

## ECHO POLSKA PROPERTIES N.V.

(Incorporated in The Netherlands)

(Company number 64965945)

JSE share code: EPP

ISIN: NL0011983374

LEI Code: 7245003P7O9N5BN8C098

(“EPP”)



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## ACQUISITION OF MARCELIN SHOPPING CENTRE, POZNAŃ

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Shareholders are advised that EPP has, through its wholly-owned Polish subsidiary, EPP Development 7 Sp. z o.o., 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, subject to working capital and other potential adjustments (the “**transaction**” or “**acquisition**”). To this end, EPP will acquire 100% of the equity in Poznań Żonkil S.A. (“**Poznań Żonkil**”), which holds the legal title (partly in the form of ownership rights and partly as the holder of perpetual usufruct rights) to the property in Poznań, Poland.

### RATIONALE FOR THE TRANSACTION

King Cross Marcelin presents a unique opportunity to acquire a shopping centre, dominant in its catchment area, at a price with material discount compared to other regional markets. The initial yield of the acquisition is 7.3%, compared to 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.

“As Poznań is one of Poland’s strongest regional markets, we are excited to find an asset that has strong KPIs, adds to the scale of EPP and provides long-term growth potential with its asset management opportunities,” said EPP’s CEO, Hadley Dean. “We are confident that this will strengthen our portfolio of properties in Poland’s most lucrative markets, and, more importantly, will deliver value to all our shareholders.”

The acquisition will be funded through a combination of debt, existing cash resources and the balance by way of an equity capital raise (in an amount of approximately EUR45 million) to be effected by way of a bookbuild process. Redefine Properties Limited (“**Redefine**”) has committed to participate to the full value of capital to be raised pursuant the bookbuild process at a price of not less than EUR1.235 per share without Redefine receiving any pre-commitment or other fees in consideration for its participation.

“Whilst we had been looking at this asset for some time, we had not anticipated raising equity. However, given our share price, we believe this acquisition now makes economic sense and will further solidify our position as the leading retail landlord in Poland,” Dean said.

Poznań is the administrative and economic capital of the Wielkopolska region, the third most populous voivodeship in Poland. The number of the city’s residents stands at 540 400 while the larger Poznań Metropolitan Area is home to nearly 833 000 people. Poznań boasts one of the strongest economies of any city in Poland. It has an unemployment rate amongst the lowest nationwide (1.5% as of February 2018 compared to 3.9% for Wielkopolska Voivodeship, and 6.8% for Poland) and a GDP per capita figure that is second only to of Warsaw. According to MBR (Dec. 2016) the annual purchasing power per capita in Poznań (city level) amounted to €8,960, which is noticeably higher (37% above) than national average of €6,523.

King Cross Marcelin is the major shopping destination in western Poznań with an immediate catchment of over 202,000 people living within a 15 minutes’ drive, and directly adjacent to the property, the Business Garden Poznań 135,000 m<sup>2</sup> business park is currently under construction which will attract an additional 12,000 people daily to the catchment area. The local average per capita purchasing power is close to €9,000 (137% of national average). An additional 459,000 people live within a 16 to 30 minutes’ 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.

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 Mc Donalds.

## SALIENT TERMS OF THE TRANSACTION

The transaction is expected to close on 25 July 2018, but by no later than 27 July 2018 (the “closing date”). The purchase consideration for the transaction will be paid in cash on the closing date.

The transaction is unconditional. However, EPP and the seller have the right to withdraw from the transaction if any of the following pre-closing covenants are not fulfilled:

- the conclusion of an escrow agreement;
- delivery of a pay-off letter by the bank with respect to current credit facility;
- the transfer of the pay-off hedge amount to the escrow account;
- the transfer of the purchase price to the escrow account;
- the execution of insurance agreements (with respect to title and representations and warranties) and payment of insurance premiums to the escrow account; and
- the execution of an agreed corporate restructuring by the seller.

In accordance with Polish law, a final share purchase agreement will be concluded between the parties on the closing date on the same terms as the preliminary acquisition agreement.

The preliminary acquisition agreement includes warranties, indemnities and undertakings which are normal for a transaction of this nature.

## PROPERTY SPECIFIC INFORMATION

The property specific information required in terms of the JSE Listings Requirements in relation to the property includes property name and address, geographical location, rentable area, weighted average rental per square metre and value attributable to the property is set out below:

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<b>Property name and address</b>	King Cross Marcelin, Bukowska 156, 60-198 Poznań
<b>Sector</b>	Retail
<b>Geographic location</b>	Poznań, Poland
<b>Gross lettable area (m<sup>2</sup>)</b>	45 353 m <sup>2</sup>
<b>Weighted average rental per m<sup>2</sup></b>	€13.0
<b>Value attributed to the property</b>	€95.8 million
<b>Profits attributable to the property</b>	€7.0 million

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The EPP board is satisfied that the value the property is in line with the purchase price being paid for the property by EPP. The directors of EPP are not registered as independent professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000.

## CATEGORISATION OF THE TRANSACTION

The transaction is classified as a category 2 transaction in terms of paragraph 9.5(a) of the JSE Listing Requirements of the JSE Limited and accordingly, is not subject to approval by EPP shareholders.

29 May 2018

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JSE sponsor and Corporate Advisor

**JAVACAPITAL**

Luxembourg Stock Exchange Listing Agent

**M**Partners

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