

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



**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2016**

Consolidated statement of comprehensive income

	Unaudited period from 4 January 2016 till 30 June 2016 <i>EUR'000</i>
Rental income and recoveries	38 485
Revenue	38 485
Property operating expenses	(12 253)
Net property income	26 232
Other income	1 026
Other expenses	(2 340)
Administrative expenses	(5 743)
Net operating profit	19 175
Change in fair value of investment properties	13 428
Profit from operations	32 603
Finance income	3 180
Finance charges	(10 260)
Foreign exchange gains	1 975
Accelerated amortisation of debt fee	(5 990)
Profit before taxation	21 508
Taxation	40 367
Current income tax	(642)
Deferred tax	41 009
Profit for the period	61 875
EPP shareholders	61 875
Non-controlling interests	-
Other comprehensive loss	
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	
Foreign currency translation reserve	(1 713)
Total comprehensive income	60 162
EPP shareholders	60 162
Non-controlling interests	-

* The Company started trading on 17 February 2016 upon contribution of the property portfolio as described in Note 1 Introduction.

Consolidated statement of financial position**Unaudited
as at 30 June 2016
EUR'000**

ASSETS	
Non-current assets	1 216 449
Investment property	1 205 012
Financial assets	10 763
Other receivables	674
Current assets	43 568
Inventory	143
Tax receivable	547
Trade and other receivables	5 936
Financial assets	12 664
Restricted cash	6 471
Cash and cash equivalents	17 807
Total assets	1 260 017
EQUITY AND LIABILITIES	
Equity	524 655
Share capital	414 901
Share premium	59 367
Accumulated profit	52 100
Foreign currency translation reserve	(1 713)
Non-current liabilities	684 845
Bank borrowings	672 679
Other liabilities	12 166
Current liabilities	50 517
Bank borrowings	26 782
Related party financial liabilities	4 079
Tax payables	2 573
Trade payables	6 167
Other liabilities	9 265
Advances received	1 651
Total equity and liabilities	1 260 017
Number of shares in issue	414 901 280
Net asset value per share (EUR)	1.26
Net tangible asset value per share (EUR)	1.26

Condensed consolidated statement of cash flows

	Unaudited period from 4 January 2016 till 30 June 2016
	<i>EUR'000</i>
Cash generated from operations	13 933
Taxation paid	(907)
Dividends paid to shareholders	(9 775)
Net cash inflow from operating activities	3 251
Net cash inflow from investing activities	16 215
Net cash outflow from financing activities	(1 659)
Net increase in cash and cash equivalents	17 807
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	17 807

Condensed consolidated statement of changes in equity

	Unaudited period from 4 January 2016 till 30 June 2016
	<i>EUR'000</i>
Opening balance	20
Total comprehensive income for the period	60 162
Issue of shares	474 248
Dividend paid to shareholders	(9 775)
Total equity	524 655

Condensed consolidated segmental information

	<i>Office</i>	<i>Retail</i>	<i>Total</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Period from 4 January 2016 till 30 June 2016			
Rental income and recoveries	8 369	30 116	38 485
Property operating expenses	(2 742)	(9 511)	(12 253)
Net property income	5 627	20 605	26 232
Investment property portfolio	267 700	937 312	1 205 012

Headline earnings and distributable income reconciliation

	Unaudited period from 4 January 2016 till 30 June 2016
	<i>EUR '000</i>
Profit for the period attributable to EPP shareholders	61 875
Change in fair value of investment properties	(13 428)
Headline earnings attributable to EPP shareholders	48 447
Amortised cost valuation	(2 828)
Prepaid rental income	(106)
Deferred tax on restructuring	(41 009)
Accelerated amortisation of debt fee	5 990
Foreign exchange gains	(1 975)
Consolidation adjustment on acquisition (goodwill impairment)	459
Distributable income	8 978
Actual number of shares in issue*	414 901 280
Weighted number of shares in issue*	193 842 583
Basic and diluted earnings per share (EUR cents)**	31.9
Headline earnings and diluted headline earnings per share (EUR cents)***	25.0
Distributable income per share (EUR cents)	2.2

* Before share split as described in Note 6 Other information.

** 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

1. Introduction

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 Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company is registered with the Dutch trade register under number 64965945.

On 17 February 2016 the Company issued 211 970 402 new ordinary shares with a nominal value of EUR 1 each acquired and paid up by Echo Investment S.A. (“Echo”) by means of non-cash contributions of:

- 1 510 investment certificates in Forum XXIX Fundusz Inwestycyjny Zamkniety (“Fund I”, “FIZ”), a closed-end investment fund under the laws of Poland, representing the entire capital of the Fund I, with a fair market value of EUR 46.459 million;
- 7 023 investment certificates in Forum XXXIV Fundusz Inwestycyjny Zamkniety (“Fund II”, “FIZ”), a closed-end investment fund under the laws of Poland, representing the entire capital of the Fund II, with a fair market value of EUR 165.511 million.

As a result of the investment certificates transfer agreements entered into between Echo and EPP on 17 February 2016, Echo transferred all investment certificates in the FIZs to EPP, thereby effectively transferring ownership of the property portfolio to EPP.

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 a dual primary listing on both LuxSE and the Main Board of the JSE.

2. Financial results

The net profit for the period ended 30 June 2016 amounted to EUR 61.875 million and distributable income amounted to EUR 6.807 million.

The Board of Directors declared a clean out dividend of EUR 12.558 million for the period ended 31 August 2016. Further details of which are set out in the Company’s pre-listing statement issued on 31 August 2016 and paragraph 9.4 below.

3. Changes in fair values

The Group’s investment property portfolio has been valued as at 30 June 2016, by independent professionally qualified valuer, Savills Advisory Services Limited. The external valuation of the portfolio resulted in a fair value adjustment of EUR 13.428 million.

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

4. Portfolio profile

EPP is a real estate company that owns a portfolio of 10 retail and six 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 majority of 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.

The investment portfolio has a diversified tenant base of leading retailers with international brands representing approximately 61% of income in the case of retail properties and a tenant base of primarily blue chip companies in the case of office properties.

An analysis of the property portfolio in respect of geographic, sectoral, tenant, vacancy and lease expiry profiles forecast for the 12 months to 31 December 2017 is provided in the tables below.

4.1 Geographic profile

	By GLA (%)	By rental income (%)
Szczecin	22.04	23.85
Wrocław	14.53	21.37
Kielce	19.24	21.35
Kalisz	7.45	6.60
Poznan	6.33	6.44
Warszwa	7.37	5.92
Jelenia Góra	7.00	5.06
Bełchatów	7.33	5.02
Katowice	4.05	2.87
Łomża	3.38	3.22
Przemyśl	1.29	0.53
Total	100%	100%

4.2 Sectoral profile

	By GLA (%)	By rental income (%)
Office	19.20	24.87
Retail	70.80	75.13
Total	100%	100%

4.3 Vacancy profile

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

	Vacancy % based on total GLA* (%)
Office	9.7
Retail	1.7
Total	4.0

* Based on existing leases at 30 June 2016. The vacancy profile reflects a high vacancy rate in the office portfolio, on account of new properties that have not been fully let. In particular, the Park Rozwoju office (being the largest office property in the Property portfolio by GLA) is not fully let and has a vacancy rate of 25% (42% Phase II).

5. 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 reputed 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 double digit annual 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) 22 000 sqm of retail extensions to two of EPP's existing retail centres that are currently underway; (iii) the 25% stake in 10 "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); (iv) EPP's 70% stake in one of the last and best sites for retail development in Warsaw with a planned 110 000 sqm retail development.

The organic growth opportunities already built into the EPP portfolio are in addition to the potential for increasing retail rentals through a combination of the current high levels of retail sales growth in Poland (at 6.5% year on year in June 2016) 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 – a strategy that will be further enhanced by the development of the Warsaw retail development site.

In addition to organic growth, EPP's executive management team has access to numerous earnings accretive acquisitive opportunities, including through its strategic relationships with Echo Investment S.A., a recognised market leader in Polish commercial and residential property development and investment, and Griffin Real Estate, a leading investor operating in the CEE real estate market. These relationships provide the Company with a significant advantage in the identification and sourcing of high quality real estate assets.

EPP's acquisition strategy will be 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 there is scope for further value uplift. EPP will proactively trade office assets 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. EPP will also closely monitor the logistics and fulfilment centre sectors for acquisition opportunities that meet its strategic criteria.

In addition to the opportunities for growth in distributions per share, the Company believes that there are significant opportunities for growth in underlying net asset value per EPP share. The Warsaw retail development, the ROFO assets and the extensions to certain existing retail assets all represent the potential for (in some cases substantial) enhancements in underlying net asset value of EPP, given the costs at which they are being acquired and/or developed, relative to the anticipated valuation yields. Given the strength and growth of the Polish economy (as well as the potential upgrading of Poland by FTSE from advanced emerging to developed market status in the near future) the Company also believes that there is the potential for further compression in Polish commercial property yields, which would in turn result in an increase in the value of the EPP portfolio.

This forecast information has not been reviewed or reported on by EPP's independent external auditors.

6. Other information

On 1 June 2016, the Company issued 202 910 878 new ordinary shares with a nominal value of EUR1 each, of which 194 987 826 shares were acquired and paid up by Redefine Properties Limited ("Redefine") and 7 923 052 shares were acquired and paid up by Echo by means of cash contributions of:

- EUR 260.736 million made by Redefine; and
- EUR 7.923 million made by Echo.

On 1 June 2016, the Company issued a preferred dividend distribution for the amount of EUR 9.775 million to Echo in relation to the completed extension of Outlet II project, financed by the cash contributions from Redefine and Echo described above.

On 1 August 2016, the ordinary share capital was subdivided into 514 509 131 issued ordinary shares from 414 901 280 issued ordinary shares. The subdivision was effected in order to achieve a net asset value per ordinary share of exactly EUR 1. On 12 August 2016, pursuant to the conversion of EPP from a B.V. to an N.V. company, the authorised share capital was created to comprise 2 572 645 659 ordinary shares and one preference share. In addition, pursuant to the said conversion, the issued share capital was amended in such a way that one ordinary share was converted to one preference share.

7. External auditors

The appointment of Ernst & Young Inc. and Ernst & Young Accountants LLP as the Group's external auditor for the financial year ending 31 December 2016 was confirmed by the shareholders on 19 August 2016.

8. Basis of preparation

The condensed consolidated interim financial information for the period ended 30 June 2016 has been prepared in compliance with International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by The Financial Reporting Standards Council, the Dutch Civil Code, the JSE Listings Requirements and the LuxSE rules and regulations.

Maciej Drozd, EPP's Chief Financial Officer was responsible for supervising the preparation of these condensed consolidated interim financial statements, which have not been reviewed or audited by EPP's independent external auditors.

9. Subsequent events

9.1 Changes to the Board

As of 30 June 2016 the composition of the Company's Board of Directors was as follows:

Intertrust (Netherlands) B.V. (Director A)
Marc Wainer (Director B)
Andrew Joseph König (Director B)
Dionne Traci Hirschowitz (Director B)
Hadley Dean (Director B)
Maciej Dyjas (Director C)

On 8 August 2016 the general meeting resolved that, subject to and effective upon the conversion of the Company into a public entity, to accept the resignation of Intertrust (Netherlands) B.V., as Director A of the Board.

On 8 August 2016 the general meeting resolved that, subject to and effective upon the conversion of the Company into a public entity, that the designation of each of (i) M Wainer, (ii) A.J. König, and (iii) D.T. Hirschowitz – each Director B of the Board – was changed to that of non-executive director.

On 8 August 2016 the general meeting resolved that, subject to and effective upon the conversion of the Company into a public entity, to appoint Maciej Adam Drozd as executive director of the Board.

On 8 August 2016 the general meeting resolved that, subject to and effective upon the conversion of the Company into a public entity, to appoint the following individuals as non-executive directors of the Board:

Robert Weisz;
Marek Marian Belka;
Nebil Senman;
Andrea Philippa Steer; and
Peter Joost Rudolf Driessen.

9.2 Share issue

On 12 August 2016, the Company issued 500 000 new ordinary shares with a nominal value of EUR 0.81 each acquired and paid up by Hadley James Tyzack Dean by means of a cash contribution for the amount of EUR 0.5 million.

9.3 Private placement

On 31 August 2016 EPP undertook a private placement on the JSE, which closed on 6 September 2016. 71 522 161 ordinary shares (the "private placement shares") were issued at an issue price of EUR 1.45 (equivalent of R23.5322) and allotted to investors on 13 September 2016 pursuant to the private placement.

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).

9.4 Clean-out dividend

Shareholders are referred to EPP's Pre-Listing Statement published on 31 August 2016, wherein the Company announced that, on 11 August 2016 the general meeting of shareholders resolved to distribute, as an interim distribution, to shareholders of the Company reflected in the original shareholders register of the Company as at 11 August 2016 ("qualifying shareholders"), an amount of the Company's cash available and deriving from the profits from operations attributable to the shareholders for the period ending on 31 August 2016 (the "specified period") (the "clean-out dividend"), in order to enable such qualifying shareholders to receive their share of the accrued distributable income prior to the private placement. Shareholders who acquired shares after 11 August 2016, which would include all shareholders who acquired ordinary shares in the Company on the JSE and the LuxSE on 13 September 2016, will not participate in the clean-out distribution. On 28 September 2016 the Board of Directors declared a clean-out dividend of EUR 12.558 million which will be paid to the qualifying shareholders on or about 30 September 2016.

Following the JSE listing, EPP intends distributing 100% of its distributable income to shareholders. If declared by the Directors, the Company's first dividend will be for the period from 1 September 2016 to 31 December 2016.

Thereafter, the Company intends to declare half-yearly dividends, which are expected to be declared for the periods ended 30 June and 31 December.

Shareholders are advised that, due to the nature of the Company's business, EPP will be adopting distribution per share as its key performance measure for the reporting period ending on 31 December 2016 onwards.

By order of the Board
Echo Polska Properties N.V.
Chief Financial Officer

30 September 2016

More information:

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