## NOTE 17. REVENUE

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

**NOTE 18. ADMINISTRATIVE EXPENSES**

	Year from 1 January 2017 till 31 December 2017	Period from 4 January 2016 till 31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Depreciation of fixed assets	(7)	(40)
Taxes and fees	(162)	(3 236)
Wages and salaries	(1 248)	(954)
Share-based payment	(5 936)	-
External services	(6 350)	(7 910)
Energy	(2)	(42)
Other administrative expenses	(841)	(349)
Selling costs	(1 040)	-
<b>Total administrative expenses</b>	<b>(15 586)</b>	<b>(12 532)</b>

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

**NOTE 19. OTHER INCOME AND EXPENSES**

	Year from 1 January 2017 till 31 December 2017	Period from 4 January 2016 till 31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Gains on disposal of tangible assets	25	10
Bad debt recovered	484	1 375
Gains on contract penalties	6	39
Other miscellaneous operating income	198	685
<b>Total other income</b>	<b>713</b>	<b>2 109</b>
Value of disposed tangible assets	(14)	(36)
Bad debt	(840)	(1 494)
Subsidies	(61)	(6)
Consolidation adjustment on acquisition	-	(494)
Value of sold trade receivables	-	(458)
Other miscellaneous operating expenses	(433)	(122)
<b>Total other expenses</b>	<b>(1 348)</b>	<b>(2 610)</b>

## NOTE 20. FINANCE INCOME

	Year from 1 January 2017 till 31 December 2017	Period from 4 January 2016 till 31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Interest on loans granted	7 221	5 616
Profit on IRS realisation	-	213
Amortised cost valuation	-	1 501
Bank interest	198	-
Other	-	9
<b>Total finance income</b>	<b>7 419</b>	<b>7 339</b>

## NOTE 21. FINANCE COST

	Year from 1 January 2017 till 31 December 2017	Period from 4 January 2016 till 31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Interest on bank loans	(18 961)	(15 761)
Amortised cost valuation	(1 796)	-
Other interest expense (including not eliminated interest expense from related party)	(147)	(1 891)
Cost of bank debt refinancing	-	(5 881)
Other financial costs	(2 181)	(931)
<b>Total finance cost</b>	<b>(23 085)</b>	<b>(24 464)</b>

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

## NOTE 22. SEGMENT INFORMATION

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

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

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

The Group's administrative costs, finance revenue, finance costs and income taxes are not reported to the members of the executive management team on a segment basis. The operations between segments are eliminated for consolidation purposes.

Segment assets represent investment property and the investment in the joint ventures.

Segment liabilities represent loans and borrowing, as these are the only liabilities reported to the Board on a segmental basis.

<b>Year ended 31 December 2017</b>	<b>Retail</b>	<b>Office</b>	<b>Unallocated</b>	<b>Total</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
<b>Segment profit</b>				
Rental and recoveries income	105 733	44 278	1 695	151 706
Straight line rental income	180	324	-	504
Property operating expenses	34 116	14 287	552	48 955

<b>31 December 2017</b>	<b>Retail</b>	<b>Office</b>	<b>Unallocated</b>	<b>Total</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
<b>Segment assets</b>				
Investment in joint ventures	116 009	-	-	116 009
Investment property	1 347 072	308 500	-	1 655 572
<b>Total segment assets</b>	<b>1 463 081</b>	<b>308 500</b>	<b>-</b>	<b>1 771 581</b>
Bank borrowings	686 982	161 699	99 657	948 338
<b>Total segment liabilities</b>	<b>686 982</b>	<b>161 699</b>	<b>99 657</b>	<b>948 338</b>

<b>Period ended 31 December 2016</b>	<b>Retail</b>	<b>Office</b>	<b>Total</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
<b>Segment profit</b>			
Rental and recoveries income	71 638	23 640	95 278
Straight line rental income	196	1 037	1 233
Property operating expenses	(22 643)	(6 566)	(29 209)

<b>31 December 2016</b>	<b>Retail</b>	<b>Office</b>	<b>Total</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
<b>Segment assets</b>			
Investment in joint ventures	54 285	-	54 285
Investment property	972 392	387 040	1 359 432
<b>Total segment assets</b>	<b>1 026 677</b>	<b>387 040</b>	<b>1 413 717</b>
Bank borrowings	564 241	230 380	794 621
<b>Total segment liabilities</b>	<b>564 241</b>	<b>230 380</b>	<b>794 621</b>

All revenues were generated from external customers based in Poland.

All investment properties are located in Poland.

## NOTE 23. INCOME TAX

The major components of income tax expense are:

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

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

	Year ended 31 December 2017	Period ended 31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i> <i>Restated</i>
<b>Accounting profit before tax</b>	<b>160 905</b>	<b>91 752</b>
Income tax at Poland's statutory tax rate of 19%	30 572	17 433
Permanent differences (net)	(22)	844
Profits from joint ventures (19% of EUR 16 059 thousand)	(3 051)	-
Withholding tax charge presented in current tax line	1 008	715
Tax losses due to which no deferred income tax was recognised	908	450
Adjustments attributable to prior year tax	3 142	0
<b>Income tax expense reported in the statement of profit or loss</b>	<b>32 557</b>	<b>19 442</b>

<b>Deferred tax liabilities</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
	<i>EUR'000</i>	<i>EUR'000</i>
<b>Deferred income tax liability</b>		
Revaluation of investment property to fair value	83 321	66 532
Loans and borrowings (measurement, foreign exchange differences etc.)	10 240	(4 157)
Losses available for offsetting against future taxable income	-	(3 653)
Other	192	194
<b>Deferred tax liabilities net</b>	<b>93 753</b>	<b>58 916</b>

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

The deferred tax liability of EUR 72 717 000 has been recognized 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 realizing the fair value of such Investment Property will be performed in a tax regime currently in place and ignoring all restructuring steps undertaken and planned by the Group.

In addition, the IFRS also requires to assume, that such envisaged transaction will be performed as a disposal of all asset subject to fair valuation. Any other possible transactions such as disposal of shares in entity owning the assets, which would result in different taxation regime are being ignored from perspective of IFRS.

#### **NOTE 24. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE**

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical. Due to the nature of EPP's business, EPP has adopted distributable income per share as a key performance measure.

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

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

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

\*\* There are no dilutionary instruments in issue and therefore basic and diluted earnings are the same.

\*\*\*There are no dilutionary instruments in issue and therefore headline earnings and diluted headline earnings are the same.

\*\*\*\* Calculated based on actual number of shares in issue as at 31 December 2017 and 31 December 2016 respectively.

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

**NOTE 25. NET ASSET VALUE PER SHARE (NAV)**

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

The following reflects the net asset and share data used in the basic and diluted NAV per share computations:

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

**NOTE 26. RECONCILIATION OF PROFIT BEFORE TAX TO OPERATING CASH FLOW**

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

## NOTE 27. RELATED PARTY DISCLOSURES

### Information about subsidiaries and joint ventures

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

	Name	Country of incorporation	Principal activities	Date of control	share
1	Echo Polska Properties N.V.	Netherlands	Parent		
2	GP Office S.à r.l. <sup>1</sup>	Luxemburg	Holding company	22 February 2016	100%
3	GP Retail S.à r.l. <sup>1</sup>	Luxemburg	Holding company	22 February 2016	100%
4	Echo Polska Properties (Cyprus) PLC	Cyprus	Holding company	14 December 2016	100%
5	EPP (Cyprus) – 2 Limited (previously Verinaco Holding)	Cyprus	Holding company	14 December 2016	100%
6	EPP (Cyprus) – 3 Ltd	Cyprus	Holding company	3 February 2017	100%
7	Echo - Galeria Amber Sp. z o.o.	Poland	Holding company	23 May 2016	100%
8	Echo - Park Rozwoju Sp. z o.o.	Poland	Holding company	23 May 2016	100%
9	Echo - West Gate Sp. z o.o. <sup>2</sup>	Poland	Holding company	23 May 2016	100%
10	Echo Polska Properties Sp. z o.o.	Poland	Holding company	10 May 2016	100%
11	Echo Polska Properties Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Holding company	10 May 2016	100%
12	Emfold Investments Sp. z o.o. <sup>2</sup>	Poland	Holding company	1 July 2016	100%
13	EPP Retail – Veneda Sp.z o.o. (previously: Epiphet Sp. z o.o. )	Poland	Holding company	25 November 2016	100%
14	EPP Galeria Sudecka Sp. zo.o. (previously: Ravenshaw Sp. z.o.o. )	Poland	Holding company	25 November 2016	100%
15	EPP Office – Astra Park Sp. zo.o. (previously: Sackville Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
16	EPP Retail – Centrum Przemysl Sp. z o.o. (previously: Macintyre Sp. z o.o.)	Poland	Holding company	25 November 2016	100%

	Name	Country of incorporation	Principal activities	Date of control	share
17	EPP Retail – Galaxy Sp. z o.o. (previously: Dorsetshire Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
18	EPP Retail – Galeria Amber Sp. z o.o.(previously: Mackinnon Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
19	EPP Retail – Galeria Olimpia Sp. z o.o. (previously: Allwell Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
20	EPP Retail – Outlet Park Sp.z o.o. (previously: Dauphine Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
21	EPP Retail - Pasaż Grunwaldzki Sp. zo.o. (previously: Rundle Holdings Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
22	Flaxton Investments Sp. z o.o.	Poland	Holding company	1 July 2016	100%
23	EPP Retail – Centrum Bełchatów (previously: Friedland Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
24	Iris Capital Sp. z o.o. <sup>2</sup>	Poland	Holding company	23 May 2016	100%
25	EPP Retail – Galeria Echo Sp. z o.o. (previously: Leuthen Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
26	Magellan West Sp. z o.o.	Poland	Holding company	23 May 2016	100%
27	Grupa EPP Sp.zo.o. (previously: Minster Investments Sp. z o.o.)	Poland	Holding company	12 May 2016	100%
28	Grupa EPP Sp.zo.o. S.K. (previously: Minster Investments Sp. z o.o. S.K.)	Poland	Holding company	12 May 2016	100%
29	Norcross Sp. z o.o.	Poland	Holding company	25 November 2016	100%
30	Orkney Sp. z o.o.	Poland	Holding company	25 November 2016	100%
31	Ormonde Sp. z o.o. <sup>2</sup>	Poland	Holding company	25 November 2016	100%
32	Otway Holdings Sp. z o.o.	Poland	Holding company	25 November 2016	100%
33	EPP Office – Malta Office Park Sp. z o.o. (previously: Oughton Trading Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
34	EPP Office – Park Rozwoju Sp. z o.o. (previously: Oxland Trading Sp. z o.o.)	Poland	Holding company	25 November 2016	100%
35	Pebworth Sp. z o.o.	Poland	Holding company	25 November 2016	100%
36	Projekt Echo - 106 Sp. z o.o.	Poland	Holding company	23 May 2016	100%

	Name	Country of incorporation	Principal activities	Date of control	share
37	Projekt Echo - 109 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
38	Projekt Echo - 118 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
39	Projekt Echo - 124 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
40	Projekt Echo - 125 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
41	Projekt Echo - 126 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
42	Projekt Echo - 43 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
43	Projekt Echo - 69 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
44	Projekt Echo - 97 Sp. z o.o.	Poland	Holding company	23 May 2016	100%
45	Projekt Echo - 98 Sp. z o.o.	Poland	Holding company	30 May 2016	100%
46	Projekt Echo 138 Sp. z o.o. <sup>3</sup>	Poland	Holding company	22 December 2016	70%
47	Trappaud Sp. z o.o.	Poland	Holding company	25 November 2016	100%
48	Ventry Investments Sp. z o.o.	Poland	Holding company	1 July 2016	100%
49	Verwood Investments Sp. z o.o.	Poland	Holding company	21 October 2016	100%
50	Vousoka Polska Sp. z o.o.	Poland	Holding company	23 May 2016	100%
51	Wagstaff Investments Sp. z o.o. <sup>2</sup>	Poland	Holding company	25 November 2016	100%
52	Wetherall Investments Sp. z o.o. <sup>2</sup>	Poland	Holding company	25 November 2016	100%
53	Wisbech Sp. z o.o.	Poland	Holding company	25 November 2016	100%
54	EPP Office – Oxygen Sp. zo.o. (previously: Wylde Holdings Sp. z o.o. )	Poland	Holding company	25 November 2016	100%
55	EPP Retail – Galeria Solna HoldCo Sp. z o.o. (previously: ACE SPV 1 Sp. z o.o.)	Poland	Holding company	12 July 2017	100%
56	Rosehill Investments Sp. z o.o. <sup>4</sup>	Poland	Holding company	31 May 2017	70%
57	A4 Business Park - Iris Capital Spółka z ograniczoną odpowiedzialnością S.K. <sup>2</sup>	Poland	Property investment	17 February 2016	100%

	Name	Country of incorporation	Principal activities	Date of control	share
58	Astra Park - Projekt Echo - 69 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
59	Centrum Przemysł - Projekt Echo - 118 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
60	Echo - Galeria Amber Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
61	Echo - Park Rozwoju Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
62	Echo - West Gate Spółka z ograniczoną odpowiedzialnością S.K. <sup>2</sup>	Poland	Property investment	17 February 2016	100%
63	Echo Pasaż Grunwaldzki Magellan West Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
64	Emfold Investments Spółka z ograniczoną odpowiedzialnością S.K. <sup>2</sup>	Poland	Property investment	1 July 2016	100%
65	EPP Retail – Galeria Solna Sp. z o.o. (previously: ACE 1 Sp. z o.o.)	Poland	Property investment	12 July 2017	100%
66	Farrina Investments - Projekt Echo - 124 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
67	Flaxton Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	1 July 2016	100%
68	Galaxy - Projekt Echo - 106 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
69	Galeria Kielce - Projekt Echo - 109 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
70	Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
71	Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
72	Outlet Park - Projekt Echo - 126 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
73	Oxygen - Projekt Echo - 125 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%

	Name	Country of incorporation	Principal activities	Date of control	share
74	Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. <sup>3</sup>	Poland	Property investment	22 December 2016	53.74%
75	Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
76	Ventry Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	1 July 2016	100%
77	Vousoka Polska Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property investment	17 February 2016	100%
78	Berea Sp. z o.o.	Poland	Property investment	31 May 2017	70%
79	EPP Retail – Zakopianka Sp.z o.o.	Poland	Property investment	25 April 2017	100%
80	EPP Retail – Twierdza Kłodzko Sp. z o.o.	Poland	Property investment	14 June 2017	100%
81	EPP Retail – Wzorcownia Włocławek Sp. z o.o.	Poland	Property investment	14 June 2017	100%
82	EPP Retail – Twierdza Zamość Sp. zo.o.	Poland	Property investment	14 June 2017	100%
83	EPP Facility Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property Management	1 July 2016	100%
84	EPP Property Management Minster Investments Spółka z ograniczoną odpowiedzialnością S.K.	Poland	Property Management	1 July 2016	100%
85	EPP Development 5 Sp. z o.o.	Poland	Holding	14 November 2017	100%
86	EPP Development 6 Sp. z o.o.	Poland	Holding	24 November 2017	100%
87	EPP Development 7 Sp. z o.o.	Poland	Holding	20 December 2017	100%

<sup>1</sup> Liquidated as of 29 December 2017

<sup>2</sup> The entities were disposed as of 22 December 2017 as described in NOTE 5.

<sup>3</sup> Based on the Shareholders Agreement dated on 22 December 2016 the Company and Echo Investment S.A. agreed to have joint control over Projekt Echo 138 Sp. z o.o. and Projekt Echo 138 Spółka z ograniczoną odpowiedzialnością S.K. therefore equity consolidation method is applied.

<sup>4</sup> The Group has 70% share in Rosehill Investments Sp. z o.o., a holding entity related to Galeria Mlociny project, which under shareholder's agreement is a joint venture with Echo Investment Group with equity consolidation method applied.

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

	Sales to related parties	Purchases from related parties	Amounts due to related parties <sup>*)</sup>	Amounts due from related parties <sup>*)</sup>
<i>EUR'000</i>				
<b>Echo Investment Group</b>	-			
2017	10 109	75 703	11 965	712
2016	-	-	2 723	2 232
<b>Griffin RE Group</b>	-			-
2017	-	500	31	-
2016	-	150	185	-

<sup>\*)</sup> The amounts are classified as trade receivables and trade payables, respectively (see NOTE 16)

	Interest	Amounts due from related parties	Amounts due to related parties
<i>EUR'000</i>			
<b>Loans from related parties</b>			
<b>Echo Investment Group</b>			
2017	(146)	-	(19 760)
2016	(57)	13 167	(6 106)
<b>Loans to related parties</b>			
<b>Echo Investment Group</b>			
2017	6 024	5 614	-
2016	-	-	-
<b>Griffin RE Group</b>			
2017	950	24 258	-
2016	-	-	-
<b>Other financial liabilities</b>			
<b>Echo Investment Group</b>			
2017	-	-	-
2016 restated	-	-	(16 356)

Loans to related parties are described in the NOTE 8.

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

The loans are granted for 1 or 5 years depending on purpose of the loan.

### Terms and conditions of transactions with related parties

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

### Guarantees

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

### Directors' interests

Set out below are the direct and indirect beneficial interests of the Company's Directors and their associates in EPP ordinary shares, as at 31 December 2017 and 31 December 2016 respectively:

#### 31 December 2017

Beneficially held				
Director	Directly	Indirectly	Total	Percentage
Hadley Dean	84 000 <sup>1)</sup>	500 000	584 000	0.1%
Marc Wainer	10 290 584	25 977 720 <sup>2)</sup>	36 268 304	5.1%
Andrew Konig	4 888 027	25 726 456 <sup>3)</sup>	30 614 483	4.3%
Robert Weisz	34 000	-	34 000	0.0%
Jacek Baginski	450 000	-	450 000	0.1%
<b>Total</b>	<b>15 746 611</b>	<b>52 204 176</b>	<b>67 950 787</b>	<b>9.6%</b>

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

#### 31 December 2016

Beneficially held				
Director	Directly	Indirectly	Total	Percentage
Hadley Dean	500 000	-	500 000	0.1%
Marc Wainer	10 290 584	25 726 456*	36 017 040	6.14%
Andrew Konig	4 888 027	25 726 456*	30 614 483	5.22%
<b>Total</b>	<b>15 678 611</b>	<b>51 452 912</b>	<b>67 131 523</b>	<b>11.45%</b>

\* Marc Wainer and Andrew Konig hold 40% and 15% of the Equity in The Big Five International Limited, which holds 25 726 456 EPP shares.

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

### Directors' interests in transactions

Set out below are details of the directors (including directors who resigned during the last 18 months) who have or had a material beneficial interest, direct or indirect, in transactions effected by the Company since incorporation:

Name of director	Particulars of contract	Nature/Extent of interest
Maciej Dyjas	Griffin advisory agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Griffin advisory agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	ROFO project acquisition agreements	Maciej Dyjas is an indirect beneficial shareholder of Echo (vendor).
Nebil Senman	ROFO project acquisition agreements	Nebil Senman is an indirect beneficial shareholder of Echo (vendor).
Maciej Dyjas	Warsaw retail development site acquisition agreement	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Warsaw retail development site acquisition agreement	Nebil Senman is an indirect beneficial shareholder of Griffin.
Maciej Dyjas	Loans granted to Aradiana Ltd. and Kalisz Retail Sp z o.o.	Maciej Dyjas is an indirect beneficial shareholder of Griffin.
Nebil Senman	Loans granted to Aradiana Ltd. and Kalisz Retail Sp z o.o.	Nebil Senman is an indirect beneficial shareholder of Griffin.

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

## Directors' remuneration

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

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

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

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

<b>Period ended 31 December 2016</b>	<b>Basic salaries**</b>	<b>Directors' fees***</b>	<b>Bonuses and other performance payments***</b>	<b>Total</b>
<i>EUR'000</i>				
<b>Executive Directors</b>				
Hadley Dean	161	-	275	436
Maciej Drozd	87	-	50	137
<b>Total</b>	<b>248</b>	<b>-</b>	<b>325</b>	<b>573</b>
<b>Non -Executive Directors</b>				
Robert Weisz	-	45	-	45
Marc Wainer	-	25	-	25
Marek Belka	-	31	-	31
Andrew Konig	-	25	-	25
Maciej Dyjas	-	25	-	25
Nebil Senman	-	25	-	25
Dionne Ellerine	-	30	-	30
Andrea Steer	-	40	-	40
Peter Driessen	-	37	-	37
<b>Total</b>	<b>-</b>	<b>283</b>	<b>-</b>	<b>283</b>

\*\* paid out in 2016 by Echo Polska Properties Sp. z o.o.

\*\*\* The fees comprise the annual bonuses and a sign -up bonus with regards to Hadley Dean consulting agreement. The respective fees have been accrued as of 31 December 2016 at Echo Polska Properties N.V. level

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

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

## NOTE 28. FUTURE OPERATING LEASE REVENUE

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

<b>2017</b>			
<i>EUR'000</i>			
	<b>Retail</b>	<b>Office</b>	<b>TOTAL</b>
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
<b>Total</b>	<b>648 357</b>	<b>11 441</b>	<b>659 798</b>

<b>2016</b>			
<i>EUR'000</i>			
	<b>Retail</b>	<b>Office</b>	<b>TOTAL</b>
Within one year	74 293	29 880	104 173
Between two and five years	237 652	82 268	319 920
Beyond five years	260 881	32 235	293 117
<b>Total</b>	<b>572 826</b>	<b>144 383</b>	<b>717 209</b>

## NOTE 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 Group's policies and risk objectives.

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

### Market risk

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

## Interest rate risk

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

To manage its interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2017, after taking into account the effect of interest rate swaps, 83% of the Group's borrowings are economically hedged (90% as at 31 December 2016 respectively).

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

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

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

	Increase/(decrease) in basic points	Effect on equity	Effect on profit before tax
<b>2017</b>		<i>EUR'000</i>	<i>EUR'000</i>
EURIBOR	1%	0	0
EURIBOR	(1%)	0	0
WIBOR	1%	0	0
WIBOR	(1%)	0	0

	Increase/(decrease) in basic points	Effect on equity	Effect on profit before tax
<b>2016</b>		<i>EUR'000</i>	<i>EUR'000</i>
EURIBOR	1%	(2)	(2)
EURIBOR	(1%)	2	2
WIBOR	1%	(4)	(4)
WIBOR	(1%)	4	4

## Foreign exchange rate risk

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

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

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

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

- Cash and cash equivalent
- Trade receivables
- Trade payables

<b>Consolidated Statement of Comprehensive income</b>		
	31 December 2017	31 December 2016
	<i>EUR '000</i>	<i>EUR '000</i>
Polish Zloty strengthens by 10%	2 960	1 000
Polish Zloty weakens by 10%	(1 465)	(818)

### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives. Additionally the Group granted loans to related parties, which are described in Note 8, which exposes EPP to credit risk of Kalisz Retail Sp. z o.o. and it’s shareholders.

### **Tenant receivables**

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

### **Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by Group’s treasury department in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on an annual basis, and may be updated throughout the year, subject to approval of the Group’s Management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty’s potential failure to make payments. The Group’s maximum exposure to credit risk for the components of the statement of financial position at 31 December 2017 is the carrying amounts of each class of financial instruments.

## Liquidity risk

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

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

<b>Year ended 31 December 2017</b>	<b>up to 1 year</b>	<b>1-3 years</b>	<b>3 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
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	29 943	-	-	-	29 943

<b>Period ended 31 December 2016</b>	<b>up to 1 year</b>	<b>1-3 years</b>	<b>3 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<i>Restated</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Bank borrowings	52 845	15 924	311 316	423 226	803 311
Related party financial liabilities	16 577	-	3 742	2 143	22 462
Deposits from tenants	1 428	742	4 168	770	7 108
Trade and other payables	13 203	-	-	-	13 203

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

## 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:

	<b>Carrying value</b>	<b>Fair value</b>
	31 December 2017	31 December 2017
	<i>EUR '000</i>	<i>EUR '000</i>
<b>Financial assets</b>		
Rent and other receivables	6 120	6 120
Cash and short-term deposits	99 544	99 544
Financial assets	29 872	29 872
<b>Financial liabilities</b>		
Interest-bearing loans and borrowings	968 098	968 098
Deposits from tenants	9 655	9 655
Trade and other payables	29 943	29 943

	<b>Carrying value</b>	<b>Fair value</b>
	31 December 2016	31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
<b>Financial assets</b>		
Rent and other receivables	3 843	3 843
Cash and short-term deposits	21 921	21 921
Financial assets	19 089	19 089
<b>Financial liabilities</b>		
Interest-bearing loans and borrowings	803 311	803 311
Deposits from tenants	7 107	7 107
Trade and other payables	13 203	13 203

### Fair value hierarchy

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

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Interest-bearing loans and borrowings	-	968 151	-	<b>968 151</b>
Investment property	-	-	1 655 572	<b>1 655 572</b>
Deposits from tenants	-	9 655	-	<b>9 655</b>
Trade and other payables	-	39 096	-	<b>39 096</b>

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Interest-bearing loans and borrowings	-	803 311	-	803 311
Investment property	-	-	1 359 432	1 359 432
Deposits from tenants	-	7 107	-	7 107
Trade and other payables	-	13 203	-	13 203

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

- Receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2017 and 31 December 2016, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of obligations under finance leases and deposits from tenants is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 31 December 2017 and as at 31 December 2016.

### Capital management

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

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

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

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

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

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

### NOTE 30. EMPLOYEES

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

Department	Number of employees	
	2017	2016
Retail	85	47
Office	11	9
Other	57	32
<b>Total</b>	<b>153</b>	<b>88</b>

### NOTE 31. COMMITMENTS AND CONTINGENCIES

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

Bank	Amount	Maturity	Description
	<i>'000 EUR</i>		
<b>Bank Zachodni WBK S.A.</b>	23 870	30.06.2020	Guarantee of borrowers obligations related to project Młociny (Berea Sp. z o.o.) resulting from agreement dated 17 October 2017.
<b>Echo Polska Properties N.V.</b>	96 500	30.12.2019	Guarantee to HSBC Bank PLC as collateral for default of payment by Galeria Kielce - Projekt Echo - 109 spółka z ograniczoną odpowiedzialnością - spółka komandytowa resulting from bank loan agreement dated 16 December 2016 (see Note 14)
<b>Echo Polska Properties N.V.</b>	42 000	23.05.2029	Suretyship granted 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 presented in Note 14 are secured on pledges on the respective investment properties.

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

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

### NOTE 32. EVENTS AFTER THE REPORTING PERIOD

In December 2017, the Group announced the acquisition of 12 major shopping centres and retail parks (M1 Portfolio) from Chariot Top Group B.V., a consortium where Redefine Properties owns 25%. The assets aggregated value is EUR 692.1 million. The acquisition has been divided into three tranches, the

first of which was successfully completed on 4 January 2018, and the remaining two will be finalised over the next three years.

Tranche 1, had Gross Asset Value (GAV) of EUR 358.7 million, comprises M1 Czeladź, M1 Kraków, M1 Łódź and M1 Zabrze totalling collectively 194,400 m<sup>2</sup> GLA and NOI of EUR 25.1 million.

Tranche 2, at EUR 222.5 million GAV, comprises M1 Bytom, M1 Częstochowa, M1 Radom and Power Park Olsztyn, Power Park Opole and Power Park Kielce collectively 184,000 m<sup>2</sup> GLA and NOI of EUR 16.3 million.

Tranche 3, at EUR 110.9 million GAV, comprises M1 Poznań and Power Park Tychy totalling collectively 68,100 m<sup>2</sup> GLA and NOI of EUR 7.6 million.

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

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

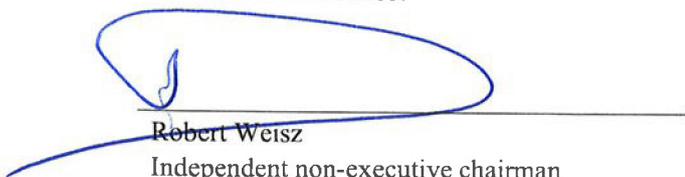
Signatures of Members of Board of Directors:



Hadley Dean  
Chief executive officer



Jacek Bagiński  
Chief financial officer



Robert Weisz  
Independent non-executive chairman



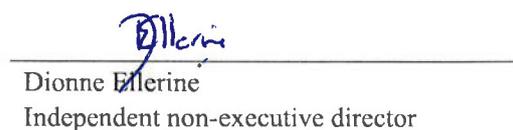
Marek Marian Belka  
Independent non-executive director



Peter Driessen  
Independent non-executive director



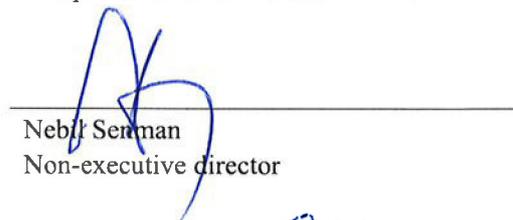
Maciej Dyjas  
Non-executive director



Dionne Ellerine  
Independent non-executive director



Andrew König  
Non-executive director



Neel Senman  
Non-executive director



Andrea Philippa Steer  
Independent non-executive director



Marc Wainer  
Non-executive director

Amsterdam, 7 March 2018

**STANDALONE FINANCIAL STATEMENTS OF ECHO POLSKA PROPERTIES N.V.**  
**COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017**

*(Before profit appropriation)*

		31 December 2017	31 December 2016
		<i>EUR '000</i>	<i>Restated EUR '000</i>
<b>ASSETS</b>			
<b>Financial fixed assets</b>	Note 3	<b>966,388</b>	<b>478,534</b>
Investments in subsidiaries		966,388	296,739
Investments in joint ventures			54,285
Loans due from subsidiaries		-	127,510
<b>Current assets</b>	Note 4	<b>42,708</b>	<b>150,742</b>
Loans due from subsidiaries		-	143,399
Accounts receivable		113	-
Prepayments		8,408	5,396
Other receivables		92	168
Cash and cash equivalents		34,095	1,779
<b>Total assets</b>		<b>1,009,096</b>	<b>629,276</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	Note 5	<b>833,868</b>	<b>611,160</b>
Share capital		571,026	474,702
Share premium		147,534	95,095
Legal Reserves		102,806	43,499
Retained earnings / (Accumulated deficit)		(112,409)	(78,007)
Unappropriated result		124,911	75,871
<b>Long-term liabilities</b>	Note 6	<b>39,063</b>	<b>-</b>
Loans due to subsidiaries		39,063	-
<b>Current liabilities</b>	Note 7	<b>136,165</b>	<b>18,116</b>
Due to credit institutions		99,657	-
Loans due to subsidiaries		35,272	-
Accounts payable and accrued expenses		1,236	18,116
<b>Total equity and liabilities</b>		<b>1,009,096</b>	<b>629,276</b>

**COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

		Year from 1 January 2017 till 31 December 2017	Period from 4 January 2016 till 31 December 2016 <i>Restated</i>
		<i>EUR'000</i>	<i>EUR'000</i>
Share in results from participating interests, after taxation		131,832	82,639
Other result after taxation		(6,921)	(6,768)
<b>Net property income</b>		<b>124,911</b>	<b>75,871</b>

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

### **NOTE 1. GENERAL**

The company financial statements are part of the 2017 financial statements of Echo Polska Properties 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.

In accordance with article 402 of Book 2 of the Dutch Civil Code, the result from subsidiaries that is included in the consolidated financial statement, is only included as a separate item net of taxes in the company's profit and loss account.

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.

Related party transactions between subsidiaries, equity accounted investees, investments, and with members of the Board of Directors and the ultimate parent company Echo Polska Properties N.V. are conducted on an at arm's length basis with terms comparable to transactions with third parties.

### **NOTE 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.

## **Restatement**

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

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

The Preferred Distribution was payable to Echo, if:

4. an occupancy permit in relation to a given extension has been granted by the relevant authority irrespective of whether such permit contains any conditions or post-issuance obligations; and
5. at least sixty percent (60%) of the extended space of a given extension has been leased or pre-leased to third parties on arm’s length terms pursuant to the applicable development agreement; and
6. 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 meter no less than the average rate concluded with third parties in (2) above).

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

Further details on the restatement can be found in note 1 of the consolidated financial statements.

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

**Impact on statement of financial position:**

	<b>31 December 2016</b>	<b>31 December 2016 <i>Restated</i></b>	<b>Change</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
<b>ASSETS</b>			
<b>Total assets</b>	<b>629,276</b>	<b>629,276</b>	<b>-</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>627,516</b>	<b>611,160</b>	<b>(16,356)</b>
Share capital	474,702	474,702	-
Share premium	95,095	95,095	-
Legal Reserves	43,499	43,499	-
Retained earnings / (Accumulated deficit)	(66,087)	(78,007)	(11,920)
Unappropriated result	80,307	75,871	(4,436)
<b>Long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>	<b>1,760</b>	<b>18,116</b>	<b>16,356</b>
Loans due to subsidiaries	-	-	-
Accounts payable and accrued expenses	1,760	18,116	16,356
<b>Total equity and liabilities</b>	<b>629,276</b>	<b>629,276</b>	<b>-</b>

**Impact on income statement:**

	<b>Period from 4 January 2016 till 31 December 2016</b>	<b>Period from 4 January 2016 till 31 December 2016 <i>Restated</i></b>	<b>Change</b>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Share in results from participating interests, after taxation	82,639	82,639	-
Other result after taxation	(2,332)	(6,768)	(4,436)
<b>Net property income</b>	<b>80,307</b>	<b>75,871</b>	<b>(4,436)</b>

### **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.

### **Reserve for restriction of distribution of results of subsidiaries**

The revaluation reserve has been formed as a result of unrealized gains on investment properties owned by the subsidiaries. As the subsidiaries cannot distribute these unrealized gains, until these are realized, the company recorded a legal 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 revaluation 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.

### NOTE 3. FINANCIAL FIXED ASSETS

	31 December 2017	31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Investments in subsidiaries	966,388	296,739
Investments in joint ventures	-	54,285
Loans due from subsidiaries	-	127,510
<b>Total</b>	<b>966,388</b>	<b>478,534</b>

	Investments in subsidiaries	Investments in joint ventures	Loans due from subsidiaries	Total
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Balance as at 4 January 2016	-	-	-	-
Cost of acquisition	226,881	41,759	-	268,640
Exchange differences	(255)	-	(278)	(533)
Loans provided	-	-	127,788	127,788
Share in result of participating interests	70,113	-	-	70,113
Participation in profits of joint ventures	-	12,526	-	12,526
<b>Balance as at 31 December 2016</b>	<b>296,739</b>	<b>54,285</b>	<b>127,510</b>	<b>478,534</b>
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
<b>Balance as at 31 December 2017</b>	<b>966,388</b>	<b>-</b>	<b>-</b>	<b>966,388</b>

\*Additional short term loans were contributed to subsidiaries in the total amount of EUR 143,431

## Investments in direct subsidiaries

As at 31 December 2016 the Company was the direct, sole shareholders of listed below entities

Name	Place of Business	Share percentage
Allwell Sp. z o.o.	Warszawa, Poland	100%
Dauphine Sp. z o.o.	Warszawa, Poland	100%
Dorsetshire Sp. z o.o.	Warszawa, Poland	100%
Echo - Galeria Amber Sp. z o.o.	Kielce, Poland	100%
Echo - Park Rozwoju Sp. z o.o.	Kielce, Poland	100%
Echo - West Gate Sp. z o.o.	Kielce, Poland	100%
Echo Polska Properties Sp. z o.o.	Warszawa, Poland	100%
Echo Polska Properties (Cyprus) PLC	Nicosia, Cyprus	99,99%
Emfold Investments Sp. z o.o.	Warszawa, Poland	100%
Epiphet Sp. z o.o.	Warszawa, Poland	100%
Flaxton Investments Sp. z o.o.	Warszawa, Poland	100%
FORUM XXIX FIZ	Warszawa, Poland	100%
FORUM XXXIV FIZ	Kraków, Poland	100%
Friedland Sp. z o.o.	Warszawa, Poland	100%
GP Office S.a.r.l.	Luxembourg, Luxembourg	100%
GP Retail S.a.r.l.	Luxembourg, Luxembourg	100%
Iris Capital Sp. z o.o.	Kielce, Poland	100%
Leuthen Sp. z o.o.	Warszawa, Poland	100%
Macintyre Sp. z o.o.	Warszawa, Poland	100%
Mackinnon Sp. z o.o.	Warszawa, Poland	100%
Magellan West Sp. z o.o.	Kielce, Poland	100%
Minster Investment Sp. z o.o.	Warszawa, Poland	100%
Norcross Sp. z o.o.	Warszawa, Poland	100%
Orkney Sp. z o.o.	Warszawa, Poland	100%
Ormonde Sp. z o.o.	Warszawa, Poland	100%
Otway Holdings Sp. z o.o.	Warszawa, Poland	100%
Oughton Trading Sp. z o.o.	Warszawa, Poland	100%
Oxland Trading Sp. z o.o.	Warszawa, Poland	100%
Pebworth Sp. z o.o.	Warszawa, Poland	100%
Projekt Echo - 106 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 109 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 118 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 124 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 125 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 126 Sp. z o.o.	Warszawa, Poland	100%
Projekt Echo - 43 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 69 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 97 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 98 Sp. z o.o.	Kielce, Poland	100%
Ravenshaw Sp. z.o.o.	Warszawa, Poland	100%
Rundle Holdings Sp. z o.o.	Warszawa, Poland	100%
Sackville Sp. z o.o.	Warszawa, Poland	100%
SPV Retail – 1 SCSp	Luxembourg, Luxembourg	100%
SPV Retail – 2 SCSp	Luxembourg, Luxembourg	100%

Name	Place of Business	Share percentage
SPV Retail – 3 SCSp	Luxembourg, Luxembourg	100%
SPV Retail – 4 SCSp	Luxembourg, Luxembourg	100%
SPV Retail – 5 SCSp	Luxembourg, Luxembourg	100%
SPV Office – 1 SCSp	Luxembourg, Luxembourg	100%
SPV Office – 2 SCSp	Luxembourg, Luxembourg	100%
SPV Office – 3 SCSp	Luxembourg, Luxembourg	100%
SPV Office – 4 SCSp	Luxembourg, Luxembourg	100%
SPV Office – 5 SCSp	Luxembourg, Luxembourg	100%
Trappaud Sp. z o.o.	Warszawa, Poland	100%
Ventry Investments Sp. z o.o.	Warszawa, Poland	100%
Verwood Investments SP. z o.o.	Nicosia, Cyprus	100%
Vousoka Polska Sp. z o.o.	Kielce, Poland	100%
Wagstaff Investments Sp. z o.o.	Warszawa, Poland	100%
Wetherall Investments Sp. z o.o.	Warszawa, Poland	100%
Wisbech Sp. z o.o.	Warszawa, Poland	100%
Wylde Holdings Sp. z o.o.	Warszawa, Poland	100%

1. On 14 February 2017 EPP NV paid up the share capital of EUR 30 thousand in Echo Polska Properties (Cyprus) PLC..
2. On 15 February 2017 the Company made a contribution in kind (composed of a portion of intra group loans granted to indirect subsidiaries of the Company presented as financial fixed assets in financial statements as of 31 December 2016) in exchange for EPP (Cyprus) – 3 Ltd newly issued shares of EUR 70,022 thousand.
3. On 20 February 2017 the Company increased share capital of EUR 15 thousand in GP Office Sarl and EUR 20 thousand in GP Retail Sarl.
4. On 13 March 2017 the Company made contribution in kind (composed of a portion of intra group loans granted to indirect subsidiaries of EPP NV presented as financial fixed assets in financial statements as of 31 December 2016 and advance for Zakopianka shares acquisition of EUR 5,000 thousands presented as Prepayments in Current assets as of 31 December 2016) in exchange for EPP (Cyprus) – 3 Ltd newly issued shares of EUR 206,115 thousand.
5. On 24 April 2017 the Company granted intra group loans to Echo Polska Properties (Cyprus) PLC of EUR 63,833 thousand.
6. On 27 April 2017 the Company made a contribution in kind (composed of the shares in the following subsidiaries) and cash contribution of EUR 300 thousand in exchange for newly issued shares of Echo Polska Properties (Cyprus) PLC of EUR 340,404 thousand.

The list of contributed shares is as follows:

Name	Location	share
Allwell Sp. z o.o.	Warsaw, Poland	100%
Dauphine Sp. z o.o.	Warsaw, Poland	100%
Dorsetshire Sp. z o.o.	Warsaw, Poland	100%
Epiphet Sp. z o.o.	Warsaw, Poland	100%
Friedland Sp. z o.o.	Warsaw, Poland	100%
Leuthen Sp. z o.o.	Warsaw, Poland	100%
Macintyre Sp. z o.o.	Warsaw, Poland	100%
Mackinnon Sp. z o.o.	Warsaw, Poland	100%
Norcross Sp. z o.o.	Warsaw, Poland	100%
Orkney Sp. z o.o.	Warsaw, Poland	100%
Ormonde Sp. z o.o.	Warsaw, Poland	100%
Otway Holdings Sp. z o.o.	Warsaw, Poland	100%
Oughton Trading Sp. z o.o.	Warsaw, Poland	100%
Oxland Trading Sp. z o.o.	Warsaw, Poland	100%
Pebworth Sp. z o.o.	Warsaw, Poland	100%
Ravenshaw Sp. z.o.o.	Warsaw, Poland	100%
Rundle Holdings Sp. z o.o.	Warsaw, Poland	100%
Sackville Sp. z o.o.	Warsaw, Poland	100%
Trappaud Sp. z o.o.	Warsaw, Poland	100%
Wagstaff Investments Sp. z o.o.	Warsaw, Poland	100%
Wetherall Investments Sp. z o.o.	Warsaw, Poland	100%
Wisbech Sp. z o.o.	Warsaw, Poland	100%
Wylde Holdings Sp. z o.o.	Warsaw, Poland	100%
EPP (Cyprus) -3 Ltd.	Nicosia, Cyprus	79.77%

7. On 26 May 2017 EPP NV increased share capital in Echo Polska Properties (Cyprus) PLC by EUR 29,720 thousand (paid up in cash).
8. On 9 June 2017 EPP NV increased share capital in Echo Polska Properties (Cyprus) PLC by EUR 85,662 thousand (paid up in cash).
9. On 22 June 2017 EPP NV converted loans granted to Echo Polska Properties (Cyprus) PLC (including interest accrued as of the date hereof) of EUR 64,116 thousand into share capital and contributed cash of EUR 200 thousand in exchange for share capital increase (total of EUR 64,316 thousand).
10. On 10 July 2017 EPP NV increased share capital of EUR 52 thousand in GP Office Sarl and EUR 52 thousand in GP Retail Sarl.
11. On 12 July 2017 EPP NV increased share capital in Echo Polska Properties (Cyprus) PLC by EUR 22,050 thousand (paid up in cash).
12. On 28 July 2017 all Luxembourg SCSps were liquidated and as liquidation proceeds EPP NV received shares in Echo Polska Properties (Cyprus) PLC (held by Luxembourg SCSp) of EUR 362,948 thousand. Upon completion of this step EPP NV has become a 99.99% shareholder of Echo Polska Properties (Cyprus) PLC.

13. On 8 August 2017 EPP NV increased share capital in Echo Polska Properties (Cyprus) PLC by EUR 5,000 thousand (paid up in cash).
14. On 14 September 2017 both FIZs (Forum XXIX FIZ and Forum XXXIV FIZ) were liquidated.
15. On 22 December 2017 EPP NV sold 100% shares in Emfold Investments Sp zoo, Iris Capital Sp. z o.o. and Echo – West Gate Sp. z o.o. for a consideration of EUR 17 thousand.
16. On 29 December 2017 GP Office Sarl and GP Retail Sarl were liquidated.

As a result, as at 31 December 2017 the Company holds interests in the following direct subsidiaries:

Name	Place of Business	Share percentage
Echo - Galeria Amber Sp. z o.o.	Kielce, Poland	100%
Echo - Park Rozwoju Sp. z o.o.	Kielce, Poland	100%
Echo Polska Properties (Cyprus) PLC	Nicosia, Cyprus	99.99%
Echo Polska Properties Sp. z o.o.	Warsaw, Poland	100%
Flaxton Investments Sp. z o.o.	Warsaw, Poland	100%
Grupa EPP Sp.zo.o. (previously: Minster Investments Sp. z o.o.)	Warsaw, Poland	100%
Magellan West Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 106 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 109 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 118 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 124 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 125 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 126 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 43 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 69 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 97 Sp. z o.o.	Kielce, Poland	100%
Projekt Echo - 98 Sp. z o.o.	Kielce, Poland	100%
Ventry Investments Sp. z o.o.	Warsaw, Poland	100%
Vousoka Polska Sp. z o.o.	Kielce, Poland	100%

## Investments in indirect subsidiaries

As at 31 December 2017 the Company holds interests in the following indirect subsidiaries:

Name	Place of Business	Share percentage
Astra Park - Projekt Echo - 69 Sp. z o.o. S.K.	Kielce, Poland	100%
Centrum Przemysł - Projekt Echo - 118 Sp. z o.o. S.K.	Kielce, Poland	100%
Echo - Galeria Amber Sp. z o.o. S.K.	Kielce, Poland	100%
Echo - Park Rozwoju Sp. z o.o. S.K.	Kielce, Poland	100%
Echo Pasaż Grunwaldzki Magellan West Sp. z o.o. S.K.	Kielce, Poland	100%
Echo Polska Properties Sp.z o.o. SK	Kielce, Poland	100%
EPP (Cyprus) – 2 Ltd	Nicosia, Cyprus	100%
EPP (Cyprus) – 3 Ltd	Nicosia, Cyprus	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 Facility Management Grupa EPP Sp.zo.o. S.K. (previously: EPP Facility Management Minster Investments Sp. z o.o. S.K.)	Warsaw, Poland	100%
EPP Office – Astra Park Sp.z o.o. (previously: Sackville Sp. z o.o.)	Warsaw, Poland	100%
EPP Office – Malta Office Park Sp.z o.o. (previously: Oughton Trading Sp. z o.o.)	Warsaw, Poland	100%
EPP Office – Oxygen Sp.z o.o. (previously: Wylde Holdings Sp. z o.o.)	Warsaw, Poland	100%
EPP Office – Park Rozwoju Park Sp.z o.o. (previously: Oxland Trading Sp. z o.o.)	Warsaw, Poland	100%
EPP Property Management Grupa EPP Sp.zo.o. S.K. (previously: EPP Property Management Minster Investments Sp. z o.o. S.K. )	Warsaw, Poland	100%
EPP Retail – Centrum Belchatow Sp. z o.o. (previously: Friedland Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Centrum Przemysl Sp. z o.o. (previously: Macintyre Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Galaxy Sp. z o.o. (previously: Dorsetshire Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Galeria Amber Sp. z o.o.(previously: Mackinnon Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Galeria Echo Sp. z o.o. (previously: Leuthen Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Galeria Solna HoldCo Sp. z o.o. (previously: ACE SPV 1 Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Galeria Solna Sp. z o.o. (previously: ACE 1 Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Galeria Sudecka Sp. z o.o. (previously: Ravenshaw Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Outlet Park Sp. z o.o. (previously: Dauphine Sp. z o.o.)	Warsaw, Poland	100%

Name	Place of Business	Share percentage
EPP Retail – Pasaz Grunwaldzki Sp. z o.o. (previously: Rundle Holdings Sp. z o.o.)	Warsaw, Poland	100%
EPP Retail – Veneda Sp. z o.o. (previously: Epiphet Sp. z o.o.)	Warsaw, Poland	100%
Farrina Investments - Projekt Echo - 124 Sp. z o.o. S.K.	Kielce, Poland	100%
Flaxton Investments Sp. z o.o. S.K.	Warsaw, Poland	100%
Galaxy - Projekt Echo - 106 Sp. z o.o. S.K.	Kielce, Poland	100%
Galeria Kielce - Projekt Echo - 109 Sp. z o.o. S.K.	Kielce, Poland	100%
Galeria Olimpia - Projekt Echo - 98 Sp. z o.o. S.K.	Kielce, Poland	100%
Galeria Sudecka - Projekt Echo - 43 Sp. z o.o. S.K.	Kielce, Poland	100%
Grupa EPP Sp.zo.o. S.K. (previously: Minster Investments Sp. z o.o. S.K.)	Kielce, Poland	100%
Kłodzko Retail Sp. z o.o.	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%
Outlet Park - Projekt Echo - 126 Sp. z o.o. S.K.	Warsaw, Poland	100%
Oxygen - Projekt Echo - 125 Sp. z o.o. S.K.	Kielce, Poland	100%
Pebworth Sp. z o.o.	Warsaw, Poland	100%
Trappaud Sp. z o.o.	Warsaw, Poland	100%
Veneda - Projekt Echo - 97 Sp. z o.o. S.K.	Krakow, Poland	100%
Ventry Investments Sp. z o.o. S.K.	Warsaw, Poland	100%
Verwood Investments SP. z o.o.	Warsaw, Poland	100%
Vousoka Polska Sp. z o.o. S.K.	Kielce, Poland	100%
Wisbech Sp. z o.o.	Warsaw, Poland	100%
Włocławek Retail Sp. z o.o.	Warsaw, Poland	100%
Zakopianka – Group EPP Sp.z o.o.	Warsaw, Poland	100%
Zamość Retail Sp. zo.o.	Warsaw, Poland	100%

### Indirect investments in joint ventures

As at 31 December 2017 the Company holds 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 Sp. z o.o.	Warsaw, Poland	70%

### Loans due from subsidiaries

During the year under review, the long term loans receivable from subsidiaries were contributed in kind to the Company's direct subsidiary, EPP (Cyprus) – 3 Ltd. Please be referred to note 3 and page 7.

#### NOTE 4. CURRENT ASSETS

##### Loans due from subsidiaries

During the year under review, the short term loans receivable from subsidiaries were contributed in kind to the Company's direct subsidiary, EPP (Cyprus) – 3 Ltd. Please be referred to note 3 and page 7.

##### Accounts receivable

	31 December 2017	31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Accounts receivable	113	-
<b>Total</b>	<b>113</b>	<b>-</b>

##### Prepayments

	31 December 2017	31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Prepayments	8,408	5,396
<b>Total</b>	<b>8,408</b>	<b>5,396</b>

##### Other receivables

	31 December 2017	31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
VAT receivable	75	168
Other receivables	17	-
<b>Total</b>	<b>92</b>	<b>168</b>

Further details about the information to be included on receivables can be found in note 6 and 7 of the consolidated financial statements.

##### Cash and cash equivalents

	31 December 2017	31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Current account Rabobank (EUR)	651	1,585
Current account Investec Bank (ZAR)	6	194
Current account HSBC Bank (EUR)	33,438	-
<b>Total</b>	<b>34,095</b>	<b>1,779</b>

The total amount of the cash and cash equivalents is freely available to the Company.

## NOTE 5. SHAREHOLDERS' EQUITY

The authorized share capital amounts to EUR 2,083,842,984.60 divided into 2,572,645,659 authorised shares and 1 preference share. All shares have a par value of EUR 0.81. As per December 31, 2017, 704,970,211 shares have been placed and fully paid up. For fiscal purposes, the share capital is considered fully paid-up.

### Reconciliation of movement in capital and reserves

	Issued share capital	Share premium	Foreign currency translation reserve	Revaluation reserve	Retained earnings / (Accumulated deficit)	Unappropriated result	Total Equity attributable to the owners of the company
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 4 January 2016	20	-	-	-	-	-	20
Retained profit	-	-	-	-	-	75,871	75,871
Issue of ordinary shares	474,682	110,157	-	-	-	-	584,839
Acquisition of subsidiary and transaction costs	-	(15,062)	-	-	-	-	(15,062)
Translation results	-	-	(255)	-	-	-	(255)
Revaluation of assets	-	-	-	43,754	(43,754)	-	-
Accrual for preference dividend on date of issuance	-	-	-	-	(11,920)	-	(11,920)
Dividend to equity holders	-	-	-	-	(22,333)	-	(22,333)
<b>Balance as at 31 December 2016</b>	<b>474,702</b>	<b>95,095</b>	<b>(255)</b>	<b>43,754</b>	<b>(78,007)</b>	<b>75,871</b>	<b>611,160</b>
Appropriated profit	-	-	-	-	75,871	(75,871)	-
Issue of ordinary shares	96,324	56,650	-	-	-	-	152,974
Acquisition of subsidiary and transaction costs	-	(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)
Revaluation of assets	-	-	-	59,395	(59,395)	-	-
Dividend to equity holders	-	-	-	-	(55,004)	-	(55,004)
Result for the year	-	-	-	-	-	124,911	124,911
<b>Balance as at 31 December 2017</b>	<b>571,026</b>	<b>147,534</b>	<b>(343)</b>	<b>103,149</b>	<b>(112,409)</b>	<b>124,911</b>	<b>833,868</b>

For a further breakdown of equity attributable to equity holders, reference is made to the Consolidated Statement of Changes in Group Equity and the Notes thereto. Further details regarding the issue of ordinary shares can be found in note 10 of the consolidated financial statements. Further details about the acquisition of subsidiary and transaction costs can be found in notes 3 and 4 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.

### 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

The legal reserves for the Company solely pertain to the foreign currency translation reserve and the restriction of distribution of results of subsidiaries, which are not eligible for distribution.

#### *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.

#### *Reserve for restriction of distribution of results of subsidiaries*

The revaluation reserve has been formed as a result of unrealized gains on investment properties owned by the subsidiaries. As the subsidiaries cannot distribute these unrealized gains, until these are realized, the company recorded a legal reserve.

The legal reserves can be set out as follows:

	Revaluation reserve	Foreign currency translation reserve	Total
	EUR '000	EUR '000	EUR '000
<b>Balance as at 4 January 2016</b>	-	-	-
Exchange rate differences	-	(255)	(255)
Addition/(release) retained earnings	43,754	-	43,754
<b>Balance as at 31 December 2016</b>	<b>43,754</b>	<b>(255)</b>	<b>43,499</b>
Exchange rate differences	-	(88)	(88)
Addition/(release) retained earnings	59,395	-	59,395
<b>Balance as at 31 December 2017</b>	<b>103,149</b>	<b>(343)</b>	<b>102,806</b>

### Retained earnings / (Accumulated deficit)

Movements in retained earnings were as follows:

	<i>EUR '000</i>
<b>Balance as at 4 January 2016</b>	-
Dividend paid to ordinary shares holders	(22,333)
Release/(addition) legal reserves	(43,754)
Accrual for preference dividend on date of issuance	(11,920)
<b>Balance as at 31 December 2016</b>	<b>(78,007)</b>
Appropriation of profit 2016	75,871
Dividend paid to ordinary shares holders	(55,004)
Acquisition of own shares	(1,810)
Recognition of share-based payments	5,936
Release/(addition) legal reserves	(59,395)
<b>Balance as at 31 December 2017</b>	<b>(112,409)</b>

#### *Proposal for profit appropriation.*

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2017 profit after tax: an amount of EUR 59,395 thousand to be added to the legal reserves and an amount of EUR 26,015 thousand to be added to the other reserves and the remaining amount of EUR 39,994 thousand to be paid out as dividend.

### Reconciliation retained earnings and equity with consolidated financial statements

Net result can be reconciled with the Consolidated Profit and loss as follows:

	2017	2016
	<i>EUR '000</i>	<i>EUR '000</i>
<b>Profit for the period as per Consolidated Statement of profit or loss</b>	<b>128,348</b>	<b>72,328</b>
Realized results subsidiaries with a negative equity from prior years	(3,484)	-
Adjustment 2017 results subsidiaries with a negative equity	47	3,543
<b>Net property income as per Company income statement</b>	<b>124,911</b>	<b>75,871</b>

The equity can be reconciled with the Consolidated Statement of Financial Position as follows:

	31 December 2017	31 December 2016
	<i>EUR '000</i>	<i>EUR '000</i>
<b>Equity as per Consolidated Statement of Financial Position</b>	<b>833,821</b>	<b>607,438</b>
Difference results subsidiaries with a negative net asset value	47	3,543
Foreign currency exchange result difference	-	179
<b>Equity as per Company Balance Sheet</b>	<b>833,868</b>	<b>611,160</b>

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.

## NOTE 6. LONG-TERM LIABILITIES

### Loans due to subsidiaries

The long term loans due to subsidiaries all mature between 1-5 years from the balance sheet date and can be detailed as follows:

Group company	Issued principal EUR '000	Accrued interest EUR '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%
<b>Total</b>	<b>38,587</b>	<b>476</b>			

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

## NOTE 7. CURRENT LIABILITIES

### Due to credit institutions

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

31 December 2017	
	<i>EUR '000</i>
Drawdown	100,000
Transaction costs	(1,519)
Amortization	762
Accrued nominal interest	414
<b>Total</b>	<b>99,657</b>

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

Under the Facility, the Company has drawn down the full amount of EUR 100,000,000. The effective interest rate amounts to 5.25% and transactions cost amounted to EUR 1,518,717. As per year end the amortized cost of the loan amounts to EUR 99,657,082.

The HSBC Bank PLC loan is secured by 2nd 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

### Loans due to subsidiaries

The short term loans due to subsidiaries can be detailed as follows:

Group company	Issued principal EUR '000	Accrued interest EUR '000	Related project	Maturity	Loan Terms
Echo Polska (Cyprus) PLC	2,722	2	Various	June 30, 2018	EURIBOR 3M+ 2,7%
EPP (Cyprus) - 3 Limited	17,299	11	Various	June 30, 2018	EURIBOR 3M+ 2,7%
Verwood Investments Sp. z o.o.	15,220	18	Various	March 31, 2018	EURIBOR 3M+ 2,7%
<b>Total</b>	<b>35,241</b>	<b>31</b>			

## Accounts payable and accrued expenses

	31 December 2017	31 December 2016
	<i>EUR'000</i>	<i>EUR'000</i>
Accounts payable to group companies	721	4
Accrued expenses	515	1,756
Accrued preference dividend	-	16,356
<b>Total</b>	<b>1,236</b>	<b>18,116</b>

## NOTE 8. AUDIT FEES

The audit fees can be detailed as follows:

	Ernst & Young Accountants LLP	Associated Ernst & Young Companies	Total 2017
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Audit fees Annual Report	90	160	250
Audit fees in relation to the initial public offering and other audit fees	0	0	0
Other non-audit fees		953	953
Services related to taxes and advisory	0	191	191
<b>Total</b>	<b>90</b>	<b>1304</b>	<b>1,394</b>

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 EUR 250,000 (2016: EUR 264,000). The Auditors or associated companies rendered tax-, advisory- and other services in the total amount EUR 1,124,000 (2016: EUR 851,000) . No other services were provided by the Auditors or associated companies.

The company based the total fees for the examination of the annual report on the financial year to which the annual report relates, regardless of whether the activities are performed by the external auditor during that financial year.

Please also be referred to note 18 of the consolidated financial statements.

The audit fees for the year 2016 can be detailed as follows:

	<b>Ernst &amp; Young Accountants LLP</b>	<b>Associated Ernst &amp; Young Companies</b>	<b>Total 2016</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Audit fees Annual Report	96	168	<b>264</b>
Audit fees in relation to the initial public offering	15	417	<b>432</b>
Other audit fees	-	35	<b>35</b>
Services related to taxes and advisory	-	165	<b>165</b>
Other services rendered	-	219	<b>219</b>
<b>Total</b>	<b>111</b>	<b>1,004</b>	<b>1,115</b>

#### **NOTE 9. EMPLOYEES**

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

#### **NOTE 10. COMMITMENTS AND CONTINGENCIES**

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

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

#### **NOTE 11. BOARD OF MANAGEMENT**

As per August 12, 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 Baginski

##### **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 detailed information on the directors' remuneration policy.

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

<b>Year ended 31 December 2017</b>	<b>Basic salaries</b>	<b>Directors' fees</b>	<b>Bonuses and other performance payments</b>	<b>Share Based Payments</b>	<b>Total</b>
<i>EUR '000</i>					
<b>Executive Directors</b>					
Hadley Dean	475	-	500	2,567	3,542
Jacek Bagiński	243	-	300	1,444	1,987
Maciej Drozd*	87	-	-	-	87
<b>Sub total</b>	<b>805</b>	<b>-</b>	<b>800</b>	<b>4,011</b>	<b>5,616</b>
<b>Non -Executive Directors</b>					
Robert Weisz	-	90	-	-	90
Marc Wainer	-	35	-	-	35
Marek Belka	-	66	-	-	66
Andrew Konig	-	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
<b>Sub total</b>	<b>-</b>	<b>530</b>	<b>-</b>	<b>-</b>	<b>530</b>
<b>Total</b>	<b>805</b>	<b>530</b>	<b>800</b>	<b>4,011</b>	<b>6,146</b>

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

Period ended 31 December 2016	Basic salaries**	Directors' fees***	Bonuses and other performance payments***	Share Based Payments	Total
	<i>EUR '000</i>				
<b>Executive Directors</b>					
Hadley Dean	161	-	275	-	436
Maciej Drozd	87	-	50	-	137
<b>Sub total</b>	<b>248</b>	<b>-</b>	<b>325</b>	<b>-</b>	<b>573</b>
<b>Non -Executive Directors</b>					
Robert Weisz	-	45	-	-	45
Marc Wainer	-	25	-	-	25
Marek Belka	-	31	-	-	31
Andrew Konig	-	25	-	-	25
Maciej Dyjas	-	25	-	-	25
Nebil Senman	-	25	-	-	25
Dionne Ellerine	-	30	-	-	30
Andrea Steer	-	40	-	-	40
Peter Driessen	-	37	-	-	37
<b>Sub total</b>	<b>-</b>	<b>283</b>	<b>-</b>	<b>-</b>	<b>283</b>
<b>Total</b>	<b>248</b>	<b>283</b>	<b>325</b>	<b>-</b>	<b>856</b>

\*\* paid out in 2016 by Echo Polska Properties Sp. z o.o.

\*\*\*The fees comprise the annual bonuses and a sign -up bonus with regards to Hadley Dean consulting agreement. The respective fees have been accrued as of 31 December 2016 at Echo Polska Properties N.V. level

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

The basic salaries and director's 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

Under the LTI Program, the Company repurchased 1,850,000 shares, with a par value of EUR 0.81 of the Company on the Johannesburg Stock Exchange for a consideration of EUR 1,810,068. Out of the 1,850,000 shares, 800,000 shares remained as treasury shares on the Company's trading account.

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

## NOTE 12. RELATED PARTIES

### Parent and ultimate controlling party

During the year 2017, the largest share in the Company was acquired from Echo Investment S.A. (the “Initial Shareholder”) by Redefine Properties Limited, a South African corporation, listed on the Johannesburg Stock Exchange.

### Management of the Company

The Company is managed by the (Non-) Executive Directors. They are compensated for their management activities by the Company and Echo Polska Properties Sp. z o.o. as further outlined in to note 27 of the consolidated financial statements.

### Transactions with key management personnel

#### *Key management personnel and director transactions*

A number of key management personnel, or their related parties, also hold positions in various subsidiaries of the Company, that result in them having control or significant influence over the financial or operating policies of these corporate entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm’s length basis.

### Directors’ interests

Set out below are the direct and indirect beneficial interests of the Company’s Directors and their associates in EPP ordinary shares, as at 31 December 2017 and 31 December 2016 respectively:

#### **31 December 2017**

<b>Beneficially held</b>				
<b>Director</b>	<b>Directly</b>	<b>Indirectly</b>	<b>Total</b>	<b>Percentage</b>
<b>Hadley Dean</b>	84 000 <sup>1)</sup>	500 000	584 000	0.1%
<b>Marc Wainer</b>	10 290 584	25 977 720 <sup>2)</sup>	36 268 304	5.1%
<b>Andrew Konig</b>	4 888 027	25 726 456 <sup>3)</sup>	30 614 483	4.3%
<b>Robert Weisz</b>	34 000	-	34 000	0.0%
<b>Jacek Baginski</b>	450 000	-	450 000	0.1%
<b>Total</b>	<b>15 746 611</b>	<b>52 204 176</b>	<b>67 950 787</b>	<b>9.6%</b>

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

### 31 December 2016

<b>Beneficially held</b>				
Director	Directly	Indirectly	Total	Percentage
Hadley Dean	500 000	-	500 000	0.1%
Marc Wainer	10 290 584	25 726 456*	36 017 040	6.14%
Andrew Konig	4 888 027	25 726 456*	30 614 483	5.22%
<b>Total</b>	<b>15 678 611</b>	<b>51 452 912</b>	<b>67 131 523</b>	<b>11.45%</b>

\* Marc Wainer and Andrew Konig hold 40% and 15% of the Equity in The Big Five International Limited, which holds 25 726 456 EPP shares.

Director	Number outstanding shares granted but not yet transferred at 31 December 2016	Movements in 2017		Number outstanding shares granted but not yet transferred at 31 December 2017**	Fair value of transferred shares per share
		Number granted*	Number transferred*		
Hadley Dean	-	1 600 000	-	1 600 000	EUR 0.98
Jacek Baginski	-	800 000	450 000	350 000	EUR 0.98

\*We refer to note 13 of the consolidated financial statements for further details regarding terms and conditions of the long term incentive plan which is implemented in 2017. The Company will grant and transfer, free of charge, shares to the abovementioned directors.

\*\*The total maximum number of shares according to the plan is 8 000 000 for Hadley Dean and 4 500 000 for Jacek Baginski.

Expiry date of the plan is July 2026.

## SUBSEQUENT EVENTS

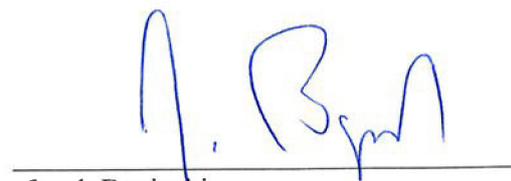
For more information on the events after the reporting period, please be referred to note 32 to the consolidated financial statements.

Signatures of Members of Board of Directors:



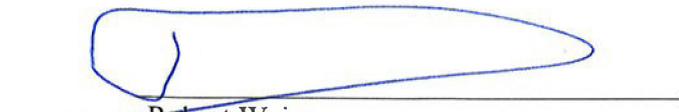
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Hadley Dean  
Chief executive officer



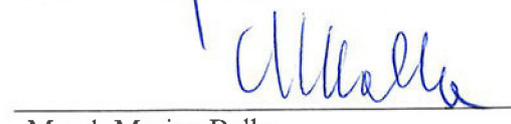
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Jacek Baginski  
Chief financial officer



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Robert Weisz  
Independent non-executive chairman



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Marek Marian Belka  
Independent non-executive director



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Marc Wainer  
Non-executive director



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Andrew König  
Non-executive director



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Maciej Dyjas  
Non-executive director



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Nebil Selman  
Non-executive director



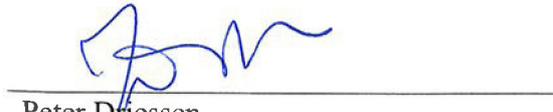
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Dionne Ellerine  
Independent non-executive director



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Andrea Philippa Steer  
Independent non-executive director



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Peter Driessen  
Independent non-executive director

Amsterdam, 7 March 2018

## **OTHER INFORMATION**

### **Provisions in the Articles of Association governing the appropriation of 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 certificates and similar rights**

The Company has issued 1 preference share to Echo Prime Assets B.V. The holder of the preference share shall be solely entitled to receive from the Company an interim dividend with priority over any other distributions made by the Company in relation to each planned extension to the Galaxy Shopping Centre, Outlet Park Phase III and Outlet Park Phase IV (Preferred Distribution). No other distribution shall be made on the preference share.

The Preferred Distribution shall be payable to holder of the preference share, if:

- a. an occupancy permit in relation to a given Extension has been granted by the relevant authority irrespective of whether such permit contains any conditions or post-issuance obligations; and
- b. at least sixty percent (60%) of the extended space of a given Extension has been leased or pre-leased to third parties on arm's length terms pursuant to the applicable DA; and
- c. Echo has executed the Master Lease for a period of three (3) years in relation to the space which has not been leased or pre-leased (at a rate per square meter no less than the average rate concluded with third parties in (b) above).

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

### **Independent auditor's report**

The independent auditor's report with respect to the financial statements is set out on the next pages.

## Independent auditor's report

To: the shareholders and non-executive directors of Echo Polska Properties N.V.

### Report on the audit of the financial statements 2017 included in the annual report

#### Our opinion

We have audited the financial statements 2017 of Echo Polska Properties 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 Echo Polska Properties N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
- ▶ The accompanying standalone financial statements give a true and fair view of the financial position of Echo Polska Properties N.V. as at 31 December 2017, and of its result for 2017 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 2017
- ▶ The following statements for 2017: the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow
- ▶ 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 2017
- ▶ The company income statement for 2017
- ▶ 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 Echo Polska Properties 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	EUR 8,300,000 (2016: EUR 6,200,000)
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 misstatements into account 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 EUR 415,000, being 5% of the materiality, 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

Echo Polska Properties 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 Echo Polska Properties 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 Echo Polska Properties N.V. for foreign group entities. 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, 100% of revenues and 100% of gross margin, which consists of full scope and review scope audit procedures.



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

#### Our key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are in line with prior year.

Fair value of investment property (note 5)

Risk

The investment properties of Echo Polska Properties N.V. comprise of income generating assets in Poland. As noted in Note 5 to the Consolidated Financial Statements, the total investment property as of 31 December 2017 amounts to EUR 1.7 billion (2016: EUR 1.4 billion) representing 85% (2016: 90%) of total assets. Despite the decrease in this ratio, investment property itself increased by 21%. The portfolio consists of both retail properties (81% (2016: 72%) out of the Portfolio) and office properties (19% (2016: 28%) out of the Portfolio).

As noted in Note 4 to the Consolidated Financial Statements, the total carrying amount of investments in joint ventures amounts to EUR 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 EUR 289 million.

We considered the valuation of the investment properties to be significant to the audit because the determination of fair value involves significant judgement by the board of directors and the use of external valuation experts.

Fair value is determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the properties and estimates of the suitable discount rate for these cash flows.

Valuation techniques for investment properties are subjective in nature and involve various key assumptions regarding pricing factors. Due to the subjective nature of the key assumptions, these are more likely being influenced by management. The key assumptions include net initial yield, discount rate, exit cap rate, vacancy rates and Weighted Average Unexpired Lease Term (years). The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.

When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties.

Our audit approach

Our audit procedures included, among others, the following:

- ▶ We obtained an understanding of the internal processes related to determining the fair value, performed walkthrough and evaluated the design of controls.
- ▶ We received the valuation reports for all properties and audited whether the valuation approach for these was suitable for use in determining the carrying value of investment properties in the financial statements.
- ▶ We involved EY real estate specialists to assist with the audit of the valuation of the investment properties.
- ▶ We evaluated the external valuator's expertise, independence and methodology used for the valuation.
- ▶ We assessed and challenged the key assumptions included in the valuation (such as net initial yield, discount rate, exit cap rate, vacancy rates and Weighted Average Unexpired Lease Term (years)).
- ▶ We agreed the significant data applied for the valuation purposes to the supporting documentation.
- ▶ We evaluated the appropriateness of the disclosures included in note 5 to the consolidated financial statements.

Fair value of investment property (note 5)	
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.
Identification of related parties and transactions with related parties (note 8 and 27)	
Risk	<p>Echo Polska Properties N.V. (EPP):</p> <ul style="list-style-type: none"> <li>▶ Acquisition of A4 Business Park (stage III) on 26 April 2017 and Opolska Business Park (stage II) on 28 December 2017. These investment properties were acquired through the right of first offer (ROFO) agreement with Echo Investment S.A. (Echo), a related party of EPP.</li> <li>▶ Loans were received from Echo by subsidiaries of EPP (Astra Park, Outlet Park and Verwood Investments) to the value of EUR 19 million as noted in Note 8 and 27.</li> <li>▶ Loans were granted to Kalisz Retail sp. z o.o. and to Aradiana Ltd, a shareholder and a controlling entity of Kalisz Retail sp z o.o. with a nominal amount of EUR 21.8 million and EUR 1,5 million respectively as noted in Note 8 to the Consolidated Financial Statements.</li> </ul> <p>In addition, as noted in note 1 (basis of preparation) to the consolidated financial statements, a restatement is made regarding the recognition of the preferred dividend payment to Echo Investment S.A. for an amount of EUR 16 million, which is related to the extension of the investment properties Galaxy and Outlet.</p> <p>We considered the related party transactions to be significant to the audit as the risk is that if these transactions are not conducted at arm's length, and/or the accounting treatment of the rights and obligations of these transactions are not correct, it could influence the results of the group.</p> <p>Furthermore, for financial reporting purposes, IAS 24 <i>related party disclosure</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, requires complete and appropriate disclosures of transactions with related parties and errors.</p>
Our audit approach	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▶ We obtained an understanding of the process for identifying related party transactions, performed a walkthrough and evaluated the design of controls.</li> <li>▶ We verified that the transactions are approved in accordance with internal procedures including involvement of key personnel at the appropriate level.</li> <li>▶ We audited the acquisitions with supporting documents including external valuations around the acquisition date to evaluate the directors' assertions that the transactions were at arm's length.</li> <li>▶ We evaluated the business rationale of the transactions.</li> <li>▶ We evaluated the rights and obligations per the terms and conditions of the agreements and assessed whether the transactions were recorded appropriately.</li> <li>▶ We verified that the restatement regarding the preferred dividend payment is recognized in the restated closing balance 2016 and the restated consolidated statement of profit and loss 2016.</li> <li>▶ We evaluated the appropriateness of the disclosures included in note 1 and note 27 to the consolidated financial statements.</li> </ul>

#### Fair value of investment property (note 5)

##### 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 correct. In addition we assessed that the restatement is correctly recognized in the consolidated financial statements.

Furthermore we assessed the disclosures regarding the related party transactions and restatement as being appropriate.

## Report on other information included in the annual report

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

- ▶ The directors report
- ▶ Corporate governance report
- ▶ Other information pursuant to 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 less than the scope of those performed in our audit of the financial statements.

The board of directors are 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 pursuant to 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 Echo Polska Properties N.V. on 31 October 2016 as of the audit for the year 2016 and have operated as statutory auditor since that date.

## Description of responsibilities for the financial statements

### Responsibilities of 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 (IFRS) as adopted by the European Union 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.

#### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment 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 have detected all material errors and fraud.

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

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

- ▶ 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 those matters that were of most significance in the audit of the 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, not communicating the matter is in the public interest.

Utrecht, 7 March 2018

Ernst & Young Accountants LLP

signed by J.H.A. de Jong