CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

for the three months ended 31 March 2018

EPP

EPP N.V. (previously 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")

Highlights

Distributable earnings up 48% to **€23.7 million**

Total investment properties value exceeded **€2 billion**

Net asset value per share improved to **€1.33** (December 2017 €1.32)

Retail WAULT by GLA increased to **5.45 years** from 5.30 years in December 2017

Successful acquisition of tranche 1 of M1 portfolio adding **194 400 m²** of high-quality retail space

Consolidated statement of profit or loss

	Period from 1 January 2018 until 31 March 2018 €'000	Period from 1 January 2017 until 31 March 2017 €'000
Rental income and recoveries	**46 571**	31 241
Property operating expenses	**(13 661)**	(9 496)
Net property income	**32 910**	21 745
Other income	**293**	621
Other expenses	**(356)**	(221)
Administrative expenses	**(3 175)**	(1 880)
Net operating profit	**29 672**	20 265
Gain on investment properties	**(980)**	(41)
Profit from operations	**28 692**	20 224
Finance income	**1 100**	141
Finance costs	**(8 557)**	(4 371)
Foreign exchange (losses)/gains	**6**	(1 221)
Participation in profits of joint ventures	**(48)**	91
Profit before taxation	**21 193**	14 864
Taxation		
Current income tax	**(2 333)**	(688)
Deferred tax	**2 155**	9 770
Profit for the period	**21 015**	23 946
Basic and diluted earnings per share (€ cents)	**2.65**	4.1
Headline earnings and diluted headline earnings per share (€ cents)	**2.77**	4.1

Consolidated statement of other comprehensive income

	Period from 1 January 2018 until 31 March 2018 €'000	Period from 1 January 2017 until 31 March 2017 €'000
Profit for the period	**21 015**	23 946
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign currency translation reserve	**(1 451)**	(2 154)
Total comprehensive income for the period, net of tax	**19 564**	21 792
Total comprehensive income attributable to the parent for the period, net of tax	**19 564**	21 792

Consolidated statement of financial position

	As at 31 March 2018 €'000	As at 31 December 2017 €'000
ASSETS		
Non-current assets	**2 161 294**	1 797 545
Investment in joint ventures	**116 618**	116 009
Tangible assets	**40**	47
Investment property	**2 018 289**	1 655 572
Financial assets	**26 347**	25 917
Current assets	**138 016**	154 569
Inventory	**651**	525
Tax receivable	**497**	209
Trade and other receivables	**38 430**	26 723
Financial assets	**3 973**	3 955
Restricted cash	**25 087**	23 613
Cash and cash equivalents	**69 378**	99 544
Total assets	**2 299 310**	1 952 114
EQUITY AND LIABILITIES		
Equity	**966 165**	833 821
Share capital	**642 778**	571 026
Share premium	**187 668**	147 534
Treasury shares	**(783)**	(783)
Accumulated profit	**132 434**	111 419
Share-based payment reserve	**5 802**	4 909
Foreign currency translation reserve	**(1 734)**	(284)
Non-current liabilities	**1 175 457**	941 710
Bank borrowings	**1 070 638**	831 183
Related-party liabilities	**1 750**	1 741
Other liabilities	**12 263**	15 033
Deferred tax liability	**90 806**	93 753
Current liabilities	**157 688**	176 583
Bank borrowings	**122 945**	117 155
Related-party financial liabilities	**26**	18 019
Tax payables	**1 773**	879
Trade payables	**32 766**	40 353
Provisions	**178**	177
Total equity and liabilities	**2 299 310**	1 952 114

Condensed consolidated statement of changes in equity

	Share capital €'000	Share premium/ capital reserves €'000	Treasury shares €'000	Accumu-lated profit/(loss) €'000	Foreign currency translation reserve €'000	Share-based payment reserve €'000	Total equity €'000
Balance as at 31 December 2016 after restatement	474 702	95 095	–	38 075	(434)	–	607 438
Profit for the year	–	–	–	128 348	–	–	128 348
Other comprehensive income	–	–	–	–	(3 403)	–	(3 403)
Other comprehensive income from joint ventures	–	–	–	–	3 553	–	3 553
Total comprehensive income	–	–	–	128 348	150	–	128 498
Issue of ordinary shares	96 324	56 650	–	–	–	–	152 974
Transaction cost related to issuance of shares	–	(4 211)	–	–	–	–	(4 211)
Acquisition of own shares	–	–	(1 810)	–	–	–	(1 810)
Recognition of share-based payments	–	–	–	–	–	5 936	5 936
Transfer of shares			1 027			(1 027)	–
Dividend paid	–	–	–	(55 004)	–	–	(55 004)
Balance as at 31 December 2017	571 026	147 534	(783)	111 419	(284)	4 909	833 821
Profit for the year	**–**	**–**	**–**	**21 015**	**–**	**–**	**21 015**
Other comprehensive income	**–**	**–**	**–**	**–**	**(1 450)**	**–**	**(1 450)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(1 450)**	**–**	**(1 450)**
Issue of ordinary shares	**71 752**	**40 748**	**–**	**–**	**–**	**–**	**112 500**
Transaction cost related to issuance of shares	**–**	**(614)**	**–**	**–**	**–**	**–**	**(614)**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**–**	**893**	**893**
Balance as at 31 March 2018	**642 778**	**187 668**	**(783)**	**132 434**	**(1 734)**	**5 802**	**966 165**

Condensed consolidated statement of cash flow

	Period from 1 January 2018 until 31 March 2018 €'000	Period from 1 January 2017 until 31 March 2017 €'000
Cash generated from operations	**2 916**	46 699
Tax paid	**(1 561)**	(501)
Dividends paid/due to shareholders	**–**	–
Net cash generated from operating activities	**1 355**	46 187
Net cash utilised in/generated from investing activities	**(365 184)**	(10 477)
Net cash generated from/(utilised in) financing activities	**335 314**	(27 988)
Net increase in cash and cash equivalents	**(28 515)**	7 722
Cash and cash equivalents at the beginning of the period	**99 544**	21 921
Effect of foreign exchange fluctuations	**(1 651)**	497
Cash and cash equivalents at the end of the period	**69 378**	30 140

Headline earnings reconciliation

	Period from 1 January 2018 until 31 March 2018 €'000	Period from 1 January 2017 until 31 March 2017 €'000
Profit for the period attributable to EPP shareholders	**21 015**	23 946
Change in fair value of investment properties	**980**	41
Headline and diluted earnings attributable to EPP shareholders	**21 996**	232 987
Actual number of shares in issue	**793 552 888**	586 051 293
Weighted number of shares in issue	**793 552 888**	586 051 293
Basic and diluted earnings per share (€ cents)*	**2.65**	4.1
Headline earnings and diluted headline earnings per share (€ cents)**	**2.77**	4.1

* *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.*

Commentary

Introduction

During the first quarter of the year, we successfully purchased the first tranche of the M1 portfolio consisting of four properties located in sought after regions in Poland for a consideration of €358 million. The total retail gross lettable area ("**GLA**") added was over 194 000 m² with an average property size of over 48 000 m².

EPP is continuing the integration of the assets purchased in 2017 and exploring asset management opportunities within the portfolio.

Profile

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 18 retail centres and six offices located across the majority of regional cities across Poland. In addition to the income generating properties, EPP also has two developments in the capital city in Poland, Warsaw, which has the highest purchasing power in Poland, namely Towarowa 22 and Młociny, which is set to open in April 2019. By the end of 2020, EPP expects to own 27 shopping centres post the conclusion of the M1 transaction.

EPP owns and operates 635 000 m² retail GLA and 137 000 m² office GLA, excluding joint ventures. The investment portfolio has a diversified tenant base of leading retailers with international brands in the case of retail properties, and primarily blue-chip companies in the case of office properties.

The company's operations are fully internalised and all asset management and property management is done in-house.

EPP's shares are listed on the official list and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange ("**LuxSE**") and on the Main Board of the JSE Limited ("**JSE**") in the Real Estate Holdings and Development Sector. The company has primary listings on both the LuxSE and the JSE.

The company's strategy is to own large dominant shopping centres, located in strong catchment areas and which have asset management opportunities in terms of extensions across Poland. EPP intends continuing to divest from offices and recycle the proceeds to fund purchases of retail assets.

The condensed consolidated financial statements for the three months ended 31 March 2018 comprise the financial statements of the company and its subsidiaries.

Financial results

The net profit for the three months ended 31 March 2018 amounted to €21.02 million and distributable income totalled €23.7 million. Total net asset value amounted to €966 million equating to a NAV per share of €1.33. The loan-to-value ratio as of 31 March 2018 was 51% with an average cost of debt of 2.28%.

Segment information

	Retail €'000	Office €'000	Total €'000
Three month period ended 31 March 2018			
Segment profit			
Rent and recoveries income	38 311	6 949	45 260
Property operating expenses	(12 400)	(2 490)	(14 890)
Net property income	25 911	4 459	30 370
As at 31 March 2018			
Segment assets			
Investment in joint ventures	116 618	–	116 618
Investment property	1 708 622	309 666	2 018 288
Total segment assets	1 825 240	309 666	2 134 906
Bank borrowings	932 278	161 197	1 093 475
Total segment liabilities	932 278	161 197	1 093 475

Headline earnings to distributable income reconciliation

	Period from 1 January 2018 until 31 March 2018 €'000	Period from 1 January 2017 until 31 March 2017 €'000
Headline and diluted earnings attributable to EPP shareholders	21 966	23 987
Amortised cost valuation of long-term financial liabilities	1 099	152
Change in deferred tax	(2 155)	(9 770)
Foreign exchange losses/(gains)	1 512	1 221
Fair value losses/(gains) in joint ventures	129	158
Other non-distributable items	177	284
Provision for Long-Term Incentive Plan	892	–
Distributable income	23 650	16 032
Actual number of shares in issue	793 552 888	586 051 293
Distributable income per share (€ cents)	2.98	2.74

Portfolio performance

During the period, the company increased the number of retail properties from 14 to 18 retail assets with the successful acquisition of tranche 1 of the M1 portfolio. The average GLA of the new acquisitions were in excess of 48 000 m² GLA per asset which is in line with the company strategy to acquire large dominant centres that are located in strong catchment areas. The total retail GLA increased by 194 400 m², to bring EPP's total retail exposure to 635 000 m². Post the acquisition of tranche 1, EPP now holds one of the largest shopping centre portfolios by GLA in Poland.

Footfall was up 2.2% and tenant sales have remained fairly flat despite the introduction of the Sunday trading ban in March of this year.

Construction at EPP's flagship Warsaw-based shopping centre Młociny remains on track and on schedule to open in April 2019. Młociny is more than 75% pre-leased, with many first time entrants to Poland looking to open in the shopping centre. Towarowa 22 is in the process of zoning approval which is expected in 2018/2019.

Vacancy profile

The vacancy profile indicated below reflects the vacancy percentage in terms of current GLA by sector, including the Metro Master Lease agreement.

	Vacancy based on total GLA (%)
Office	**6.3**
Retail	**0.3**
Total	**1.39**

Tenants

During the quarter retail tenants totalled 1 433 with 90 office tenants.

Commentary *(continued)*

Geographic profile

City	Project	By GLA %	By fully let NOI %
Kielce	Galeria Echo, Astra Park	11.09	11.05
Szczecin	Galaxy, Outlet, Oxygen	12.73	17.98
Wrocław	Pasaż Grunwaldzki, West Gate	6.24	10.45
Kraków	Zakopianka, Opolska Business Park, M1	14.64	14.82
Kalisz	Galeria Amber	4.32	4.06
Warszawa	Park Rozwoju	4.31	4.34
Bełchatów	Galeria Olimpia, CH Bełchatów	4.21	2.70
Jelenia Góra	Galeria Sudecka	3.90	3.00
Czeladź	M1	6.91	6.11
Poznań	Malta Office Park	3.64	3.68
Włocławek	Wzorcownia Włocławek	3.28	2.84
Zabrze	M1	6.80	4.61
Zamość	Twierdza Zamość	3.07	2.84
Inowrocław	Galeria Solna	3.03	3.05
Kłodzko	Twierdza Kłodzko	2.97	2.41
Łomża	CH Veneda	1.94	1.86
Łódź	Symetris, M1	6.18	3.89
Total		100.00	100.00

Sectoral profile

	By GLA %	By fully let NOI %
Retail	82.30	82.45
Office	17.70	17.55
Total	100.00	100.00

WAULT

Sector	By GLA	By rental income
Retail	5.45	4.98
Office	4.01	4.02

Weighted average unexpired lease term in years.

Prospects

EPP has a quality portfolio of dominant retail assets complemented by high-quality office assets. The company continues to focus on integrating its recent acquisitions into the portfolio, exploring asset management opportunities in the portfolio and continuing on its asset recycling strategy. The Polish economy continues to perform well and the current property fundamentals remain favourable. The board remains confident that EPP will deliver on its stated full year distribution per share guidance of between €11.6 and €11.8 cents.

Basis of preparation

The condensed consolidated financial information for the period ended 31 March 2018 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 financial statements for the period ended 31 March 2018, which have not been reviewed or reported by EPP's independent external auditors.

Subsequent events

Kings Cross Marcelin

On 29 May 2018 EPP concluded a preliminary acquisition agreement (the "**preliminary acquisition agreement**") with King Cross Group S.r.l. (the "**seller**") to acquire the King Cross Marcelin Shopping Centre (the "**property**" or "**King Cross Marcelin**") for a net purchase consideration of €91.1 million.

The 45 353 m² King Cross Marcelin shopping centre presented a unique opportunity to acquire a dominant retail asset in its catchment area, at a price with a material discount compared to other regional markets. The initial acquisition yield is 7.3%, compared to the current sub-7% yield in other regional cities. This is EPP's first retail acquisition in Poznań and is in line with its strategy to expand its presence in Polish regional cities.

The property is c.99% let to 120 tenants with only a few small retail units remaining vacant. Approximately 95% of King Cross Marcelin is let to popular international and national retailers including Auchan, Media Markt, H&M, Intersport, Jysk, Reserved, New Yorker, CCC, Smyk, Empik Pepco, Rossmann, Super-Pharm and McDonalds.

The transaction is unconditional. However, EPP and the seller have the right to withdraw from the transaction if certain pre-closing covenants are not fulfilled. The transaction is expected to close at the end of July 2018.

Bond announcement

On 18 June 2018 EPP announced a book building for an unsecure corporate bond issue of €400 million, with an intention of extending the current debt average maturity of 3.8 years with a five-years instrument, diversifying funding resources and reducing amortization. Subsequently, EPP decided to postpone the bookbuild for the corporate bond issue due to adverse market conditions and pricing levels. The postponement does not adversely affect the liquidity situation of EPP, as the current debt profile is considered favourable from the refinancing perspective.

EPP has sufficient cash resources to meet its ongoing obligations and the bond raise was merely intended as a substitution of current funding. The postponement of the issue has no impact on the operations of the business. EPP continues to have excellent relationships with its debt providers and access to funding.

By order of the board

EPP N.V.
25 June 2018

For more information

Investor Relations
Curwin Rittles
EPP
Mobile: +48 885 982 310
Curwin.Rittles@echo-pp.com

Singular Systems IR
South Africa
Michèle Mackey
+27 (0)10 003 0700
michele@singular.co.za
Jacques de Bie
+27 (0)82 497 9827
Jdebie@singular.co.za

JSE Sponsor
Java Capital
Phone: +27 11 722 3050

Luxembourg Stock Exchange Listing Agent
M Partners
Phone: +352 263 868 602


www.echo-pp.com