



UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019



EPP 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")

FINANCIAL HIGHLIGHTS

◆ Net property income up 8.5%
to **€71.8 million**
(June 2018: €66.2 million)

◆ Distributable earnings up 9%
to **€52.6 million**
(June 2018: €48.3 million)

◆ Distribution per share
flat at **€5.80 cents**
(June 2018: €5.82 cents)

◆ Total investment properties
and joint ventures increased
to **€2.46 billion** up 6%
(December 2018: €2.34 billion)

◆ LTV declined to **49.8%**
(December 2018: 51.9%)

◆ NAV per share **€1.33**
(December 2018: €1.35)

OPERATIONAL HIGHLIGHTS

◆ Footfall up **2%**

◆ Tenant sales up **6%**

◆ Successfully acquired tranche
2 of the M1 portfolio, adding
141 000 m²

◆ Flagship Galeria Młociny
opened May 2019 – first
retail entry into lucrative
Warsaw market

◆ Disposal of **70%** share in
86 000 m² GLA offices and
formation of JV partnership



Consolidated statement of profit or loss

	Unaudited period from 1 January 2019 until 30 June 2019 €'000	Unaudited period from 1 January 2018 until 30 June 2018 €'000
Rental income	76 352	67 145
Service charge income	24 842	25 304
Property operating expenses	(29 356)	(26 235)
Net property income	71 838	66 214
Other income	21	735
Other expenses	(345)	(972)
Administrative expenses	(7 266)	(6 728)
Net operating profit	64 248	59 249
Gain on investment properties	8 759	28 802
Profit from operations	73 007	88 051
Finance income	953	1 236
Finance costs	(22 267)	(16 689)
Foreign exchange (losses)/gains	(9 274)	5 853
Participation in profits of joint ventures	3 142	25 321
Profit before taxation	45 561	103 772
Current income tax	(5 263)	(4 883)
Deferred tax	(5 870)	(19 490)
Profit for the period	34 428	79 399
Profit for the period attributable to EPP shareholders	34 428	79 399
Basic and diluted earnings per share (€ cents)	4.0	10.0
Headline earnings and diluted headline earnings per share (€ cents)	3.0	6.4



Consolidated statement of other comprehensive income

	Period from 1 January 2019 until 30 June 2019 €'000	Period from 1 January 2018 until 30 June 2018 €'000
Profit for the period	34 428	79 399
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		
Foreign currency translation reserve	8 954	(8 563)
Total comprehensive income for the period, net of tax	43 382	70 836
Total comprehensive income attributable to the parent for the period, net of tax	43 382	70 836

Consolidated statement of financial position

	Unaudited as at 30 June 2019 €'000	Audited as at 31 December 2018 €'000
ASSETS		
Non-current assets	2 477 946	2 360 360
Investment property	2 294 133	2 201 737
Investment in joint ventures	170 068	138 698
Tangible assets	–	–
Loans receivable	13 219	16 202
Other non-current assets	91	1 815
Deferred tax asset	435	1 908
Current assets	141 785	111 355
Inventory	132	250
Tax receivable	1 750	589
Trade and other receivables	19 644	16 970
Loans receivable	7 136	5 635
Restricted cash	21 603	27 571
Cash and cash equivalents	91 520	60 340
Total assets	2 619 731	2 471 715
EQUITY AND LIABILITIES		
Equity	1 105 753	1 022 688
Share capital	735 437	672 292
Share premium	228 227	203 318
Treasury shares	(2 142)	–
Accumulated profit	134 263	147 250
Share-based payment reserve	7 107	5 921
Foreign currency translation reserve	2 861	(6 093)
Non-current liabilities	1 439 622	1 387 212
Bank borrowings	1 291 784	1 273 767
Loans payable	–	–
Other liabilities	44 533	16 335
Deferred tax liability	103 305	97 110
Current liabilities	74 356	61 815
Bank borrowings	33 407	30 575
Loans payable	–	92
Tax payables	1 031	1 960
Trade and other payables	39 918	29 188
Provisions	–	–
Total liabilities	1 513 978	1 449 027
Total equity and liabilities	2 619 731	2 471 715

Statement of changes in equity

	Share capital €'000	Share premium/ capital reserves €'000	Treasury shares €'000	Accumulated profit/ (loss) €'000	Foreign currency translation reserve €'000	Share-based payment reserve €'000	Total equity €'000
Balance as at 31 December 2018 (audited)	672 292	203 318	–	147 250	(6 093)	5 921	1 022 688
Profit for the year	–	–	–	34 428	–	–	34 428
Other comprehensive income from joint ventures	–	–	–	–	952	–	952
Other comprehensive income	–	–	–	–	8 002	–	8 002
Total comprehensive income	–	–	–	–	8 954	–	8 954
Issue of ordinary shares	63 145	26 343	–	–	–	–	89 488
Transaction cost related to issuance of shares	–	(1 434)	–	–	–	–	(1 434)
Share-based payments expenses	–	–	–	–	–	1 186	1 186
Acquisition of own shares	–	–	(2 142)	–	–	–	(2 142)
Transfer of own shares	–	–	–	–	–	–	–
Dividends provided for or paid	–	–	–	(47 415)	–	–	(47 415)
Balance as at 30 June 2019 (unaudited)	735 437	228 227	(2 142)	134 263	2 861	7 107	1 105 753

	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	-	-	-	79 399	-	-	79 399
Other comprehensive income	-	-	-	-	(5 565)	-	(5 565)
Other comprehensive income from joint ventures	-	-	-	-	(2 997)	-	(2 997)
Total comprehensive income	-	-	-	-	(8 562)	-	(8 562)
Issue of ordinary shares	71 752	40 748	-	-	-	-	112 500
Transaction cost related to issuance of shares	-	(614)	-	-	-	-	(614)
Acquisition of own shares	-	-	(2 312)	-	-	-	(2 312)
Recognition of share-based payments	-	-	-	-	-	1 785	1 785
Dividend paid	-	-	-	(40 029)	-	-	(40 029)
Balance as at 30 June 2018 (unaudited)	642 778	187 668	(3 095)	150 789	(8 846)	6 694	975 988

Condensed consolidated statement of cash flow

	Unaudited period from 1 January 2019 until 30 June 2019 €'000	Unaudited period from 1 January 2018 until 30 June 2018 €'000
Cash generated from operations	46 391	64 472
Tax paid	(5 445)	(3 910)
Net cash generated from operating activities	40 946	60 562
Investing activities		
Purchase of investment property	(232 379)	(375 874)
Proceeds from disposal of investment property	60 179	–
Capital expenditure on completed investment property	(11 068)	(14 997)
Loans granted	–	–
Loans repaid	3 017	9 950
Net cash (utilised in)/generated from investing activities	(180 251)	(380 921)
Financing activities		
Proceeds from borrowings	180 832	249 526
Repayment of borrowings	(48 843)	(10 195)
Borrowing arrangement fees	–	–
Proceeds from issue of share capital	89 488	112 500
Transaction costs on issue of shares	(1 435)	(614)
Treasury shares	–	(2 313)
Acquisition of own shares	(2 142)	–
Dividends paid	(47 415)	(40 029)
Loans repaid	–	(17 892)
Interest paid	–	(12 250)
Interest received	–	800
Net cash generated from/(utilised in) financing activities	170 485	279 533
Net increase/(decrease) in cash and cash equivalents	31 180	(40 826)
Cash and cash equivalents at the beginning of the period	60 340	99 544
Effect of foreign exchange fluctuations	–	(1 621)
Cash and cash equivalents at the end of the period	91 520	57 097

Headline earnings reconciliation

	Unaudited period from 1 January 2019 until 30 June 2019 €'000	Unaudited period from 1 January 2018 until 30 June 2018 €'000
Profit for the period attributable to EPP shareholders	34 428	79 399
Change in fair value of investment properties	(9 043)	(28 802)
Headline and diluted earnings attributable to EPP shareholders	25 385	50 597
Actual number of shares in issue	907 946 793	793 552 888
Weighted number of shares in issue	829 989 804	793 552 888
Basic and diluted earnings per share (€ cents)*	4.0	10.0
Headline earnings and diluted headline earnings per share (€ cents)**	3.0	6.4

* 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 June 2019 the company manages a portfolio of 24 retail centres and six high-quality offices located in the majority of regional cities in Poland. In addition to these income-generating properties, EPP owns the Towarowa 22 development in Warsaw. The flagship Warsaw development Galeria Młociny successfully opened in May 2019. By the end of 2020 EPP expects to own 28 shopping centres post the conclusion of the final tranche of the M1 transaction.

At period end EPP owned and operated approximately 900 000 m² of retail gross lettable area (“GLA”) and 147 000 m² of office GLA, including 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 future purchases of retail assets.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 30 June 2019 (“the period”) has been prepared in accordance with International Financial Reporting Standards, 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 2018.

These financial results have not been reviewed or reported on by the company’s auditors.

3. SIGNIFICANT ACCOUNTING POLICIES – IMPACT OF NEW STANDARDS

IFRS 16: Leases

The standard is effective for periods beginning on or after 1 January 2019 and has been adopted by the group. The group implemented the standard using the modified retrospective method, with the cumulative

effect of the first application as at 1 January 2019, without restating the comparative data. On a transition to IFRS 16 the group recognised an additional €33.4 million of right-of-asset (added to the value of investment property) and €33.4 million of lease liabilities, recognising the difference in retained earnings for each group of the identified lease contracts: office rental, cars and IT equipment, perpetual usufruct rights to land, land lease agreements.

4. FINANCIAL RESULTS

The net profit for the period amounted to €34.4 million and distributable income totalled €52.7 million. Net asset value (“NAV”) amounted to €1 208.6 million equating to a NAV per share of €1.33. The net loan-to-value ratio as of 30 June 2019 was 49.8%.

Acquisition of the M1 portfolio – acquisition of tranche 2 – June 2019

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. In January 2018, the group successfully purchased the first tranche of the M1 portfolio consisting of four properties for a consideration of €359 million.

In June 2019 EPP finalised tranche 2. The total purchase price was €224 million and consisted of four shopping centres totalling 141 000 m². This transaction increased EPP’s footprint in Radom, Bytom, Częstochowa and Poznań. The acquisition is in line with EPP’s strategy to acquire dominant retail centres with strong fundamentals and upside potential.

The third and final tranche of the M1 portfolio will consist of a further four properties with an aggregate GLA of 110 000 m² and is expected to be concluded in June or July 2020.

The delay in completing the third tranche acquisition 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.

April 2019 capital raise

During April 2019 EPP successfully placed 77 956 989 new shares with various new and existing shareholders at a price of R18.60 per share. The proceeds were used to partially fund the acquisition of tranche 2 of the M1 portfolio.

Opening of Galeria Młociny – May 2019

Galeria Młociny successfully opened on 23 May 2019. The shopping centre is owned 70% by EPP, while Echo Investment holds the remaining 30%. This is the most modern shopping centre in Warsaw, located in the northern part of the city adjacent to a transportation hub that sees 24 million passengers on an annual basis. Galeria Młociny comprises nearly 85 000 m² of modern, well-designed space featuring more than 6 000 m² of restaurant and entertainment options. Gastronomy is a unique feature of the centre and within Poland’s capital city, with the food hall showcasing several different zones to appeal to a broad range of different customers. There are cosy cafés, street food trucks as well as outdoor dining options.

Commentary *(continued)*

In addition to a family zone with both indoor and outdoor play options for the children, there are dedicated spaces for coworking adjacent to the food hall. The centre also features the first multiplex cinema in the district with 10 screens and seats that fully recline. The major retailers in the shopping centre include CCC, ZARA, TKMAXX and a number of other major brands. Galeria Młociny will also be the home of the first Primark in Poland.

Disposal of offices and formation of JV – June 2019

On 24 June 2019 EPP concluded a sale agreement to dispose of a 70% share in three of its office assets with GLA totalling 86 000 m² to JV partner Henderson Park Private Equity Fund, a pan-European private equity real estate platform. EPP will retain the asset management and property management responsibilities over these assets. The disposal is in line with EPP's strategy to recycle office assets to enable EPP to focus on EPP's positioning as the leading Polish retail real estate company. The proceeds from the disposal will be used to fund future retail opportunities and to reduce EPP's leverage.

5. SEGMENT INFORMATION

Unaudited	Retail €'000	Office €'000	Unallocated €'000	Total €'000
Six months ended 30 June 2019				
Segment profit				
Rent and recoveries income	85 082	16 076	36	101 194
Property operating expenses	(24 392)	(4 952)	(12)	(29 356)
Net property income	60 690	11 124	24	71 838
As at 30 June 2019				
Segment assets				
Investment in joint ventures	142 679	27 389	–	170 068
Investment property	2 154 314	139 819	–	2 294 133
Total segment assets	2 296 993	167 208	–	2 464 201
Bank borrowings	1 113 880	61 768	149 543	1 325 191
Total segment liabilities	1 113 880	61 768	149 543	1 325 191

Headline earnings to distributable income reconciliation

	Unaudited period from 1 January 2019 until 30 June 2019 €'000	Unaudited period from 1 January 2018 until 30 June 2018 €'000
Headline and diluted earnings attributable to EPP shareholders	25 385	50 597
Amortised cost valuation of long-term financial liabilities	2 984	2 469
Unrealised foreign exchange and other items	9 274	(5 853)
Fair value losses/(gains) in joint ventures	1 005	(25 096)
Change in deferred tax	4 206	19 490
Provision for long-term incentive plan	1 186	1 785
Other non-distributable items	5 773	2 793
Antecedent dividend*	2 848	2 121
Distributable income	52 661	48 306
Actual number of shares in issue	907 946 793	793 552 888
Shares issued on 31 July 2018	–	36 436 916
Shares in issue for distributable earnings	907 946 793	829 989 804
Distributable income per share (€ cents)	5.80	5.82

* Antecedent dividend for 2018 relates to the issuance of shares on 24 July 2018 in connection with the acquisition of King Cross Marcellin Shopping Centre. Antecedent dividend for 2019 relates to the equity issue on 24 April 2019.

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.

The board has declared an interim dividend of €5.80000 cents per ordinary share for the six months ended 30 June 2019.

A further announcement informing shareholders of the salient dates and tax treatment of the dividend will be released in due course.

Group management report

PORTFOLIO PERFORMANCE

During the period, the company increased the number of retail properties from 19 to 24 assets with the successful acquisition of tranche 2 of the M1 portfolio and the opening of Galeria Młociny. The average GLA of the new acquisitions was over 40 000 m² GLA per asset which is in 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 220 000 m² in the first half of the year, which brings EPP's total retail exposure to 900 000 m².

Operationally the business continues to perform well despite the introduction of the Sunday trading ban in March 2018. As expected consumer habits have changed with Sunday footfall being transferred to other days of the week. This resulted in an increase in footfall of 2% and sales up 6%. Vacancies remain very low with the retail portfolio nearly fully occupied.

EPP's flagship Warsaw-based shopping centre Galeria Młociny successfully opened on 23 May 2019. With almost 85 000 m² of GLA, this is the most modern shopping centre in Warsaw and includes many new and exciting brands. The shopping centre will be the home of the first Primark store in Poland.

Vacancy profile

The vacancy profile indicated below reflects the vacancy percentage in terms of current GLA by sector, including the Metro Master Lease Agreement (M1 transaction).

	Unaudited 30 June 2019
Vacancy based on total GLA (%)	
Office	0.72
Retail	0.47
Total	1.19

Tenants

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

Geographic profile

City	Project	By fully let net operating income	
		By GLA %	("NOI") %
Wrocław	Pasaż Grunwaldzki	4.61	7.62
Szczecin	Galaxy, Outlet, Oxygen	9.47	13.45
Kielce	Galeria Echo, Astra Park	8.27	8.28
Kalisz	Galeria Amber	3.22	3.19
Łomża	Galeria Veneda	1.44	1.42
Jelenia Góra	Galeria Sudecka	2.90	2.13
Bełchatów	Galeria Olimpia, CH Bełchatów	3.14	2.04
Przemysł	Centrum Handlowe Przemysł	0.55	0.23
Kraków	Zakopianka, Opolska Business Park, M1	10.91	11.18
Zamość	Twierdza Zamość	2.28	2.16
Kłodzko	Twierdza Kłodzko	2.20	1.84
Wrocław	Wzorcownia Wrocławek	2.44	2.26
Inowrocław	Galeria Solna	2.26	2.27
Poznań	Malta Office Park; M1	6.68	6.15
Warszawa	Park Rozwoju; Młociny	11.02	14.55
Łódź	Symetris, M1	5.53	3.48
Czeladź	M1	5.15	4.63
Zabrze	M1	5.06	3.38
Poznań	King Cross Marcelin	4.36	3.85
Bytom	M1	2.62	1.56
Częstochowa	M1	2.78	1.85
Radom	M1	3.11	2.48

Sectoral profile

	By GLA %	By fully let NOI %
Retail	85.83	86.29
Office	14.17	13.71
Total	100.00	100.00

Group management report *(continued)*

WAULT*

	By GLA	By rental income
Sector		
Retail	4.83	4.11
Office	4.07	4.05

* Weighted average unexpired lease term in years.

CHANGES TO THE BOARD

The following board changes occurred during the period: Mr Taco de Groot, Mr Pieter Prinsloo and Mr James Templeton were appointed to the EPP board of directors ("**board**") as non-executive directors on 11 June 2019. Mr Andrew König, Mr Nebil Senman and Mr Pieter Driessen retired from the board at the conclusion of EPP's annual general meeting held on 11 June 2019.

PROSPECTS

EPP has a quality portfolio of dominant retail properties complemented by high-quality office properties. The company remains focused on integrating its recent acquisitions into the portfolio, exploring asset management opportunities and implementing 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 previously stated full year distribution per share guidance of flat or better.

By order of the board

EPP N.V.

6 September 2019

Company information

Directors

Hadley Dean (chief executive officer)

Jacek Bagiński (chief financial officer)

Robert Weisz* (Chairman)

Marek Belka*

Maciej Dyjas**

Dionne Elleringe*

Andrea Steer*

Marc Wainer**

James Templeton**

Pieter Prinsloo**

Taco de Groot*

* *Independent non-executive*

** *Non-executive*

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