



CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

for the quarter ended 31 March 2017

Consolidated statement of profit or loss

	Period from 1 January 2017 to 31 March 2017 EUR'000
Rental income and recoveries	31 241
Property operating expenses	(9 496)
Net property income	21 745
Other income	621
Other expenses	(221)
Administrative expenses	(1 880)
Net operating profit	20 265
Loss on investment properties	(41)
Profit from operations	20 224
Finance income	141
Finance costs	(4 371)
Foreign exchange losses	(1 221)
Participation in profits of joint ventures	91
Profit before taxation	14 864
Taxation	
Current income tax	(688)
Deferred tax	9 770
Profit for the period	23 946
Earnings per share:	
Basic and diluted earnings, on profit for the period (EUR cents)	2,74

Consolidated statement of other comprehensive income

	Period from 1 January 2017 to 31 March 2017 EUR'000
Profit for the period	23 946
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	
Foreign currency translation reserve	(2 154)
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	(2 154)
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods	-
Total comprehensive income for the period, net of tax	21 792
Total comprehensive income attributable to the parent for the period, net of tax	21 792

Consolidated statement of financial position

	As at 31 March 2017 EUR'000
ASSETS	
Non-current assets	1 432 560
Investment in joint ventures	55 892
Tangible assets	74
Investment property	1 367 360
Financial assets	9 234
Current assets	78 757
Inventory	378
Tax receivable	1 871
Trade and other receivables	15 047
Financial assets	10 174
Restricted cash	21 147
Cash and cash equivalents	30 140
Total assets	1 511 317
EQUITY AND LIABILITIES	
Equity	627 101
Share capital	474 702
Share premium	95 012
Accumulated profit	59 975
Foreign currency translation reserve	(2 588)
Non-current liabilities	825 548
Bank borrowings	762 843
Other liabilities	10 946
Deferred tax liability	51 759
Current liabilities	58 668
Bank borrowings	16 091
Related-party financial liabilities	4 518
Tax payables	6 699
Trade payables	31 274
Provisions	86
Total equity and liabilities	1 511 317

Consolidated statement of changes in equity

	Share capital EUR'000	Share premium/ capital reserves EUR'000	Accumulated profit/(loss) EUR'000	Foreign currency translation reserve EUR'000	Total equity EUR'000
Balance as at 1 January 2017	474 702	95 095	54 431	(434)	623 794
Profit for the period	–	–	23 946	–	23 946
Other comprehensive income	–	–	–	(2 154)	(2 154)
Total comprehensive income	–	–	23 946	(2 154)	21 792
Issue of ordinary shares					
Acquisition of subsidiary and transaction costs	–	(83)	–	–	(83)
Dividend paid	–	–	(18 402)	–	(18 402)
Balance as at 31 March 2017	474 702	95 012	59 975	(2 588)	627 101

Condensed consolidated statement of cash flow

	Period from 1 January 2017 to 31 March 2017 EUR'000
Cash generated from operations	46 688
Tax paid	(501)
Net cash generated from operating activities	46 187
Net cash utilised in investing activities	(10 477)
Net cash generated from financing activities	(27 988)
Net increase in cash and cash equivalents	7 722
Cash and cash equivalents at the beginning of the period	21 921
Effect of foreign exchange fluctuations	497
Cash and cash equivalents at the end of the period	30 140

Headline earnings and distributable income reconciliation

	Period from 1 January 2017 to 31 March 2017 EUR'000
Profit for the period attributable to EPP shareholders	23 946
Change in fair value of investment properties	41
Headline and diluted earnings attributable to EPP shareholders	23 987
Amortised cost valuation of long-term financial liabilities	152
Prepaid rental income	(73)
Deferred tax	(9 770)
Amortisation of debt fee	284
Foreign exchange losses	1 221
Amortisation of leasing fees	73
Participation of profits in joint ventures	158
Distributable income	16 032
Actual number of shares in issue	586 051 293
Weighted number of shares in issue	586 051 293
Basic and diluted earnings per share (EUR cents)*	4,1
Headline earnings and diluted headline earnings per share (EUR cents)**	4,1
Distributable income per share (EUR cents)	2,74

* 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.

1. Introduction

EPP is a real estate company that indirectly owns a portfolio of prime retail and office assets throughout Poland, a dynamic Central and Eastern European (“**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 Rapenburgerstraat 175 M, 1011VM Amsterdam, The Netherlands. The company is registered with the Dutch trade register under number 64965945.

The consolidated financial statements for the period ended 31 March 2017 comprise the financial statements of the company and its subsidiaries (the “**group**” or “**EPP group**”).

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

2. Financial results

The net profit for the period ended 31 March 2017 amounted to EUR23.946 million and distributable income amounted to EUR16.032 million.

3. Portfolio profile

EPP is a real estate company that owns a portfolio of 11 retail (including development land) and nine office assets located throughout Poland. The properties are high quality, modern assets with solid property fundamentals. The majority of the buildings are less than five years old.

The property portfolio offers an attractive and secure yield ranging from 6% to 7% fully let, a long lease expiration profile and a portfolio weighted average unexpired lease term of over five years by gross lettable area (“**GLA**”).

The investment portfolio has a diversified tenant base of leading retailers with international brands in the retail portfolio, and a tenant base of primarily blue-chip companies in the office portfolio.

An analysis of the property portfolio in respect of geographic, sectoral, tenant, vacancy and lease expiry profiles is provided in the tables below.

3.1. Geographic profile

	City by GLA (%)	City by rental income (%)
Kielce	17.92	17.41
Szczecin	16.61	21.93
Wrocław	13.53	18.46
Kraków	3.92	3.57
Kalisz	7.01	6.22
Warszawa	6.94	5.33
Bełchatów	6.82	4.55
Jelenia Góra	6.32	4.83
Poznań	5.90	5.56
Gdańsk	4.91	3.58
Łódź	2.02	1.84
Katowice	3.77	3.30
Łomża	3.14	2.87
Przemysł	1.20	0.55
Total	100.0	100.0

3.2. Sectoral profile

	Sector by GLA (%)	Sector by rental income (%)
Retail	63.22	68.01
Office	36.78	31.99
Total	100.0	100.0

3.3. Vacancy profile

The vacancy profile indicated below reflects the vacancy percentage in terms of current GLA by sector.

	Vacancy based on total GLA* (%)
Office	7.94/2.96**
Retail	1.25
Total	3.71/1.88%**

* Based on existing leases at 31 March 2017. The vacancy profile reflects a high vacancy rate in the office portfolio, in particular, as the Park Rozwoju office (being the largest office property in the property portfolio by GLA), as this building is not fully let and has a vacancy rate of 13% in total (18% Phase II).

** Including three years 100% rental guarantee from Echo Investment S.A.

3.4. WAULT*

	Sector by GLA	Sector by rental income
Retail	6.13	5.42
Office	4.14	3.91

* Weighted average unexplored lease term in years.

4. Prospects

EPP has a high quality portfolio of Polish commercial properties with attractive and secure yields, tenanted by a diverse range of primarily blue-chip global clients. With the predominantly retail portfolio located in one of the most dynamic and fastest growing economies in Europe, experienced management and well respected strategic partners, EPP represents a compelling investment.

Already the largest listed yielding Polish property company, EPP's goal is to become the leading retail landlord in Poland while targeting sustainable growth in dividends per share in the short and medium term through a combination of organic and acquisitive growth.

Organic growth represents growth opportunities that are already built into the EPP portfolio and include (i) filling of vacancies in newly developed properties; (ii) 18 000 m² of retail extensions to two of EPP's existing retail centres that are currently under way; (iii) the 25% stake in seven "ROFO" assets acquired by EPP (which entitles EPP to a 25% share in development proceeds as well as a first right of offer to acquire such assets); and (iv) EPP's 70% stake in two of the last and best sites for retail development in Warsaw with a planned retail development of approximately 192 000 m².

Combined with the organic growth retail opportunities is the potential for increasing retail rentals through a combination of the current high levels of retail sales growth in Poland (at 9.7% year on year in March 2017) and the active asset management of EPP's portfolio of regional shopping centres by a strongly incentivised, dedicated and proven executive management team who intend on leveraging EPP's platform with retail tenants to achieve higher rentals. This strategy will be further enhanced by the development of the Warsaw retail development sites.

EPP's acquisition strategy is focused on acquiring retail assets in strategic locations, allowing the company to further leverage its portfolio and platform with retail tenants. In the office sector, EPP may selectively acquire high quality, well located office assets in major Polish cities, let to strong international and domestic tenants where the management team believes that there is scope for further value uplift. EPP will trade office assets proactively to ensure that its portfolio remains balanced and competitive in the long term, while aiming to maintain a weighted average unexpired lease term in excess of four years. The details of the acquisition transactions completed after 31 March 2017 are detailed in note 6.3 Acquisitions, below.

In addition to the opportunities for growth in distributions per share, the company believes that there are opportunities for growth in the underlying net asset value per EPP share. The Warsaw retail developments, the ROFO assets and the extensions to certain existing retail assets all represent the potential for (in some cases substantial) enhancements in the underlying net asset value of EPP, given the costs at which they are being acquired and/or developed, relative to the anticipated valuation yields. Taking the strength and growth of the Polish economy into account, the company also believes that there is a potential for further compression in Polish commercial property yields, which would in turn result in an increase in the value of the EPP portfolio.

5. Basis of preparation

The condensed consolidated financial information for the quarter ended 31 March 2017 has been prepared in compliance with International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the Dutch Civil Code, the JSE Listings Requirements and the Rules and Regulations of the LuxSE.

Jacek Bagiński, EPP's chief financial officer, was responsible for supervising the preparation of these condensed consolidated interim financial statements, which have not been reviewed or reported by EPP's independent external auditors.

The company has fully complied with IAS 34 except for the fact that no comparative information has been presented as the company was incorporated on 4 January 2016 and converted into a public company on 12 August 2016. Since it was listed on LuxSE and JSE on 30 August 2016 and 13 September 2016, respectively, no published comparative information for the first quarter ending 31 March 2016 is available.

6. Subsequent events

6.1. Changes to the board of directors

As of 31 March 2017, the composition of the company's board of directors (the "**board**") was as follows:

Hadley Dean	(Chief executive officer)
Maciej Adam Drozd	(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 Hirschowitz	(Independent non-executive director)
Andrea Philippa Steer	(Independent non-executive director)
Peter Driessen	(Independent non-executive director)

As announced on SENS on 19 May 2017, shareholders were advised that:

- ▶ Maciej Adam Drozd, having served as the chief financial officer, retired from the board with immediate effect;
- ▶ Jacek Bagiński was appointed to the board as the new chief financial officer effective 19 May 2017; and
- ▶ Przemysław Krych was appointed to the board as a non-executive director effective 19 May 2017.

The above mentioned changes were confirmed at the annual general meeting. The board is pleased to welcome Jacek Bagiński and Przemysław Krych and looks forward to benefiting from their continued contribution to the growth of the company.

6.2. Share issue

On 13 April 2017, the company issued 118 918 918 new ordinary shares at a price of EUR1.27 per share (ZAR18.50 per share) following a successful equity raise. Immediately post the issue of new shares the authorised ordinary share capital of the company comprises 704 970 210 ordinary shares of EUR0.81 each (all of which are listed on the LuxSE and the JSE) and 1 preference share of EUR0.81 (not listed on any stock exchange).

6.3. Acquisitions

Zakopianka Shopping Centre

EPP concluded an agreement relating to the acquisition of 100% of the equity in EPISO 3 Zakopianka sp. z o.o (“**EPISO 3**”) for an acquisition consideration of EUR53.3 million. EPISO 3 is the holder of leasehold rights that entitle it to all rental income derived from leases concluded with tenants occupying premises within the Zakopianka Retail Park other than those portions of the Zakopianka Shopping Centre leased to owner occupied Carrefour and Castorama stores (the “**transaction**”).

EPP has fulfilled all outstanding conditions precedent and accordingly the transaction was completed on 25 April 2017 for an amount of EUR53.3 million. The property is currently 98% leased.

A4 Business Park Phase III

A subsidiary of EPP concluded agreements for the acquisition of, inter alia, the A4 Business Park Phase III during October 2015. All outstanding conditions precedent relating to A4 Business Park Phase III were fulfilled on 28 April 2017 and the acquisition was accordingly successfully completed. The property is currently 86% leased, with the outstanding 14% of income covered by a three-year master lease provided by Echo Investment S.A.

Galeria Młociny

On 31 May 2017, EPP concluded an acquisition agreement to acquire 70% of the Galeria Młociny Shopping Centre (“**Galeria Młociny**”). The investment was effected via EPP’s acquisition of 70% of the equity in Rosehill Investments sp. z o. o. (“**Rosehill**”) from Powell Real Estate International B.V., ElSORIA Trading Limited, Terbanacle Limited and Terbanacle Investments Limited for an aggregate consideration of EUR29 million. Rosehill indirectly owns the land on which Galeria Młociny is being developed (the “**development**”). Echo Investment S.A. has been appointed as the developer of Galeria Młociny and acquired the remaining 30% of the equity in Rosehill for an aggregate consideration of EUR12.4 million. The transaction is in line with EPP’s stated strategy of acquiring quality retail assets and developments in strategic locations.

Commentary *(continued)*

Galeria Młociny is a mixed-use development of approximately 81 900 m² (of which approximately 71 050 m² will be retail space) situated in North Warsaw, Poland. Construction of the first phase of Galeria Młociny commenced in October 2016 and is on track for completion in the second quarter of 2019. The development is c. 55% preleased to strong anchor tenants including Inditex brands, C&A, Van Graaf, H&M and CCC (shoe retailer). Contracts have also been signed with RTV Euro AGD, Jysk, Intermarche and Go Sport. Galeria Młociny is situated next to the Młociny transport hub, the main public transport hub for residents of North Warsaw and surrounds, which is used daily by c. 40 000 people.

The total cost of the land on which Galeria Młociny is being developed is approximately EUR104.5 million. The balance of cost of the land on which Galeria Młociny is being developed is financed through mezzanine loans granted by reputable private equity funds to the value of EUR63.1 million. Galeria Młociny will be developed at an estimated development yield on cost of c. 7.1% and on completion is expected to be accretive to EPP.

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, Zamość Retail LLC and Wloclawek Retail LLC, which own Galeria Twierdza in Klodzko, Galeria Twierdza in Zamość and Galeria Wzorcownia in Wloclawek, respectively, as announced on 1 February 2017. The aggregate purchase consideration for these three properties is EUR141.60 million.

By agreement with the sellers, the acquisition of the equity in Kalisz Retail LLC, which owns Galeria Teęza in Kalisz, has been omitted from the transaction due to anti-monopoly concerns raised by the Polish Office of Competition and Consumer Protection arising from EPP's ownership of the Galeria Amber Kalisz shopping centre also located in Kalisz.

By order of the board

Echo Polska Properties N.V.

28 June 2017

Company information

Directors

Hadley Dean (chief executive officer)

Jacek Bagiński (chief financial officer)

Robert Weisz* (chairman)

Marek Belka*

Peter Driessen*

Maciej Dyjas**

Dionne Hirschowitz*

Andrew König**

Przemysław Krych**

Nebil Senman**

Andrea Steer*

Marc Wainer**

* *Independent non-executive*

** *Non-executive*

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