

EPP N.V.

(Incorporated in The Netherlands)

(Company number 64965945)

JSE share code: EPP

ISIN: NL0011983374

LEI Code: 7245003P7O9N5BN8C098

(“EPP” or “the company”)



PRE-CLOSE OPERATIONAL UPDATE

EPP would like to provide the market with a pre-close operational update since the publications of its half year results on 29 September 2020.

COVID-19 UPDATE

In the last quarter of the year several European governments have responded to the increasing COVID-19 case numbers in the region by introducing restrictions including trade limitations in shopping centres. The Polish government reacted similarly by implementing limitations on the operations of all Polish shopping centres and retail locations measuring over 2,000 sqm of retail space for a period of three weeks between 7 and 29 November 2020, which was subsequently shortened by two days due to lower rates of new infections and shopping centres were allowed to re-open on Saturday 28 November 2020. In comparison to the 7-week lockdown in March and April 2020, the trading restrictions applied to fewer stores. Grocers, DIY stores, pharmacies, medical stores, cosmetics shops, pet stores, outlets selling books or newspapers, telecommunication stores and services were all able to continue trading. Approximately 30% of EPP’s retail GLA was operational during this period compared to 21% in the spring lockdown. The impact of the second lockdown, which was materially shorter than the first one in spring 2020, is expected to be less severe both for the Polish economy and the company’s operations. As from 28 November 2020, 89% of EPP’s retail portfolio could trade with only cinemas, entertainment and fitness centres currently remaining closed. EPP is extremely pleased with the decision that shopping centres are able to trade ahead of the festive trading period in December, which is crucial for the entire retail industry, and with the average daily COVID-19 case numbers in Poland reduced in recent weeks.

Importantly, the Polish economy is expected to be one of the least impacted in Europe and the velocity of the recovery is expected to be further amplified by the EU recovery fund which totals EUR 750 billion for the region. The Polish government also announced several support packages aimed at industries impacted by the lockdowns which are expected to further boost the businesses of affected tenants as well as economic recovery in general.

OPERATIONAL UPDATE

Since June 2020, footfall levels in EPP’s retail projects continued to show an improvement with July at 78%, August at 78% and September at 84% of the prior year’s footfall levels. In October footfall levels declined to around 70% of the prior year as result of the rising COVID-19 case numbers and temporary restriction measures placed on fitness and food and beverage. In November footfall levels declined to 41% as result of the second lockdown when only 30% of EPP’s GLA was operational from 7 to 27 November. In December footfall rebounded immediately to 76% of the prior year footfall levels despite 11% of GLA still not being able to trade.

Tenant turnover levels have remained robust with July at 93%, August at 97% and September at 89% of the prior year’s levels. In October sales dropped to 79% as result of the limited trading operations however it remained above the 70% footfall level implying that the higher conversion rates continued. Such materially higher conversion rates are expected to continue during the entire festive season in December 2020.

The company remains in close dialogue with the government, health and sanitary authorities and industry associations to ensure all health protocols are strictly followed, shopping continues to remain safe in the company’s retail locations and all shoppers, staff and employees are safe during this period.

Tenants

The rent relief negotiations with tenants have now been completed by the company and rent collections rates on discounted rental levels have been in excess of 95% pre-November lockdown. The company expects similar collection rates in December.

New store openings

Despite the disruption caused by COVID-19 pandemic a number of retailers continued to open new stores which is testament to retailers' belief in the future performance of EPP's shopping centres. Since the beginning of the year the following brands opened their stores in EPP's retail projects: Levis, Sephora, Martes Sport, CCC, PEPCO, Carrefour, KIWI, Hebe, W.KRUK, Super-Pharm, 50 style, eobuwie.pl, Modivo and the first Primark in Poland at Galeria Młociny .

The current WALT by GLA in the retail portfolio is 5.4 years (30 June 2020: 4.7 years) and the occupancy rate remains stable at 96% level.

PROSPECTS AND OUTLOOK

The second half of the year has been challenging because the whole of Europe is dealing with rising COVID-19 case numbers across the region, and although many countries were prepared for the autumn wave of the pandemic unfortunately most of them were unable to avoid some form of lockdowns.

EPP has dealt with the pandemic related lockdowns in Poland well, keeping sufficient levels of liquidity and improving the leases alongside providing necessary rental support to tenants in 2020. EPP has an unparalleled operational platform with an excellent portfolio of well performing shopping centres across Poland, which are well leased, have a very attractive offering to its customers and a long and stable lease profile. The strength of the portfolio was evidenced by the fast recovery in its operations since the reopening of shopping centres in May, and an early indication of the December operational figures points to a good recovery ahead.

In result, the board remains confident that EPP will deliver on its full year earnings guidance of €4.75 and €5.25 cents per share for the year ended 31 December 2020. This is based on the assumption that no further lockdown occurs in Poland by the end of 2020. This guidance has not been reviewed or reported on by EPP's auditors and is the responsibility of the board of directors.

Looking ahead to 2021, the board will focus on reducing the loan to value in the business. The primary way to achieve this is by way of the disposal of a select group of assets through either outright sales or sales to new partners in joint ventures. Importantly, the management team will follow a measured approach in executing its disposal strategy, and any potential asset disposals will be considered only if the right pricing can be secured. Consequently, at this stage, the company does not envisage the need for a capital raise. The management team believes that there is liquidity in the Polish market but it is prudent to allow time for the disposals in order to benefit from increasing investor interest as the overall investment environment improves in the Polish real estate market in line with a post-COVID-19 recovery. Accordingly, the disposal programme is not expected to be concluded earlier than in the next 12 to 18 months.

2020 ANNUAL FINANCIAL YEAR END RESULTS

EPP will release its annual results for the twelve months ended 31 December 2020 in March 2021.

10 December 2020

JSE Sponsor

JAVACAPITAL

Luxembourg Stock Exchange Listing Agent

HARNEYS

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