

ECHO POLSKA PROPERTIES N.V.
(Incorporated in The Netherlands)
(Company number 64965945)
JSE share code: EPP
ISIN: NL0011983374
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("EPP" or "the company")

FURTHER ANNOUNCEMENT - ACQUISITION OF A POLISH RETAIL PROPERTY PORTFOLIO AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are referred to the initial announcement issued by EPP on 11 October 2017 (the "initial announcement") in which it was announced that, *inter alia*, EPP had reached an agreement to acquire a portfolio of retail properties (the "Specified Portfolio") for a combined consideration that values the portfolio at Euro 692.1 million (collectively, the "Transaction").

For the sake of clarity and comprehension, much of the initial announcement will be repeated herein to ensure a full understanding of the Transaction.

The Specified Portfolio comprises eight M1 superregional shopping centres (with GLAs ranging from 30 000 m² to 55 000 m²) and four PP power retail parks (with GLAs ranging from 20 000 m² to 35 000 m²) with over 620 stores situated in strong regional cities across Poland. The Specified Portfolio has an aggregate gross lettable area of 446 500 square metres.

Further details of the Specified Portfolio are set out in paragraph 2 below.

The sale of the Specified Portfolio will occur in three separate tranches of –

- firstly, the First Tranche Portfolio comprising 4 properties (identified in paragraph 2 below) with an aggregate GLA of 194 400 m², an aggregate value of Euro 358.7 million and an aggregate purchase consideration of Euro 135.0 million (the "First Tranche Acquisition");
- secondly, the Second Tranche Portfolio comprising a further 6 properties (identified in paragraph 2 below) with an aggregate GLA of 184 000 m², an aggregate value of Euro 222.5 million and an aggregate purchase consideration of Euro 75.2 million (the "Second Tranche Acquisition"); and
- thirdly, the Third Tranche Portfolio comprising a further 2 properties (identified in paragraph 2 below) with an aggregate GLA of 68 100 m², an aggregate value of Euro 110.9 million and an aggregate purchase consideration of Euro 44.1 million (the "Third Tranche Acquisition").

The expected completion date of the –

- First Tranche Acquisition is late December 2017 or January 2018;
- Second Tranche Acquisition by either 27 June 2019 or 10 July 2019 (if the completion date is extended in accordance with the terms of the Master Purchase Agreement, as defined below) (the "STP effective date"); and
- Third Tranche Acquisition by either 29 June 2020 or 9 July 2020 (if the completion date is extended in accordance with the terms of the Master Purchase Agreement, as defined below) (the "TTP effective date").

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. To the extent, that the Seller

(as defined below) is unable to do so, the Seller will guarantee minimum rental amounts in respect of the Specified Portfolio, referred to in paragraphs 3.4, 3.5 and 3.6 below.

2. PROPERTY SPECIFIC INFORMATION

Property name and locations	Sector	GLA (m ²)	Net operating income (EUR' M)	Weighted average rental per m ² per month (EUR)	Purchase consideration of the shares in property owning company (net of company debt) (EUR' M)	Value attributed to the property (EUR'M)
First Tranche Portfolio						
M1 Czeladz	Retail	53 600	8.1	12.6	56.2	123.5
M1 Krakow	Retail	49 600	8.1	13.6	57.7	126.3
M1 Lodz	Retail	38 400	3.1	6.8	3.1	33.7
M1 Zabrze	Retail	52 800	5.8	9.1	18.0	75.2
		194 400	25.1	10.8	135.0	358.7
Second Tranche Portfolio						
M1 Bytom	Retail	28 200	2.1	6.1	1.9	22.9
M1 Czestochowa	Retail	29 900	3.3	9.1	25.6	51.4
M1 Radom	Retail	37 000	4.1	9.3	24.2	58.3
Power Park Olsztyn	Retail	32 500	2.4	6.1	9.0	31.8
Power Park Opole	Retail	20 700	1.7	6.8	5.2	22.6
Power Park Kielce	Retail	35 700	2.7	6.4	9.3	35.6
		184 000	16.3	7.4	75.2	222.5
Third Tranche Portfolio						
M1 Poznan	Retail	45 400	5.9	10.9	40.2	89.2
Power Park Tychy	Retail	22 700	1.7	6.2	3.9	21.7
		68 100	7.6	9.3	44.1	110.9
Total		446 500	49.0	9.1	254.3	692.1

The values attributed to each of the properties as at 10 October 2017 is considered to be its fair market value, as determined by the directors of the company. The directors of the company are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Act, No.47 of 2000.

The company is expected to incur a further circa Euro 26 million in expenditure in connection with the Transaction (which amount includes transfer taxes and stamp duties, agent's commission and other transaction and advisory costs).

3. TRANSACTION TERMS AND CONDITIONS

An agreement was entered into on 10 October 2017 between, *inter alia*, EPP, as the purchaser (the "Purchaser") and Chariot Top Group B.V. (held as to 37,5% by LVS II Lux XXVII S.à r.l) an entity managed by Pacific Investment Management Company, LLC ("Pimco"), 37,5% by funds managed by Oaktree Capital Management L.P. ("Oaktree") and 25% by Redefine Properties Limited), as the seller, (the "Seller" or "Chariot") (the "Master Purchase Agreement") in terms of which, as part of a broader transaction in which Chariot will acquire a large property portfolio of 28 properties (including, not only, the Specified Portfolio) (the "Chariot Transaction"), Chariot sells to EPP, shares in 12 companies (wholly-owned by the Seller) which companies will own directly or through their respective wholly-owned subsidiaries the Specified Portfolio.

3.1. First Tranche Acquisition

- 3.1.1. The “First Tranche Portfolio” (“FTP”) is as indicated in paragraph 2.
- 3.1.2. A preliminary share purchase agreement, relating to 100% of the shares in those wholly-owned subsidiaries of the Seller (the “FTP companies”) which will hold 100% of the shares in each company holding a property comprising the FTP, has been entered into (the “FTP PSPAs”).
- 3.1.3. Subject to the satisfaction of certain conditions precedent (the “FTP conditions”), which are going to be fully fulfilled in late December 2017 or January 2018, the Seller and the Purchaser shall be obliged to enter into a final share purchase agreement in respect of each of the FTP companies (the “FTP final agreement”) in terms of which the Seller sells to the Purchaser, all of the shares in all FTP companies with effect from the execution of the FTP final agreement which is expected to be by end of December 2017/January 2018 (the “FTP effective date”) for the aggregate purchase consideration of Euro 135 million (the “FTP purchase price”) to be settled in cash, Euro 97.5 million of which will be funded by the issue of EPP shares for cash at an issue price of Euro 1.270 per EPP share to GPF EPP BV (an entity managed by LVS II Luxembourg II S.à r.l (“Pimco”) and Oaktree) and Euro 37.5 million of which will be funded from the cash resources of EPP derived from the proceeds of recycling office assets.
- 3.1.4. The FTP purchase consideration is payable by EPP to the Seller on the FTP effective date.
- 3.1.5. The FTP conditions include –
- the completion of the Chariot Transaction;
 - an anti-monopoly clearance in respect of the transfer of the shares in the FTP companies to the Purchaser having been obtained;
 - senior lenders to the FTP companies consenting to the sale of the shares in the FTP companies to the Purchaser.
- 3.1.6. The FTP purchase price for each FTP company is calculated as the gross asset value of the relevant underlying property letting enterprise decreased by the value of indebtedness of each FTP company under the loans provided by the senior lenders and the FTP company’s shareholders; and further adjusted in accordance with the formula provided by the FTP PSPAs.
- 3.1.7. Net operating income for the FTP on an annualised basis going forward from 10 October 2017 amounts to Euro 25.1 million.
- 3.1.8. The Seller has provided normal warranties and indemnities for a transaction of this nature. The FTP companies will also benefit from title insurance and warranty and indemnity insurance arranged by the Seller.

3.2. Second Tranche Acquisition

- 3.2.1. The “Second Tranche Portfolio” (“STP”) is as indicated in paragraph 2.
- 3.2.2. A preliminary share purchase agreement, relating to 100% of the shares in those wholly-owned subsidiaries of the Seller (the “STP companies”) which will hold a property comprising the STP, has been entered into (the “STP PSPA”).
- 3.2.3. Subject to the fulfilment of certain conditions precedent (the “STP conditions”) by 20 June 2019, the Seller and the Purchaser shall be obliged to enter into final share purchase agreements in respect of each of the STP companies (the “STP final agreement”) in terms of which the Seller sells to the Purchaser, all of the shares in all STP companies with effect from the execution of the STP final agreements and receipt of the STP purchase price (defined below) on the STP effective date.
- 3.2.4. The aggregate purchase consideration payable by the Purchaser to the Seller for the shares in the STP companies is Euro 75.2 million (the “STP purchase price”).
- 3.2.5. The STP purchase price is payable by the Purchaser to the Seller once the STP final agreement is executed by the parties thereto.
- 3.2.6. The STP conditions include –
- the completion of the sale of the Chariot Transaction;
 - no new encumbrances having been created and not discharged on any of the shares or material assets of the STP companies;

- an anti-monopoly clearance in respect of the transfer of the shares in the STP companies and the TTP companies to the Purchaser having been obtained;
 - a pay-off letter stipulating for, *inter alia*, the total amount due to the senior lender by the STP company as at the STP effective date, having been issued by the senior lender;
 - senior lenders to the STP companies consenting to the sale of the shares in the STP companies to the Purchaser.
- 3.2.7. The Seller may exclude the STP company which holds Power Park Olsztyn with a value of Euro 31.8 million from the sale by means of a written notice to the Purchaser by not later than 31 June 2018.
- 3.2.8. The STP purchase price for each STP company is calculated as the gross asset value of the relevant underlying property letting enterprise decreased by the value of indebtedness of each STP company under the loans provided by the senior lenders and the STP company's shareholders; and further adjusted in accordance with the formula provided by the STP PSPA.
- 3.2.9. Net operating income for STP on an annualised basis going forward from 10 October 2017 amounts to Euro 16.3 million.
- 3.2.10. The STP companies will also benefit from title insurance and warranty and indemnity insurance arranged by the Seller.

3.3. Third Tranche Acquisition

- 3.3.1. The "Third Tranche Portfolio" ("TTP") is as indicated in paragraph 2.
- 3.3.2. A preliminary share purchase agreement, relating to 100% of the shares in those wholly-owned subsidiaries of the Seller (the "TTP companies") which will hold a property comprising the TTP, has been entered into (the "TTP PSPA").
- 3.3.3. Subject to the fulfilment of certain conditions precedent (the "TTP conditions") by 20 June 2020, the Seller and the Purchaser shall be obliged to enter into final share purchase agreements in respect of each of the TTP companies (the "TTP final agreement") in terms of which the Seller sells to the Purchaser, all of the shares in all TTP companies with effect from the execution of the TTP final agreements and receipt of the TTP purchase price (defined below) on the TTP effective date.
- 3.3.4. The aggregate purchase price payable by the Purchaser to the Seller in respect of the TTP companies is Euro 44.1 million (the "TTP purchase price").
- 3.3.5. The TTP purchase price is payable by the Purchaser to the Seller once the TTP final agreement is executed by the parties thereto.
- 3.3.6. The TTP conditions are –
- the completion of the Chariot Transaction;
 - no new encumbrances having been created and not discharged on any of the shares or material assets of the TTP companies;
 - an anti-monopoly clearance in respect of the transfer of the shares in the STP companies and the TTP companies to the Purchaser having been obtained;
 - a pay-off letter stipulating for, *inter alia*, the total amount due to the senior lender by the TTP company as at the TTP effective date, having been issued by the senior lender;
 - senior lenders to the TTP companies consenting to the sale of the shares in the TTP companies to the Purchaser.
- 3.3.7. The TTP purchase price for each TTP company is calculated as the gross asset value of the relevant underlying property letting enterprise decreased by the value of indebtedness of each TTP company under the loans provided by the senior lenders and the TTP company's shareholders; and further adjusted in accordance with the formula provided by the TTP PSPAs.
- 3.3.8. Net operating income for TTP on an annualised basis going forward from 10 October 2017 amounts to Euro 7.6 million.
- 3.3.9. The Seller has provided normal warranties and indemnities for a transaction of this nature. The TTP companies will also benefit from title insurance and warranty and indemnity insurance arranged by the Seller.

3.4. Rental guarantee

- 3.4.1. A rental guarantee has been furnished by the Seller to the Purchaser in respect of each of the underlying properties of the Specified Portfolio so that if the amount of actual annual rent received is less than the amount of sustainable annual rental income (as specified in the Master Purchase Agreement and calculated in accordance with the current market rent levels) in respect of an underlying property, then the Seller shall pay to the Purchaser an amount equal to such deficit. Correspondingly, if there is an excess amount (i.e. the amount of the actual rent exceeds the sustainable rental income) then the Purchaser shall pay to the Seller an amount equal to such excess.
- 3.4.2. The rental guarantee in respect of –
- the First Tranche Portfolio commences on the FTP effective date;
 - the Second Tranche Portfolio commences on the STP effective date;
 - the Third Tranche Portfolio commences on the TTP effective date;
- and ends on the earlier of (i) the fourth anniversary from the FTP effective date or (ii) the date on which the arrangements under the Metro Lease Agreements (as defined below) have been negotiated and concluded on terms and conditions meeting minimum requirements of EPP.

3.5. The Metro Lease Agreements

- 3.5.1. Each of the underlying properties of the Specified Portfolio was developed by affiliates of Metro AG between 2004 and 2005 before being sold to A-R-A Retail Centers S.a.r.l (“ARA”) from whom Chariot is purchasing its larger portfolio of 28 properties (including the Specified Portfolio).
- 3.5.2. Certain of the underlying properties of the Specified Portfolio are subject to a master lease agreement with Metro Properties sp.z.o.o (“Metro”) (together the “Metro Lease Agreement/s”) which Metro Lease Agreements will be transferred to the Purchaser upon the relevant effective date. Each Metro Lease Agreement is secured by an agreement in terms of which Metro Wholesale & Food Specialist AG (the parent company of Metro) is jointly liable for all Metro’s current and future payment obligations under the Metro Lease Agreements as a joint and several debtor against the Seller. Such security arrangements will be transferred to the FTP companies, STP companies and TTP companies together with the Metro Lease Agreements.
- 3.5.3. The Master Purchase Agreement provides specific terms and conditions for a potential early termination of the Metro Lease Agreements including, *inter alia*, the conclusion of new lease agreements with certain named tenants and the renewal of certain of the existing sub-leases on stipulated terms and conditions including, *inter alia*, as to minimum duration and minimum rentals.

3.6. Conclusion of New or Amendments to Certain Material Lease Agreements

The Master Purchase Agreement makes provision for a specific framework in which certain material new lease agreements and/or amendments to such material lease agreements may be concluded. The purchase price payable by EPP for the equity in the relevant property owning company will be adjusted to reflect the impact that the adjusted rent payable under any such new or amended lease arrangement/s.

3.7. Right of rescission

The Seller and the Purchaser are entitled to rescind from the acquisition of a given FTP company, STP company and/or TTP company if a material adverse change occurs (as defined in the Master Purchase Agreement) unless the negative results of such material adverse change are neutralized.

4. WITHDRAWAL OF CAUTIONARY

This announcement incorporates all disclosures required under the JSE Listings Requirements and accordingly the cautionary issued on 11 October 2017 (which cautionary announcement was renewed on 22 November 2017) is hereby withdrawn. Shareholders are no longer required to exercise caution when dealing in their EPP shares in relation to the Transaction.

The bye-laws of each of the FTP companies, the STP companies and the TTP companies shall be amended, if necessary, to ensure that each of them is consistent with the provisions required by the JSE Listings Requirements.

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