UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL INFORMATION

for the nine months ended 30 September 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

Net property income up 37% to **€102.2 million** (September 2017: €74.4 million)

Earnings available for distribution up 22% to **€72.6 million** (September 2017: €59.3 million)

Earnings available for distribution per share up 4% to **€8.75 cents** (September 2017: €8.41 cents)

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

Successful acquisition of tranche 1 of M1 portfolio and Marcelin adding approximately **240 000 m²** of high-quality retail space

Consolidated statement of profit or loss

	Unaudited period from 1 January 2018 until 30 September 2018 €'000	Unaudited period from 1 January 2017 until 30 September 2017 €'000
Rental income	**108 218**	75 055
Service charge income	**34 133**	32 161
Property operating expenses	**(40 106)**	(32 805)
Net property income	**102 245**	74 411
Other income	**1 135**	1 889
Other expenses	**(1 307)**	(952)
Administrative expenses	**(11 259)**	(6 254)
Net operating profit	**90 814**	69 094
Profit on investment properties	**26 249**	12 281
Profit from operations	**117 063**	81 375
Finance income	**4 635**	2 444
Finance costs	**(27 901)**	(16 772)
Foreign exchange (losses)/gains	**2 959**	(734)
Participation in profits of joint ventures	**28 381**	(1 117)
Profit before taxation	**125 137**	65 196
Current income tax	**(6 894)**	(2 497)
Deferred tax	**(22 742)**	(7 816)
Profit for the period	**95 501**	54 883
Profit for the period attributable to EPP shareholders	**95 501**	54 883
Basic and diluted earnings per share (€ cents)	**11.51**	8.3
Headline earnings and diluted headline earnings per share (€ cents)	**8.34**	6.50

Consolidated statement of other comprehensive income

	Unaudited period from 1 January 2018 until 30 September 2018 €'000	Unaudited period from 1 January 2017 until 30 September 2017 €'000
Profit for the period	**95 501**	54 883
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign currency translation reserve	**(7 180)**	(4 312)
Total comprehensive income for the period, net of tax	**88 321**	50 571
Total comprehensive income attributable to the parent for the period, net of tax	**88 321**	50 571

Consolidated statement of financial position

	Unaudited as at 30 September 2018 €'000	Audited as at 31 December 2017 €'000
ASSETS		
Non-current assets	**2 358 455**	1 797 545
Investment in joint ventures	**141 062**	116 009
Tangible assets	**88**	47
Investment property	**2 199 067**	1 655 572
Financial assets	**16 828**	25 917
Deferred tax asset	**1 410**	–
Current assets	**144 524**	154 569
Inventory	**320**	525
Tax receivable	**8 973**	209
Trade and other receivables	**17 985**	26 723
Financial assets	**4 588**	3 955
Restricted cash	**34 320**	23 613
Cash and cash equivalents	**78 338**	99 544
Total assets	**2 502 979**	1 952 114
EQUITY AND LIABILITIES		
Equity	**991 059**	833 821
Share capital	**672 292**	571 026
Share premium	**203 155**	147 534
Treasury shares	**–**	(783)
Accumulated profit	**118 586**	111 419
Share-based payment reserve	**4 490**	4 909
Foreign currency translation reserve	**(7 464)**	(284)
Non-current liabilities	**1 444 195**	941 710
Bank borrowings	**1 266 072**	831 183
Related-party liabilities	**366**	1 741
Other liabilities	**62 157**	15 033
Deferred tax liability	**115 600**	93 753
Current liabilities	**67 725**	176 583
Bank borrowings	**28 818**	117 155
Related-party financial liabilities	**8 671**	18 019
Tax payables	**4 192**	879
Trade payables	**22 512**	40 353
Provisions	**3 532**	177
Total equity and liabilities	**2 502 979**	1 952 114

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 2017 (audited)	571 026	147 534	(783)	111 419	(284)	4 909	833 821
Profit for the year	–	–	–	95 501	–	–	95 501
Other comprehensive income	–	–	–	–	(2 435)	–	(2 435)
Other comprehensive income from joint ventures	–	–	–	–	(4 745)	–	(4 745)
Total comprehensive income	–	–	–	–	(7 180)	–	(7 180)
Issue of ordinary shares	**101 266**	**56 235**	**–**	**–**	**–**	**–**	**157 501**
Transaction cost related to issuance of shares	**–**	**(614)**	**–**	**–**	**–**	**–**	**(614)**
Acquisition of own shares	**–**	**–**	**(2 312)**	**–**	**–**	**–**	**(2 312)**
Transfer of own shares	**–**	**–**	**3 095**	**–**	**–**	**(3 095)**	**–**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**–**	**2 676**	**2 676**
Dividends provided for or paid	**–**	**–**	**–**	**(88 334)**	**–**	**–**	**(88 334)**
Balance as at 30 September 2018 (unaudited)	**672 292**	**203 155**	**–**	**118 586**	**(7 464)**	**4 490**	**991 059**

Statement of changes in equity (restated)

	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 (audited)	474 702	95 095	–	38 075	(434)	–	607 438
Profit for the year	–	–	–	54 883	–	–	54 883
Other comprehensive income	–	–	–	–	(3 112)	–	(3 112)
Other comprehensive income from joint ventures	–	–	–	–	(1 200)	–	(1 200)
Total comprehensive income	–	–	–	54 883	(4 312)	–	50 571
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	–	–	–	–	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–
Transfer of shares	–	–	–	–	–	–	–
Special dividend due	–	–	–	–	–	–	–
Dividend paid	–	–	–	(55 004)	–	–	(55 004)
Balance as at 30 September 2017 (unaudited)	571 026	147 534	–	37 954	(4 746)	–	751 768

Condensed consolidated statement of cash flow

	Unaudited period from 1 January 2018 until 30 September 2018 €'000	Unaudited period from 1 January 2017 until 30 September 2017 €'000
Cash generated from operations	**69 177**	96 700
Tax paid	**(5 549)**	(2 397)
Net cash generated from operating activities	**63 628**	94 303
Investing activities		
Purchase of investment property	**(499 113)**	(275 152)
Investments in joint ventures	**–**	(19 149)
Capital expenditure on completed investment property	**(21 788)**	(28 468)
Loans granted	**(780)**	(43 535)
Interest received/(paid)	**–**	240
Profit share	**–**	1 180
Net cash (utilised in)/generated from investing activities	**(521 681)**	(364 884)
Financing activities		
Proceeds from borrowings	**644 143**	249 571
Repayment of borrowings	**(297 853)**	(40 018)
Borrowing arrangement fees	**(2 141)**	–
Proceeds from issue of share capital	**157 498**	148 747
Transaction costs on issue of shares	**(607)**	–
Acquisition of own shares	**(2 313)**	–
Dividends paid	**(40 029)**	(56 532)
Loans repaid	**(7 942)**	–
Interest paid	**(16 553)**	(12 206)
Interest received	**800**	–
Net cash generated from/(utilised in) financing activities	**435 003**	289 562
Net increase/(decrease) in cash and cash equivalents	**(23 050)**	18 981
Cash and cash equivalents at the beginning of the period	**99 544**	21 921
Effect of foreign exchange fluctuations	**1 844**	(5 428)
Cash and cash equivalents at the end of the period	**78 338**	35 474

Headline earnings reconciliation

	Unaudited period from 1 January 2018 until 30 September 2018 €'000	Unaudited period from 1 January 2017 until 30 September 2017 €'000
Profit for the period attributable to EPP shareholders	**95 501**	54 883
Change in fair value of investment properties	**(26 249)**	(12 281)
Headline and diluted earnings attributable to EPP shareholders	**69 252**	42 602
Actual number of shares in issue	**829 989 804**	704 970 211
Weighted number of shares in issue	**829 989 804**	660 103 366
Basic and diluted earnings per share (€ cents)*	**11.51**	8.3
Headline earnings and diluted headline earnings per share (€ cents)**	**8.34**	6.5

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

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

Commentary

1. Introduction

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. At 30 September 2018 the company manages a portfolio of 19 retail centres and six high-quality offices located in the majority of regional cities in Poland. In addition to these income generating properties, EPP also has two developments in the capital – Warsaw, namely Towarowa 22 and Młociny (set to open in April 2019). By the end of 2020 EPP expects to own 28 shopping centres post the conclusion of tranches two and three of the M1 transaction.

At period end EPP owned and operated 684 000 m² retail gross lettable area ("**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 retail properties, and primarily blue-chip companies in the 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.

2. Basis of preparation

The unaudited condensed consolidated financial information for the nine months ended 30 September 2018 ("**the period**") has been prepared in accordance with IAS 34: *Interim Financial Reporting*, the Dutch Civil Code, the JSE Listings Requirements and the Rules and Regulations of the LuxSE.

The accounting policies applied in the preparation of the unaudited condensed consolidated financial information for the period is consistent with those applied in the previous IFRS financial statements as of and for the year ended 31 December 2017.

3. Significant accounting policies – impact of new standards

IFRS 9: *Financial Instruments*

The group performed an assessment of the impact of IFRS 9 on its consolidated financial statements. Two separate classes of financial assets, currently accounted for under amortised cost in line with IAS 39, did not pass the SPPI ("**Solely Payments of Principal and Interest**") test and are 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 to entities representing advances to each of the Right of First Offer ("**ROFO**") entities in connection with the ROFO projects ("**ROFO loans**").

In relation to Kalisz loans granted by EPP Group, in the first half year of 2018 the borrowers repaid €10.75 million in total of the initial aggregated amount of €23.30 million. There are various possible repayment scenarios including the following: a prepayment of the loan; repayment of the loan following a five-year period; refinancing of the loan following a five-year period; sale of the underlying asset; and repayment of the loan. As the options available are outside of EPP's control, group management has decided to assume that the loan will be repaid after a five-year period. Under this assumption amortised cost valuation as of 30 September 2018 approximates the fair value of the loan granted.

In relation to the ROFO loans the fair value is calculated using the 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.

IFRS 15: *Revenue from Contracts with Customers*

IFRS 15 does not have a significant impact on the group's consolidated financial statements. Note that IFRS 15 does not affect the recognition of lease income as this is still dealt with under IAS 17: *Leases*.

IFRS 16: *Leases*

The standard is effective for periods beginning on or after 1 January 2019 and has not been adopted by the group yet. The group does not expect the new standard to have a material impact, as IFRS 16 leaves lessor accounting largely unchanged.

4. Financial results

The net profit for the period amounted to €95.5 million and distributable income totalled €72.6 million. Net asset value ("**NAV**") amounted to €991.1 million equating to a NAV per share of €1.33. The net loan-to-value ratio as of 30 September 2018 was 50.7%.

Acquisition of the M1 portfolio

In October 2017 EPP reached an agreement to acquire a portfolio of retail properties for a combined consideration that values the portfolio at €692.1 million. During the period, the group successfully purchased the first tranche of the M1 portfolio consisting of four properties for a consideration of €359 million.

The acquisition of the remaining properties is conditional upon fulfilment of outstanding conditions precedent and is scheduled as follows:

- the Second Tranche portfolio comprising a further six properties with an aggregate GLA of 184 000 m^2, an aggregate value of €222.5 million and an aggregate purchase consideration of €75.2 million and an expected completion date by either 27 June 2019 or 10 July 2019; and
- the Third Tranche portfolio comprising a further two properties with an aggregate GLA of 68 100 m^2, an aggregate value of €110.9 million and an aggregate purchase consideration of €44.1 million and an expected completion date by either 29 June 2020 or 9 July 2020.

The delay in completing the second and third tranche acquisitions is to enable the seller to implement various contracted asset management initiatives (including certain lease renewals or renegotiations) to align those acquisitions with EPP's investment requirements and strategy.

Acquisition of Symetris Business Park phase II

On 27 July 2018 EPP concluded the acquisition of the second phase of Symetris Business Park as part of the ROFO agreement.

Acquisition of King Cross Marcelin Shopping Centre in Poznań

King Cross Marcelin is the major shopping destination in western Poznań with an immediate catchment of over 202 000 people living within a 15 minute drive of the centre. The local average per capita purchasing power is close to €9 000 (37% above the national average). An additional 459 000 people live within a 16 to 30 minute drive.

King Cross Marcelin opened in March 2005 and occupies a prominent and highly visible location at Bukowska Street, one of the important roads leading west towards Poznań – Ławica Airport. King Cross Marcelin is situated at the fringe of the Poznań Grunwald and Ławica districts. 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.

New equity raise

EPP successfully placed 36 436 916 new shares with Redefine Properties Limited at a price of R19.26 per share to partially fund the acquisition of the King Cross Marcelin Shopping Centre.

5. Segment information

	Retail €'000	Office €'000	Unallocated €'000	Total €'000
Unaudited				
Nine months ended 30 September 2018				
Segment profit				
Rent and recoveries income	117 361	23 717	1 273	142 351
Property operating expenses	(33 258)	(5 975)	(873)	(40 106)
Net property income	84 103	17 742	400	102 245
Unaudited				
As at 30 September 2018				
Segment assets				
Investment in joint ventures	141 062	–	–	141 062
Investment property	1 868 473	330 594	–	2 199 067
Total segment assets	2 009 535	330 594	–	2 340 129
Bank borrowings	1 014 788	177 365	102 737	1 294 890
Total segment liabilities	1 014 788	177 365	102 737	1 294 890

Headline earnings to distributable income reconciliation

	Unaudited period from 1 January 2018 until 30 September 2018 €'000	Unaudited period from 1 January 2017 until 30 September 2017 €'000
Headline and diluted earnings attributable to EPP shareholders	**69 252**	42 602
Amortised cost valuation of long-term financial liabilities	**3 643**	2 310
Unrealised foreign exchange and other items	**1 454**	734
Fair value losses/(gains) in joint ventures	**(28 156)**	1 714
Change in deferred tax	**22 742**	7 816
Provision for Long Term Incentive Plan	**2 677**	–
Other non-distributable items	**1 234**	1 778
Distribution of shares to the board	**(2 349)**	–
Non-distributable capital gains	**–**	(1 356)
Antecedent dividend*	**2 121**	3 678
Distributable income	**72 618**	59 276
Actual number of shares in issue	**829 989 804**	704 970 211
Shares issued on 31 July 2018	**36 436 916**	–
Shares in issue for distributable earnings	**829 989 804**	704 970 211
Distributable income per share (€ cents)	**8.75**	8.41

* *Antecedent dividend relates to the issuance of shares on 24 July 2018 in connection with acquisition of King Cross Marcelin Shopping Centre.*

6. Dividend declaration

EPP's dividend policy states that the company intends to declare 100% of its distributable income to shareholders. The company intends declaring half-yearly dividends, which are expected to be declared for the periods ended 30 June and 31 December of the relevant year. No assurance can be made that dividends will be proposed or declared in any given year.

Portfolio performance

During the period, the company increased the number of retail properties from 18 to 19 assets with the successful acquisition of King Cross Marcelin. The average GLA of the new acquisitions was approximately 48 000 m² GLA per asset which is line with the company's strategy to acquire large dominant centres that are located in strong catchment areas. The total retail GLA increased by approximately 45 500 m² in the last quarter, which brings EPP's total retail exposure to 684 000 m². Post the successful acquisition of tranche 1 of the M1 portfolio and King Cross Marcelin, EPP now holds one of the largest shopping centre portfolios by GLA in Poland.

Footfall and sales were largely flat during the period despite the introduction of the Sunday trading ban in March of this year. Notably like for like NRI growth was 4.2% year to date.

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 87% 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 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.

	Unaudited 30 September 2018
Vacancy based on total GLA (%)	
Office	**5.6**
Retail	**0.6**
Total	**1.7**

Tenants

During the quarter retail units totalled 1 947 with 89 office tenants.

Geographic profile

City	Project	By GLA %	By fully let net operating income ("NOI") %
Wrocław	Pasaż Grunwaldzki	**5.89**	**9.90**
Szczecin	Galaxy, Outlet, Oxygen	**12.03**	**16.98**
Kielce	Galeria Echo, Astra Park	**10.47**	**10.71**
Kalisz	Galeria Amber	**4.08**	**3.94**
Łomża	Galeria Veneda	**1.83**	**1.78**
Jelenia Góra	Galeria Sudecka	**3.68**	**2.70**
Bełchatów	Galeria Olimpia, CH Bełchatów	**3.98**	**2.57**
Przemyśl	Centrum Handlowe Przemyśl	**0.70**	**0.29**
Kraków	Zakopianka, Opolska Business Park, M1	**13.83**	**14.07**
Zamość	Twierdza Zamość	**2.90**	**2.75**
Kłodzko	Twierdza Kłodzko	**2.80**	**2.26**
Włocławek	Wzorcownia Włocławek	**3.09**	**2.73**
Inowrocław	Galeria Solna	**2.87**	**2.81**
Poznań	Malta Office Park	**3.45**	**3.38**
Warszawa	Park Rozwoju	**4.09**	**4.03**
Łódź	Symetris, M1	**5.84**	**3.71**
Czeladź	M1	**6.53**	**5.97**
Zabrze	M1	**6.42**	**4.45**
Poznań	King Cross Marcelin	**5.53**	**4.98**

Sectoral profile

	By GLA %	By fully let NOI %
Retail	**78.07**	**83.56**
Office	**21.93**	**16.44**
Total	**100.00**	**100.00**

WAULT*

	by GLA	by rental income
Sector		
Retail	**5.25**	**4.39**
Office	**4.48**	**4.49**

* *Weighted average unexpired lease term in years.*

Prospects

EPP has a quality portfolio of dominant retail properties complemented by high-quality office properties. The company continues to focus on integrating its recent acquisitions into the portfolio, exploring asset management opportunities and continuing on its asset recycling strategy. The Polish economy continues to perform well and the current property fundamentals remain favourable.

The EPP board of directors ("**board**") remains confident that EPP will deliver on its stated full year distribution per share guidance of between €11.6 and €11.8 cents.

There have been no changes to the board during the period under review.

By order of the board

EPP N.V.

6 December 2018

Notes

Company information

Directors
Hadley Dean (chief executive officer)
Jacek Bagiński (chief financial officer)
Robert Weisz* (chairman)
Marek Belka*
Peter Driessen*
Maciej Dyjas**
Dionne Ellerine*
Andrew König**
Nebil Senman**
Andrea Steer*
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** *Non-executive*

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