

# PRE-CLOSE UPDATE



## COVID-19 and vaccination update

The 14-day case notification rate of new COVID-19 infections in Poland has been in a steady decline since its peak on 1 April 2021, dropping to 14 new cases per 100 000 inhabitants as of 17 June 2021 – one of the lowest levels in the European Union ("EU"). The significant improvement of the medical situation has been attributed, amongst others, to the progress of the revised national vaccination programme. It is already ahead of schedule, with 26 million COVID-19 vaccine doses administered in Poland and 42% of the population vaccinated with at least one dose (as of 17 June). In addition, on 7 June 2021 Poland commenced vaccinating children over 12 years of age as well, as the permission to use the Pfizer vaccine on this age group was recently granted by the European Commission.

The progress of the Polish vaccination programme is in line with the EU which remains on track to vaccinate at least 70% of its residents by the end of European summer, and 46% of its population has received at least one dose to date. Based on the experience of the United Kingdom and Israel, both of which are more advanced on the path to mass immunisation, it is believed that mass vaccinations are the most effective way to stop the pandemic.

The consistent decline in the rate of new infections in Poland, together with the progress in the vaccination programme, has allowed the government to lift the majority of the limitations. Since 26 April 2021, regulations have been gradually eased with shopping centres widely reopened on 4 May 2021. Gyms, cinemas and food courts are currently free to operate and indoor dining is allowed in accordance with the required sanitary standards. Furthermore, schools, entertainment facilities and hotels have reopened, and outdoor events such as outdoor festivals and stadium events are allowed to resume operations.

## Economic update

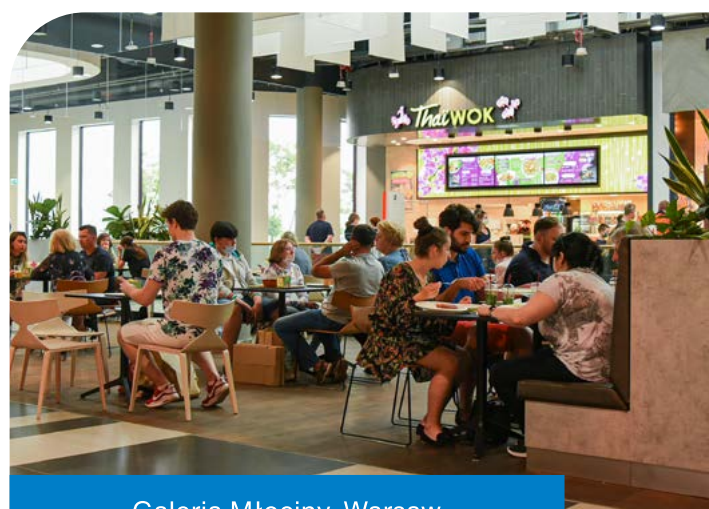
Despite the challenges of the pandemic, Poland remains a stable and attractive investment destination with optimistic forecasts. Oxford Economics anticipates GDP growth in Poland for 2021 and 2022 of 3.9% and 4.4%, respectively. Poland, which is the sixth largest economy in the EU, is located in the heart of Central and Eastern Europe ("CEE"), an emerging region with already strong purchasing power, and is expected to experience one of the highest European growth rates in household income and consequently, consumer spending increase by 2030.



In addition, the unemployment rate in Poland is declining and is expected to continue its downward trend for the next years. Poland's unemployment rate of 3.3% at the end of 2020 was one of the lowest in the EU and is expected to drop further to 2.6% by 2023. This, coupled with consistently rising wages, is expected to further stimulate consumption and retail spending. Retail sales in Poland are forecasted to grow by 4.9% and 3.3% in 2021 and 2022 respectively.

An additional boost for the rebound of the Polish economy in the coming years will be a large aid

package from the EU recovery fund and the EU budget for the period 2021-2027. Poland is set to benefit from these sources with almost EUR 172 billion in grants and loans.



Galeria Młociny, Warsaw

### Operational update

Nearly 100% of EPP's GLA is allowed to trade with stores, entertainment facilities and restaurants in EPP's shopping centres permitted to operate under strict sanitary standards. Only bowling alleys remain closed until 26 June.

Poles returned to in-store shopping immediately after the reopening of shopping centres. The fundamental factors driving footfall in shopping centres are the growing number of persons vaccinated, reopening of schools, restoring the organisation of events and the social need of Poles to return to pre-pandemic life. Consumers have missed the physical interaction of in-store shopping, which could not be replaced by buying online. Recently conducted polls indicate that shoppers were waiting for shopping centres to reopen in order to purchase goods in stores. Footfall for the month of May was up 50% when compared to May 2020 and was 82% of 2019 footfall levels.

In addition, higher conversion rates have been a key trend observed subsequent to each lockdown and this was once again evident in the first months of 2021. In February 2021 our tenants' sales were as high as 99% of the sales in February 2020, despite footfall only reaching 71% of 2020 levels. Figures for May 2021 for 96% of our tenants reported to date showed that the turnover exceeded its pre-pandemic level of May 2019 by 13%. At the same time footfall rates were as high as 82% of May 2019. The top performing categories by

turnover for May 2021 were fashion & accessories (+26%), household & appliances (+21%) and speciality goods (+9%).

EPP's centres continue to see demand from retailers. As of March 2021, EPP's shopping centres welcomed the debut of a new concept store, HalfPrice by CCC, and enlarged the offering with new tenants including optician KODANO, Big Star denim store, Sensi Hemp cosmetics store, mobile bakery Stacja Chleba, Tigon Asian Cuisine, Soya Sushi and Planeta Burgera. Occupancy rates within the portfolio have remained stable at 95.5%.

### Tenants

The current legislation governing lease agreements in Poland allows tenants not to pay rent during lockdowns in exchange for extending the contract term by 6 months in addition to the period of closure for each lockdown. Tenants that do not elect this option are required to pay full rent for the period of lockdown. At the moment, new law regarding the payment of rent during lockdown periods is being considered by the Polish parliament. In terms of the proposed law, tenants would be required to pay 20% of the rent during lockdown and 50% of rent for 3 months after the lockdown has ended. This proposal is intended to apply only to future potential lockdowns. Polish government is also considering an amendment to the current legislation that may affect the length of the lease extension period after each lockdown. These proposed regulations are still being finalised and a further update will be provided to the market once the details are clarified.

At this stage, given the new law being considered by the Polish government and the significant number of discounts already provided by EPP to



Pasaż Grunwaldzki, Wrocław

tenants in 2020 (over and above the legally enforced discounts) the company will only consider potential discounts in very specific cases for categories such as food & beverage, leisure, entertainment and smaller businesses. These case-by-case assessments will be based on the tenant's financial standing including the historical performance, government support received and the potential extension period of their lease agreement.

### Corporate Social Responsibility (CSR)

EPP places a high priority on its CSR strategy which is structured around four pillars, namely education, ecology, health and issues relevant for local communities and their members. The company is sensitive to the needs of local communities and willingly organises and participates in actions demonstrating its social responsibility with the number of projects growing every year.

These include initiatives gathered under the "5 good deeds for the EPP fifth anniversary" programme. EPP, which celebrates its 5th anniversary in 2021, decided to flag this event by supporting local communities. EPP's personnel will have jointly organised or participated in 120 CSR initiatives by the end of this year. These initiatives kicked off in March 2021 with the donation of gift packs of food, treats and toys for children in need. Other projects to date include shopping for the elderly, fundraising for hospices, a charity run, care packages for COVID-19 patients, stationery and craft packs for orphanages and families in need, recycling to raise funds for an orphan's football club, neighbourhood clean-ups, and food donations for animal shelters.



Clean Up the World, Inowrocław

The "5 good deeds for the EPP fifth anniversary" initiative fits EPP's general CSR approach and examples

of such actions can be multiplied. To name the latest, in April 2021, Autism Awareness Month, EPP permanently introduced "Quiet Hours" to its shopping centres to ensure people with hypersensitivity to loud sounds and bright lights can shop in comfort. For three hours each week in each of EPP's shopping centres music is switched off, voice announcements minimised, and lights dimmed wherever possible. To mark Poland's National Animal Rights Day and to meet the needs of pet owners, EPP opened its gates to dogs, cats and other pets. Visitors with animals are now welcome at all EPP's shopping centres and can shop without leaving their pets outside.



Polish Red Cross, Kalisz

### Changes to the Board

Sandra van Loon was appointed as an Independent Non-Executive Director to the Board upon conclusion of EPP's AGM that was held on 7 May 2021. Sandra brings a wealth of experience in the areas of legal and compliance and has extensive experience in governance of Dutch listed companies. Sandra will also be the Chairperson of the Nomination and Remuneration Committee.

### Strategy & outlook

EPP benefits from operating in one of the strongest retail markets in Europe which is expected to show a strong bounce back after the pandemic, and rapid growth in the future. A rebound in footfall levels and tenant sales has already been observed.

The first period after lifting the last restrictions in Poland has shown that the pre-pandemic social and economic life is returning quickly. From the moment shopping centres opened more fully, first for retail on 4 May 2021 and finally for all other services as of

28 May 2021, we observed a swift return of shoppers to EPP's shopping centres. A reduction in the COVID-19 infection rates in Poland and the EU, a growing level of immunity to COVID-19 (thanks to the vaccination programme) and good forecasts for the Polish economy allow us to look ahead with optimism. The low unemployment rate and increasing wages are expected to further stimulate consumer spending in Poland in the years to come.

EPP will continue to focus on initiatives that attract shoppers and drive turnovers at its shopping centres as the business looks towards a period of stabilisation. Asset management initiatives have



Galeria Sudecka, Jelenia Góra

progressed throughout the year and will continue to create the best offering for our tenants, as EPP observes the stable demand from store owners.

EPP's strategic objective is to reduce leverage in the business through the disposal of a select group of assets by means of either outright sales or sales to new long term-oriented partners in joint ventures. The company's management team believes that there is liquidity in the Polish market, however, patience and a period of stability in the retail environment is required in order to advance this strategy. EPP is able to meet all its financial obligations and is within debt covenant levels (67% vs current LTV of 56%) set by financial service providers. The company also has adequate liquidity for the period ahead and at this stage does not envisage requiring any capital raisings given the headroom within financial covenant levels.

In EPP's results for the year ended 31 December 2020, published on 10 March 2021, EPP provided

guidance to the market that full year distributable earnings per share were expected to be between 7 and 7.25 euro cents per share. This guidance was, inter alia, based on the assumption that no further lockdowns occur that will have a detrimental impact on shopping centres such as closures of shops for extended periods of time. Given the subsequent lockdowns in Poland, EPP will revisit its full year distributable earnings guidance and provide an update to the market in this regard when publishing its interim results for the six months ending 30 June 2021, which are expected to be published during or about September 2021.

EPP will be in a financial closed period from 1 July 2021 until its interim results for the six months ending 30 June 2021 are published.

**For more information:**

**Curwin Rittles**, Investor Relations, EPP

Mobile: +48 885 982 310

[curwin.rittles@epp-poland.com](mailto:curwin.rittles@epp-poland.com)

**Java Capital**, JSE Sponsor

Phone: +27 11 722 3050

**Harneys Luxembourg**, Luxembourg Stock Exchange Listing Agent

Phone: +352 27 86 71 02

**Singular Systems IR**

Michèle Mackey

+27 (0)10 003 0700/+27 (0)82 497 9827

[michele@singular.co.za](mailto:michele@singular.co.za)