

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

for the period 4 January to 31 December 2016

Highlights

DISTRIBUTABLE EARNINGS

€34 MILLION

DIVIDEND PER SHARE OF 3,14 EURO CENTS
BEING 2,2% AHEAD OF FORECAST

NAV €1,16 PER SHARE

SUCCESSFULLY EXECUTED OR ANNOUNCED
ACQUISITIONS OF €418 MILLION

GLA INCREASED TO 498 575m²
AS OF 2016 YEAR-END

PORTFOLIO VALUE €1,4 BILLION AS OF
2016 YEAR-END – UP 17% SINCE LISTING

PORTFOLIO INCREASED FROM
16 TO 19 PROPERTIES

MARKET CAP €797 MILLION

Commentary

"We are building a national champion that leverages its scale and relationships to provide a leading cash generating Polish property group with a weighted focus towards retail properties in key locations, supported by strategic office sites. Europe as a whole is currently navigating a period of uncertainty. This may have a positive impact on Poland as it highlights the country's attractiveness as an investment and business destination," Hadley Dean, chief executive officer.

Introduction

EPP was listed on the JSE on 13 September 2016 and presents its maiden results for the period from 4 January 2016 to 31 December 2016 ("the period"). Since listing EPP has grown its portfolio from 16 to 19 properties through a number of acquisitions. The positive portfolio performance since listing has been driven by our effective and active asset management strategy.

EPP is a Dutch-based real estate company that follows the REIT formula, which as at 31 December 2016 owned a EUR1,4 billion diversified portfolio of nine office, ten retail projects and one retail development site in the centre of Warsaw, totalling 498 575m². The portfolio is located throughout 14 major cities in Poland, characterised by their economic strength, increasing purchasing power and attractiveness as an investment destination. EPP aims to become a national champion as Poland's leading cash-generating property group with a retail bias providing sustainable growth in dividend per share.

EPP is dual-listed on both the Luxembourg Stock Exchange and the Main Board of the JSE (Real Estate and Development Sector).

Financial results

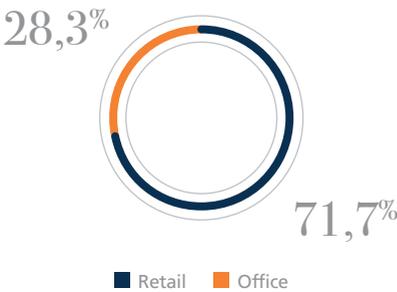
Although distributable earnings of EUR34,0 million was marginally below the forecast EUR34,3 million in the pre-listing statement ("PLS"), distribution per share for the period until 31 August was 0,5% ahead of forecast at 2,44 euro cents per share (the clean-out dividend referred to in the PLS) and the dividend for the four months to 31 December 2016 of 3,14 euro cents per share was 2,2% ahead of the forecast of 3,07 euro cents per share forecast in the PLS.

Net asset value ("NAV") for the period totalled EUR683 million with NAV per share at EUR1,16.

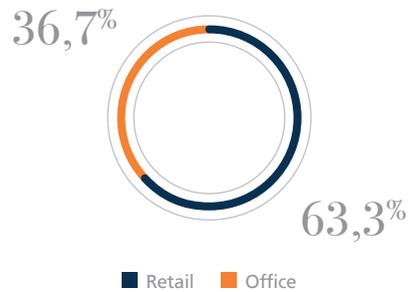
Property portfolio

The segmental breakdown of the EPP portfolio at 31 December 2016 is set out below:

PORTFOLIO STRUCTURE
BY FAIR VALUE



PORTFOLIO STRUCTURE
BY GLA (m²)



Occupancy

Occupancy increased from 96,2% to 97,4% overall. Office occupancy increased from 92,2% to 95,7% while retail occupancy remained stable at a high level of 98,3%.

Lease expiry profile

Rental income (EUR)



Valuations

As at 31 December 2016

	Office	Retail	Total
Number of projects	9	10	19
Number of buildings	17	10	27
Value/consideration (EUR)	387 million	977 million	1 364 million
Vacancy (%)	4,3	1,7	
Market value (% split)	28%	72%	
GLA (m ²)	175 941	322 633	498 575
WAULT (rent)	3,7 years	5,9 years	

Acquisitions

Post listing EPP acquired a 70% stake in Towarowa 22/Jupiter in Warsaw, the largest and last available retail development site in the city centre (see Developments for further information) for EUR78 million. In December it acquired a holding in the 27 463m² Zakopianka retail park in Kraków for EUR54 million. It further acquired EUR113 million of office buildings – O3 Business Campus in Krakow, Tryton Business House in Gdansk and Symetris in Łódź.

Post year-end EPP acquired an additional four retail assets for EUR166,6 million: Galeria Twierdza Shopping Centre in Kłodzko (23 039m²), Galeria Twierdza Shopping Centre in Zamość (23 785m²), Galeria Tęcza Shopping Centre in Kalisz (16 003m²) and Wzorcownia Shopping Centre in Włodawek (25 629m²).

Developments

EPP holds a 70% interest in a planned 110 000m² mixed-use development in Warsaw (Towarowa 22/ Jupiter) which is set for completion in 2021.

The extensions of Galaxy and Outlet Park in Szczecin are well under way with already more than 70% let. Both developments will be completed in Q4 2017 and are set to enhance the portfolio with a yield of 8,5%.

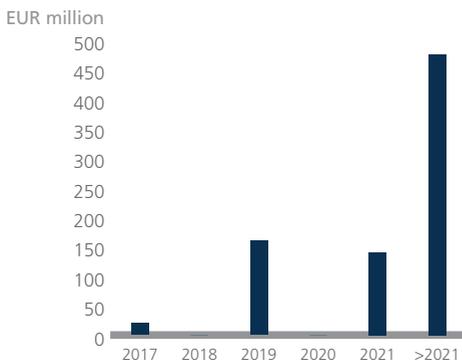
Borrowings

Sources of debt

	%
BZ WBK SA (Santander group)/Erste Bank	38
Helaba	23
HSBC plc	21
Berlin HYP/ING	15
Other	3

At 31 December 2016 the loan to value ratio (net of cash) was 52,7% and the group is targeting 50%. The aggregate length of borrowings is 5,1 years at an average cost of debt of 1,85% and with 90% of debt fixed with the remaining portion to be fully hedged by Q1 2017.

Debt maturity profile



Regulatory tax

On 1 January 2017 amendments to Polish corporate income tax were introduced which changed the tax regime for broad categories of investment entities. As a consequence, the group's subsidiaries have lost their tax-exempt status, and are now subject to 19% tax rate on income from rental and disposal of real estate.

New legislation is however progressing through parliament which would effectively reintroduce the tax exemption for entities investing in real estate that meet the requirements of a Real Estate Investment Trust under proposed REIT regulations. The group was already being restructured to meet the requirements of the anticipated REIT regulations, hence EPP was able to quickly react to changes in the regulatory environment. However, pending the formal adoption of REIT legislation, the additional tax cost has had an impact on the 2016 financial results.

The internal group restructuring, together with various asset management initiatives and the recently announced acquisitions (concluded post the September 2016 listing), should have the result that EPP will achieve its forecast distributable earnings and distribution per share of 10,8 euro cents per share for the financial period ending 31 December 2017 (as published in the PLS).

Outlook

We expect good growth in retail sales, which supports our continued focus on assets in this sector. We have also recently seen a strong uptake on the office side and expect this to continue unabated given Poland's highly educated workforce together with a track record of low unemployment, as well as unprecedented growth in the Business Process Outsourcing ("BPO") services market. We are expecting solid rental growth particularly in regional cities. We also expect the recently introduced state sponsored child allowance programme called Family 500+ (PLN 500 per month per every second and next child in a family), which has a disproportionately higher impact on disposable income growth in regional cities, to continue to benefit our retail portfolio.

Poland remains an attractive investment and business destination with particularly outsourcing benefiting from uncertainty in other European markets. The majority of outsourcing jobs are in regional cities, which not only supports our office portfolio, but also increases general spending power driving demand for retail.

Basis of preparation

The audited condensed consolidated financial statements for the period from 4 January 2016 to 31 December 2016 have been prepared by the management of the company on 8 March 2017 in accordance with the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the requirements of IAS 34: Interim Financial Reporting, the JSE Listings Requirements and in accordance with Dutch law and the LuxSE rules and regulations.

Commentary *(continued)*

The group's financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and contingent consideration that have been measured at fair value. The consolidated financial statements are presented in EUR (€) and all values are rounded to the nearest thousand (€000), except where otherwise indicated.

These condensed consolidated financial statements are extracted from consolidated financial statements information, but is not itself audited. The directors take full responsibility for the preparation of the audited condensed consolidated financial statements and for ensuring that the financial information has been correctly extracted from the underlying audited consolidated financial statements. The auditors, Ernst & Young have issued their unmodified opinion on the audited consolidated financial statements for the period from 4 January 2016 to 31 December 2016 and a copy of the audit opinion, together with the underlying audited consolidated financial statements are available for inspection at the company's registered office.

Dividend payment

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.

The board has declared a maiden dividend of 3,14000 euro cents per share for the four months to 31 December 2016.

The dividend is payable to EPP shareholders in accordance with the timetable set out below:

	2017
Announcement of Euro to Rand conversion rate on	Monday, 20 March
Last day to trade in EPP shares on the JSE and LuxSE in order to receive the dividend	Tuesday, 28 March
EPP shares trade ex dividend	Wednesday, 29 March
Record date for the receipt of the dividend	Friday, 31 March
Dividend paid to EPP shareholders	Monday, 3 April

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 March 2017 and Friday, 31 March 2017, both days included. Transfers between the European and South African share registers may not take place between Monday, 20 March 2017 and Friday, 31 March 2017, both days included.

Tax considerations

The dividend shall be paid net of Dutch dividend withholding tax ("DWHT") of 15%, unless to the extent the company has, prior to the dividend record date, been provided with proof, to its satisfaction, that the relevant shareholder qualifies for (partial) relief from DWHT with respect to the dividends. The company shall remit the DWHT withheld to the Dutch tax authorities.

For South African resident shareholders, the dividend may be regarded as a foreign dividend as the dividend will be paid out of The Netherlands and may be subject to South African dividends tax at a rate of 20%, unless an exemption as set out in the South African Income Tax legislation applies.

For shareholders residing outside of South Africa, the dividend may have legal or tax implications and such shareholders are advised to obtain appropriate advice from their professional advisers in this regard.

As at the date of declaration of this dividend, the company has 586 051 292 shares in issue.

On behalf of the board

Hadley Dean

Chief executive officer

Maciej Drozd

Outgoing chief financial officer

9 March 2017

Consolidated statement of profit or loss

	Group
	Period from 4 January 2016 to 31 December 2016 EUR'000
Rental income and recoveries	95 278
Straight-line rental income	1 233
Property operating expenses	(29 209)
Net property income	67 302
Other income	2 109
Other expenses	(2 610)
Administrative expenses	(12 532)
Net operating profit	54 269
Profit from investment properties	44 325
Profit from operations	98 594
Finance income	7 339
Finance costs	(18 582)
Foreign exchange gains	2 192
Cost of refinancing	(5 881)
Participation in profits of joint ventures	12 526
Profit before taxation	96 188
Taxation	
Current income tax	(878)
Deferred tax	(18 546)
Profit for the period	76 764
Attributable to EPP shareholders	76 764
Earnings per share:	
Basic and diluted earnings, on profit for the period (EUR cents)	20,9

Consolidated statement of other comprehensive income

	Group
	Period from 4 January 2016 to 31 December 2016 EUR'000
Profit for the period	76 764
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	
Foreign currency translation reserve	(434)
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	(434)
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	76 330
Total comprehensive income attributable to the parent for the period, net of tax	76 330

Consolidated statement of financial position

	Group
	As at 31 December 2016 EUR'000
ASSETS	
Non-current assets	1 423 834
Investment in joint ventures	54 285
Tangible assets	85
Investment property	1 359 432
Financial assets	10 032
Current assets	85 564
Inventory	74
Tax receivable	9
Trade and other receivables	32 658
Financial assets	9 057
Restricted cash	21 845
Cash and cash equivalents	21 921
Total assets	1 509 398
EQUITY AND LIABILITIES	
Equity	623 794
Share capital	474 702
Share premium	95 095
Accumulated profit	54 431
Foreign currency translation reserve	(434)
Non-current liabilities	818 458
Bank borrowings	741 776
Related-party financial liabilities	5 885
Other liabilities	11 881
Deferred tax liability	58 916
Current liabilities	67 146
Bank borrowings	52 845
Related-party financial liabilities	221
Tax payables	175
Trade payables	13 819
Provisions	86
Total equity and liabilities	1 509 398

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 4 January 2016	20	–	–	–	20
Profit for the period	–	–	76 764	–	76 764
Other comprehensive income	–	–	–	(434)	(434)
Total comprehensive income	–	–	76 764	(434)	76 330
Issue of ordinary shares	474 682	110 157	–	–	584 839
Acquisition of subsidiary and transaction costs	–	(15 062)	–	–	(15 062)
Dividend paid	–	–	(22 333)	–	(22 333)
Balance as at 31 December 2016	474 702	95 095	54 431	(434)	623 794

Consolidated statement of cash flow

	Group
	Period from 4 January 2016 to 31 December 2016 EUR'000
Operating activities	
Cash generated from operations	26 363
Tax paid	(707)
Net cash generated from operating activities	25 656
Investing activities	
Acquisition of business net of cash acquired	(164 154)
Investments in joint ventures	(41 609)
Purchase of investment property	(118 747)
Capital expenditure on completed investment property	(14 768)
Loans granted	(23 412)
Interest received	(131)
Purchase of fixed and intangible assets	(85)
Net cash utilised in investing activities	(362 906)
Financing activities	
Proceeds from borrowings	832 687
Repayment of borrowings	(791 284)
Proceeds from issue of share capital	372 888
Transaction costs on issue of shares	(14 967)
Dividends paid	(22 333)
Interest paid	(17 386)
Net cash generated from financing activities	359 605
Net increase in cash and cash equivalents	22 355
Cash and cash equivalents at the beginning of the period	-
Effect of foreign exchange fluctuations	(434)
Cash and cash equivalents at the end of the period	21 921

Headline earnings and distributable income reconciliation

	Period from 4 January 2016 to 31 December 2016 EUR'000
Profit for the period attributable to EPP shareholders	76 764
Change in fair value of investment properties	(44 719)
Headline and diluted earnings attributable to EPP shareholders	32 045
Amortised cost valuation of long-term financial liabilities	(1 502)
Straight-line rental income accrual (net of taxation)	(1 233)
Prepaid rental income	(251)
Deferred tax charge	18 546
Accelerated amortisation of debt fee	5 881
Foreign exchange gains	(2 192)
Consolidation adjustment on acquisition (goodwill impairment)	494
Participation of profits in joint ventures	(12 526)
Capital gains	(5 255)
Distributable income	34 007
Actual number of shares in issue	586 051 293
Weighted number of shares in issue	366 544 911
Basic and diluted earnings per share (EUR cents)*	20,9
Headline earnings and diluted headline earnings per share (EUR cents)**	8,7
Distributable income per share (EUR cents)	5,8

* 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.

Segment information

for the year ended 31 December 2016

The group is considered to have two reportable segments, as follows:

- ▶ Retail: acquires, develops and leases shopping malls; and
- ▶ 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.

	Retail EUR'000	Office EUR'000	Total EUR'000
Period ended 31 December 2016			
Segment profit			
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)
Year ended 31 December 2016			
Segment assets			
Investment in joint ventures	54 285	–	54 285
Investment property	972 392	387 040	1 359 432
Total segment assets	1 026 677	387 040	1 413 717
Bank borrowings	564 241	230 380	794 621
Total segment liabilities	564 241	230 380	794 621

All revenues were generated from external customers based in Poland.

All investment properties are located in Poland.

Company information

Directors

Hadley Dean (chief executive officer)
Maciej Drozd (chief financial officer)[^]
Robert Weisz* (chairman)
Marek Belka*
Peter Driessen*
Maciej Dyjas**
Dionne Hirschowitz*
Andrew König**
Nebil Senman**
Andrea Steer*
Marc Wainer**

* *Independent non-executive.*

** *Non-executive.*

[^] *Post year-end effective 9 March 2017 Maciej Drozd stepped down as chief financial officer but continues as non-executive director. Jacek Bagiński was appointed as chief financial officer in his stead effective 9 March 2017.*

Registered office

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