EPP

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")

www.epp-poland.com

SHORT-FORM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement is available on the JSE website at https://senspdf.jse.co.za/documents/2020/jse/isse/EPPE/interims20.pdf and on the company website at https://www.epp-poland.com/s,91,financial-statements.html. Copies of the full announcement may also be requested at the company's registered office and at the office of the sponsor, Java Capital, at no charge, during office hours from Tuesday, 29 September 2020 to Tuesday, 13 October 2020.

Any investment decision should be based on the full announcement published on the JSE and company websites.

FINANCIAL HIGHLIGHTS

- Net loan-to-value increased marginally to 51.7%
- Cost of debt remained stable at 2.5%
- Interest costs were hedged at 84%
- Weighted average debt maturity increased to 3.8 years
- Administrative costs declined by 5.5% to €6.9 million
- Distributable earnings per share amounted to 2.38 cents which is in line with guidance provided in June 2020.

OPERATIONAL HIGHLIGHTS

- Footfall was at 69% of 2019 footfall levels and has increased to 85% of 2019 levels as at September 2020
- Tenant sales were at 82% of 2019 levels as of June 2020 and has increased to 93% as of July 2020
- 93% of EPP's retail GLA was operational and has increased to nearly 100% since July 2020
- Primark opened its first store in Poland at Galeria Młociny in August 2020
- WALT in portfolio has increased to 4.7 years and expected to increase in the coming months
- Occupancy in the portfolio remained stable at 97.3%
- Average rental collections for rentals invoiced months from March 2020 to June 2020 stood at 79%, since July rental collections are in excess of 90% on discounted rentals

		HY2020	HY2019
Rental income and recoveries	€'000	**63 673**	76 352
Net operating profit	€'000	**42 806**	64 248
Profit from operations	€'000	**(52 515)**	73 007
Profit/(loss) for the period	€'000	**(24 311)**	34 428
HEPS	€ cents per share	**6.9**	3.0
EPS	€ cents per share	**(2.7)**	4.0
Dividend	€ cents per share	**See dividend paragraph**	5.80

		30 June 2020	31 December 2019
Investment properties and joint ventures	€ billion	**2.40**	2.49
Net asset value per share	€	**1.21**	1.32
Loan-to-value net	%	**51.7**	50

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. As at 30 June 2020 the company manages a portfolio of 26 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 26 retail centres under management include the flagship Warsaw development Galeria Młociny, which successfully opened in May 2019. By the end of 2020, EPP expects to own or co-own 29 shopping centres post the conclusion of the final tranche of the M1 transaction.

PROSPECTS AND OUTLOOK

EPP's board of directors ("board") remains confident that EPP will deliver on its full year earnings guidance of between €4 and €5 cents per share for the year ended 31 December 2020, as announced on SENS on 29 June 2020. Given the recovery in its operations and the progress it has made in the last couple of months with renegotiated leases, the board feels that it is in a position to revise its full year earnings guidance to between €4.75 and €5.25 cents per share for the year ended 31 December 2020.

This is based on the following assumptions:

- the Polish economy continues its projected recovery in the second half of the year;
- no significant tenant failures occur;
- successful conclusion of remaining tenant discussions; and
- no second wave of COVID-19 occurs that will have a detrimental impact on shopping centres such as closures in the second half of the year.

2020 has been a very challenging year for the global economy as well as real estate markets globally. EPP's business in Poland has been impacted materially, especially as tenants were released from paying rent to retail landlords for the period of the lockdown, and significant rental discounts had to be provided to tenants thereafter in order to provide them with the necessary support to survive. However, EPP believes the steps taken by the Polish Government, particularly the decision to open shopping centres earlier than in most European countries, have enabled the Polish economy to get on a path of smooth recovery from the COVID-related shock, and this has allowed shopping centres to start their recovery sooner than most other countries. It will undoubtedly still take time to fully recover, but EPP sees encouraging and consistent growth in both monthly footfall and tenant turnover figures since the reopening of the shopping centres at the beginning of May 2020 and expects this trend to continue.

EPP has an unparalleled operational platform with an excellent portfolio of shopping centres across Poland, which is complemented by office assets. However, although operations in the portfolio are recovering well, it is also expected to take some time for retail turnovers to consistently return to pre-pandemic levels. Although the speed at which operations are recovering is encouraging, the necessity to provide significant financial support to tenants in the second half of 2020 will result in a significant decline in revenues during this period. Therefore, it is prudent for EPP to focus on initiatives to strengthen its balance sheet and to retain maximum liquidity. This will ensure that the company is well positioned to navigate through the recovery phase which is expected to take until 2021. Furthermore, throughout the balance of 2020 and in 2021 the board will focus on reducing the loan-to-value in the business. The primary way to achieve it is by way of the disposal of a selected group of assets through either outright sales or sales to new partners in joint ventures. Consequently, at this stage, the company does not envisage the need for a capital raise. 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. 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 post-COVID-19 recovery. Accordingly, the disposal programme is expected to be concluded not earlier than in the next 12 to 18 months.

As part of this process, shareholders are advised that the board has elected not to distribute a dividend for the first half of the year to June 2020 and will assess the payment of a second half dividend to December 2020 when finalising its full year results, which is expected in March 2021.

The financial information contained in this announcement has not been reviewed or reported on by EPP's auditors.

By order of the board

29 September 2020

Directors
Tomasz Trzósło (chief executive officer), Jacek Bagiński (chief financial officer), Robert Weisz* (Chairman), Marek Belka*, Maciej Dyjas**, Dionne Ellerine*, Andrew König**, James Templeton*, Pieter Prinsloo**, Taco de Groot*
* *Independent non-executive*
** *Non-executive*

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