SUMMARISED CONSOLIDATED FINANCIAL RESULTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2020

SHAPING THE FACE OF RETAIL IN POLAND

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”)

FINANCIAL HIGHLIGHTS

Distributable earnings per share amounted to **€5.56 cents**, exceeding the upper end of guidance of between **€4.75 cents** and **€5.25 cents**

Net property income declined to **€114.2 million** (2019: €148.1 million) due to COVID-19 impact and rental concessions

Weighted average debt maturity **2.3 years** (2019: 3.3 years)

Investment properties declined to **€2.13 billion** (2019: €2.32 billion) due to COVID-19 impact

Hedging remains high at **84%** (2019: 84%)

Net finance costs increased to **€42.7 million** (2019: €37.4 million)

Net asset value per share declined to **€1.09** (2019: €1.32)

Net loan to value increased to **54.8%** (2019: 50.0%)

Distributable earnings declined to **€50.5 million** (2019: €105.5 million)

Cost of debt remained stable at **2.6%** (2019: 2.5%)

OPERATIONAL HIGHLIGHTS

Currently **96%** of EPP's retail GLA is allowed to trade

Retail WALT increased to 5.3 years up from **4.7 years** in May 2020

Retail occupancy in the portfolio remained stable at **96%**

Higher conversation rates seen post lockdowns with tenant sales outperforming footfall growth

First Primark in Poland opened and despite the pandemic many other stores also opened such as Modivo, eobuwie.pl, PEPCO, Martes Sport, Sephora, CCC or KIWI.

COMPANY PROFILE

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 31 December 2020, the company manages a portfolio of 25 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 25 retail centres under management include the flagship Warsaw development Galeria Młociny, which successfully opened in May 2019. Within the month of March 2021, EPP expects to own or co-own 29 shopping centres post the conclusion of the final tranche of the M1 transaction (see “Tranche 3” below for further detail).

At period end EPP owned and operated approximately 900 000 m² of retail gross lettable area (“GLA”) and 160 000 m² of office GLA, including joint ventures. The investment portfolio has a diversified tenant base of leading retailers with international brands in the retail properties, and primarily blue-chip companies in the office properties. The company‘s operations are fully internalised and all asset management and property management is done in-house.

EPP’s shares are listed on the official list and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (“LuxSE”) and on the Main Board of the JSE Limited (“JSE”) in the Real Estate Holdings and Development Sector. The company has primary listings on both the LuxSE and the JSE. The company’s strategy is to own large dominant shopping centres in mid and big size cities, located in strong catchment areas within the respective cities across Poland.

The company’s strategy is to capitalise on the scale of its operations and on the best-in-class asset and property management services that have been built within EPP.

GROUP MANAGEMENT REPORT

RESULTS COMMENTARY

COVID-19, economic and retail sector commentary

The year 2020 will be remembered for the COVID-19 pandemic. According to the World Health Organisation, by the end of February 2021 there were approximately 113.5 million confirmed COVID-19 cases globally.

In Poland, the peak of the pandemic was noted at the end of November 2020 with a steady decrease until mid-February 2021. The preventive measures taken appeared to be adequate and the epidemical situation mostly did not require the implementation of such strict and long-lasting restrictions as imposed in many other European countries. Notably, the Polish healthcare system has had a sufficient number of hospital beds and respirators secured to treat COVID-19 patients.

The Polish economy, with a GDP drop for 2020 of only 2.8% and a low unemployment level, was one of the least affected markets in the European Union. During the pandemic Poland has proved its resilience and remained a stable and predictable environment for current and new investors. The country's economy is also expected to resume its pre-pandemic growth path already in 2021 with cumulative GDP growth of 8% in the next two years.

To protect the job market and strengthen the economy, the Polish government launched the "anti-crisis shield" support programme amounting to approximately €70 billion. In addition, as an EU member, Poland will be a large beneficiary of a €750 billion EU recovery fund and €1.1 trillion EU seven-year budget.

With declining new COVID-19 cases from late November 2020 and the ongoing vaccination programme, the Polish government started lifting retail restrictions, with shopping centres opening from 1 February 2021 and followed by further easing of restrictions on 12 February 2021, which enabled cinemas to open. Currently, there are regional restrictions imposed if the infection rates in specific regions of Poland increase above certain levels, and in such cases the shopping centres and cinemas are required to close. This is currently the case in two regions in Poland, however EPP doesn't own any shopping centres in those two regions. Additionally, the F&B sectors in malls are limited to takeaway and delivery only and restrictions on the fitness industry remain in the entire country.

Further to the above, from 1 February 2021, 89% of EPP's retail GLA was allowed to operate under a high sanitary regime, and currently from 12 February 2021 – approximately 96% of EPP's retail GLA is allowed to trade.

The easing of restrictions was a boost to the market with retail's rebound confirmed by footfall in EPP's assets increasing more quickly after each lockdown ended and by tenants' turnovers outpacing footfall growth. This proves that the in-store shopping is the most preferred way of buying for Poles and, importantly, customers miss the social interaction related to visiting bricks-and-mortar.

Additionally, the retail sector in Poland benefits from the low unemployment levels in the country, consistently rising wages and the willingness to spend savings accumulated during lockdowns. Tenants' turnovers are on average higher than footfall in comparison to the previous year on a like-for-like basis, proving that shopping habits have also adapted to the global epidemic, becoming more focused and efficient with higher conversion rates.

Our clients feel safe thanks to the high sanitary standards implemented in all of EPP's shopping centres. EPP is well-prepared to continue its operations under the sanitary regulations and all required measures were implemented in our shopping centres aiming to ensure the safety of tenants and employees. The Polish government has also officially stated that they see no link between the opening of shopping centres and COVID-19 transmission in Poland.

In addition to adopting the highest safety and sanitary measures, EPP put a lot of effort into supporting local communities and its tenants during the pandemic. This included donating 17 000 face masks to local hospitals in 13 cities, which were purchased from one of our tenants, and providing meals to medical staff of those local hospitals, purchased from the restaurants operating in EPP's portfolio. The company also distributed approximately 12 500 protective masks to its customers and shopping centres' staff.

Finally, in response to the e-commerce trends EPP increased its focus on innovations to diversify tenants' sales channels and will continue to develop omni-channel solutions to effectively combine physical and digital realms and to provide a cohesive ecosystem for customers.

Vaccination programme

The vaccination programme remains crucial for the global recovery and was launched in the European Union on 27 December 2020. In just the first two months more than three million doses were administered in Poland and 5.7% of Poles received at least one dose of the vaccine, placing Poland's vaccination rate at the top of EU countries. The Polish healthcare system is also able to accelerate the vaccination programme, however this is mostly dependent on the amount of vaccine supply from manufacturers.

OPERATIONAL COMMENTARY

Tenants

The Polish government was one of the few countries that provided legal regulation on the rental obligations of tenants during the lockdown periods. According to the regulation landlords are not allowed to charge rents and maintenance costs during the lockdowns enforced by the Polish government and in return will receive an extension of the initial lease terms for a period of six months plus the lockdown period (the full regulation applies to every lockdown). It should be noted that the regulation is only applicable to tenants that could not legally trade as stipulated by the decree for each lockdown period. Notably if tenants do not decide to extend their leases, they would be obliged to pay the required rent and maintenance costs due for the period of lockdown.

EPP has approached tenant negotiations on a case-by-case basis and has considered multiple factors, such as the analysis of the tenant's financial situation, potential government support received, historical sales performance and the type of industry in which the tenant operates (fashion outlets, restaurants, cinema and leisure facilities were impacted more than others). In line with EPP's strategy, discounts or deferrals were offered to tenants with the aim of extending lease periods and increasing long-term rentals. EPP's approach during this period was to take a longer-term view in order to maintain the current attractive full offering to customers, which management believes was the right one in the context of delivering longer sustainable returns to all stakeholders.

The lockdown restrictions imposed by the Polish government did not affect EPP's office portfolio. All office tenants were legally obliged to pay their rent in full, however certain immaterial discounts were offered to tenants where applicable.

Footfall, turnovers and collections

Footfall levels were up 2.1% for the first two months of 2020 and sales were robust at a level of +4.3% over the same period of 2019 with collection rates of approximately 98%. On the reopening of shopping centres after the first lockdown on 4 May, the majority of tenants were able to trade after being closed for seven weeks (from 14 March). The customers returned swiftly over the next couple of months, stimulating retail's recovery. Between June and September, the average footfall amounted to 80% and, more importantly, the average turnover was as high as 90% of 2019 levels. The higher conversion rates were a key event present post all lockdowns and a clear sign that shopping became generally more efficient and more intentional once restrictions were lifted. From June to September collection rates neared historical norms of 100%.

Thereafter however, from October, the restrictions were gradually introduced again as the daily rates of COVID-19 cases increased. The next lockdown on shopping centre operations was implemented from 7 November to 27 November – with only approximately 30% of EPP's retail space allowed to trade at that time. Subsequently, COVID-19 rates declined during November and shopping centres were reopened on 28 November, ahead of the all-important festive season and December trade. The centres were allowed to trade during most of December, until 28 December. Despite footfall levels amounting to an average of 65% of previous year's values, turnover levels were nearly 80% of the prior year's and showed once again the resilience of the Polish market and EPP shopping centres specifically.

New store openings in the portfolio and continued retailer interest

Despite the disruption caused by the COVID-19 pandemic, a number of retailers continued to open new stores in EPP's portfolio. Since the beginning of the year the new openings included CCC, PEPCO, Carrefour, KIWI, Hebe, W.KRUK, Super-Pharm, 50 style, eobuwie.pl, Modivo and the first Primark in Poland at Galeria Młociny. Tenants demand also remained stable during the pandemic, reflecting retailers' needs. At EPP we have been particularly pleased with online brand Modivo opening up bricks-and-mortar omnichannel shops and selecting EPP's property as its first location.

The current WALT in the EPP's retail portfolio is 5.3 years and occupancy remains high at 96%.

FINANCIAL COMMENTARY

Net property income for the financial year 2020 amounted to €114.2 million (2019: €148.1 million). The decline was mostly related to the outbreak of the COVID-19 pandemic. Lockdowns, followed by legal regulations, forced tenants to seek long-term support from landlords, which resulted in approximately €40 million of 2020 total impact on EPP's revenue.

Rental collections prior to the pandemic were close to 100% and post negotiations with tenants and the reopening of shopping centres it was approximately 90% on discounted rentals on average. We have taken a careful and prudent approach when calculating the expected credit loss ("ECL") of the rent receivables with consideration of current conditions and the forecast of future economic conditions, especially those tenants who were severely affected by the pandemic. At the same time the group has taken steps to reduce operational costs at a property level and deferred non-essential capital expenditures. The distributable income per share for the year ended 31 December 2020 amounted to €5.56 cents which exceeded the upper end of distributable earnings per share guidance provided of between €4.75 cents and €5.25 cents per share.

As at 31 December 2020, the LTV net of cash was 54.8% compared to 50.0% in the prior year. Importantly, the average LTV covenant level is 67% and therefore appropriate headroom remains within the company's debt portfolio. The increase was as a result of the devaluation in the property portfolio of 8.4% mainly due to yield expansion in the retail and office assets. The average debt maturity is 2.3 years (3.3 years) and the average cost of debt has remained stable at 2.6% (2019: 2.5%). The interest rate hedging level remains high at 84% (2019: 84%).

The equity (excluding deferred tax) as at 31 December 2020 amounted to €987 million (2019: €1 196 million) with equity per share of €1.09 cents (2019: €1.32 cents) representing a 17.5% decrease since December 2019. This NAV decline is mainly as result of the decline in property devaluations.

As at 31 December 2020 the company has €152 million of cash on hand providing sufficient liquidity for the group to meet its current and future obligations. The company will continue to prioritise the cost and liquidity of the business in the year ahead as the pandemic situation in the country stabilises.

TRANCHE 3 – METRO TRANSACTION

In December 2017, EPP announced that it would acquire 12 shopping centres consisting of eight M1 branded malls and four Power Parks. The shopping centres were to be acquired in three tranches, with the first two being successfully completed in January 2018 and June 2019, respectively. The eight M1 branded shopping centres that are currently owned by EPP are dominant in their catchment areas and are anchored by grocery (Auchan), electronics (MediaMarkt) and DIY (OBI) stores. The nature of the business of the anchor tenants in these shopping centres, their large floor space and ample parking allowed the majority of those retailers to continue to trade during the lockdown periods, which is undoubtedly a positive in the current environment.

EPP was scheduled to acquire the third tranche of the Metro portfolio (comprising four Power Parks situated in Olsztyn, Tychy, Kielce and Opole, with a total GLA of 110 000 m^2) in June 2020. However, as result of the COVID-19 pandemic EPP and the Chariot Group agreed to extend the closing of the transaction to no later than June 2021 and at a reduced purchase price of €106 million. The closure of the deal is imminent and a further announcement in this regard will be released on SENS and the LuxSE website in due course. The LTV post conclusion of transaction is expected to increase group LTV by two percentage points.

CHANGES TO THE BOARD

During the year Mr Tomasz Trzósło was appointed as an executive director of the board and as Chief Executive Officer effective from 25 June 2020.

Sadly, Mr Marc Wainer passed away on 20 April 2020. Mr Wainer was a director since EPP's listing in September 2016 and was instrumental in the establishment of EPP. As a stalwart in the South African property sector and with a wealth of property experience, he made a critical contribution to the board over the past four years.

Mr Andrew König was appointed to the board as non-executive director from 25 June 2020. Mr Hadley Dean and Ms Andrea Steer retired from the board at the conclusion of EPP's annual general meeting held on 25 June 2020.

PROSPECTS AND OUTLOOK

2020 was an extremely challenging year for the business with its operations severely impacted by governmental lockdowns which significantly limited trade within shopping centres for more than 10 weeks.

However, EPP currently continues to have an excellent operational platform with an attractive portfolio of retail assets across Poland which is complemented by well let office assets. The platform is backed by a fully internalised team of experienced professionals with a track record of delivering above market performance. We believe our centres are well located and managed, and we expect them to benefit from the broader reopening and recovery of the economy throughout 2021.

Importantly, in addition to being focused on operations, cash flows and liquidity, EPP is also focused on strengthening its balance sheet, namely progressing EPP's key strategic objective of materially reducing LTV in the business, which we intend to achieve through outright sales or stake sales to the appropriate joint venture partners. In January 2021 we announced the appointment of an industry expert to EPP's executive team to drive this process and we believe this move will optimise the process and maximise delivery prospects. EPP management is of the view that there is liquidity in the Polish real estate market, which remains one of the key investment destinations in CEE. However, given the COVID-19 pandemic and the need for the markets to recover from it, additional time is foreseen by management in order for the abovementioned transactions to be finalised.

Also, an appropriate headroom remains in the financial covenant levels in EPP's debt portfolio. EPP does not envisage any capital raises in 2021.

Notwithstanding the above positive aspects, the current market remains challenging and although the majority of EPP's retail assets are allowed to operate, the COVID-19 pandemic continues to present some uncertainty with regards to trading in the future.

DIVIDENDS

Given the unprecedented and uncertain impact and duration of the COVID-19 pandemic the board has decided it is prudent to refrain from paying a dividend during the year. It believes it is in the best interests of the company and all its stakeholders to preserve EPP's financial liquidity as the current environment continues to stabilise. Future dividend payments will take into consideration the stability of the retail environment, progress made on disposals, refinancing of EPP's upcoming debt and overall capital structure.

The board will continue to monitor the impact of COVID-19 on the company's operations and its financial position and will provide updates on material impacts to the business.

2021 DISTRIBUTABLE EARNINGS PER SHARE GUIDANCE

Full year distributable earnings per share guidance are expected to be between €7 and €7.25 cents per share for the year ended 31 December 2021.

The forecast is based on the following assumptions:

- the Polish economy continues its projected recovery in the year ahead and the vaccination programme progresses as planned;
- no significant tenant failures occur;
- no further lockdowns occur that will have a detrimental impact on shopping centres such as closures of shops for extended periods of time.

The forecast financial information has not been reviewed or reported on by EPP's auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2020 €'000	2019 €'000
Rental income and recoveries	**133 807**	163 633
Service charge income	**30 752**	37 676
Property operating expenses	**(50 354)**	(53 209)
Net property income	**114 205**	148 100
Other income	**633**	984
Other expenses	**(4 003)**	(769)
Administrative expenses	**(13 711)**	(15 739)
Net operating profit	**97 124**	132 576
Net result from fair value adjustment on investment properties	**(206 780)**	(740)
Profit/(loss) from operations	**(109 656)**	131 836
Finance income	**1 174**	6 229
Finance costs	**(43 851)**	(43 645)
Foreign exchange gains/(losses)	**94 697**	(10 042)
Participation in profits/(losses) of joint ventures	**(37 674)**	3 402
Profit/(loss) before taxation	**(95 310)**	87 780
Current income tax	**(3 178)**	(9 807)
Deferred tax	**10 583**	(11 808)
Profit/(loss) for the period	**(87 905)**	66 165
Attributable to EPP shareholders	**(87 905)**	66 165
Earnings per share:		
Basic and diluted earnings, on profit for the period (€ cents)	**(9.68)**	7.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 **€'000**	2019 €'000
Profit/(loss) for the period	**(87 905)**	66 165
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign currency translation reserve joint ventures	**(9 783)**	984
Foreign currency translation reserve subsidiaries	**(90 112)**	8 898
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	**(99 895)**	9 882
Total comprehensive income for the period, net of tax	**(187 800)**	76 047
Total comprehensive income attributable to the owners of EPP for the period, net of tax	**(187 800)**	76 047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020 €'000	2019 €'000
ASSETS		
Non-current assets	**2 298 883**	2 501 054
Investment property	**2 125 466**	2 321 384
Investment in joint ventures	**162 702**	171 117
Other non-current assets	**976**	845
Tenants deposits and other monetary assets	**5 832**	7 021
Deferred tax asset	**3 907**	687
Current assets	**177 484**	105 661
Inventory	**–**	110
Tax receivable	**259**	1 193
Trade and other receivables	**9 375**	17 129
Loans receivable	**1 755**	6 723
Tenants deposits and other monetary assets	**13 949**	13 187
Cash and cash equivalents	**152 146**	67 319
Total assets	**2 476 367**	2 606 715
EQUITY AND LIABILITIES		
Equity	**897 972**	1 087 372
Share capital	**735 437**	735 437
Share premium	**228 227**	228 227
Accumulated profit	**25 434**	113 339
Share-based payment reserve	**4 980**	6 580
Foreign currency translation reserve	**(96 106)**	3 789
Non-current liabilities	**1 501 958**	1 443 837
Bank borrowings	**1 371 973**	1 291 838
Trade payables and other liabilities	**10 066**	13 234
Deferred tax liability	**93 165**	109 443
Lease liabilities	**26 754**	29 322
Current liabilities	**76 437**	75 506
Bank borrowings	**36 166**	34 127
Tax payables	**2 312**	359
Trade payables and other liabilities	**33 620**	38 181
Lease liabilities	**4 339**	2 839
Total liabilities	**1 578 395**	1 519 343
Total equity and liabilities	**2 476 367**	2 606 715

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Share premium €'000	Treasury shares €'000	Accumu-lated profit/ (loss) €'000	Foreign currency transla-tion reserve €'000	Share-based payment reserve €'000	Total equity attribu-table to the owners of EPP €'000
Balance as at 31 December 2018	672 292	203 318	–	147 250	(6 093)	5 921	1 022 688
Profit/(loss) for the period	–	–	–	66 165	–	–	66 165
Other comprehensive income	–	–	–	–	8 898	–	8 898
Other comprehensive income from joint ventures	–	–	–	–	984	–	984
Total comprehensive income	–	–	–	66 165	9 882	–	76 047
Issue of ordinary shares	63 145	26 343	–	–	–	–	89 488
Transaction cost related to issuance of shares	–	(1 434)	–	–	–	–	(1 434)
Acquisition of own shares	–	–	(2 142)	–	–	–	(2 142)
Transfer of own shares	–	–	2 142	–	–	(2 142)	–
Share-based payment expenses	–	–	–	–	–	2 801	2 801
Dividend provided for or paid	–	–	–	(100 076)	–	–	(100 076)
Balance as at 31 December 2019	735 437	228 227	–	113 339	3 789	6 580	1 087 372
Profit/(loss) for the period	**–**	**–**	**–**	**(87 905)**		**–**	**(87 905)**
Other comprehensive income	**–**	**–**	**–**		**(90 112)**	**–**	**(90 112)**
Other comprehensive income from joint ventures	**–**	**–**	**–**		**(9 783)**	**–**	**(9 783)**
Total comprehensive income	**–**	**–**	**–**	**(87 905)**	**(99 895)**	**–**	**(187 800)**
Acquisition of own shares	**–**	**–**	**(677)**	**–**	**–**	**–**	**(677)**
Transfer of own shares	**–**	**–**	**677**	**–**	**–**	**(677)**	**–**
Share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**(923)**	**(923)**
Balance as at 31 December 2020	**735 437**	**228 227**	**–**	**25 434**	**(96 106)**	**4 980**	**897 972**

CONSOLIDATED STATEMENT OF CASH FLOW

	2020 €'000	2019 €'000
Profit/(loss) before tax	**(95 310)**	87 780
Adjustments:		
Net exchange differences	**(94 644)**	
Amortisation/depreciation of fixed assets	**568**	629
Straight-line adjustment	**(5 528)**	(729)
Share-based payment reserve	**(923)**	2 802
Valuation gain on investment property	**206 780**	740
Share of profit/(loss) in joint ventures	**37 674**	(3 402)
Finance income	**(1 174)**	(6 229)
Finance expense	**43 851**	43 645
Working capital adjustments:		
Decrease in rent and other receivables	**5 576**	705
Decrease in prepayments and accrued income	**1 777**	1 234
Decrease in inventory and other assets	**107**	141
Increase in trade, other payables and accruals	**4 240**	8 357
Movements in tenants' deposits liabilities	**217**	289
Cash generated from operations	**103 211**	135 962
Tax paid	**(1 938)**	(12 680)
Net cash generated from operating activities	**101 273**	123 282
Investing activities		
Investments in joint ventures	**(30 384)**	–
Proceeds from share redemption in joint ventures	**3 267**	–
Purchase of investment property	**(10 487)**	(242 619)
Capital expenditure on completed investment property	**(9 035)**	(23 280)
Disposal of investment property	**–**	60 000
Loans granted	**(12 386)**	(7 399)
Loans repaid	**1 400**	5 333
Change in other monetary assets related to investment activity	**–**	2 143
Interest received	**68**	509
Profit share	**3 500**	3 487
Net cash utilised in investing activities	**(54 057)**	(201 826)
Financing activities		
Proceeds from borrowings	**95 000**	187 646
Repayment of borrowings	**(16 602)**	(58 822)
Borrowing arrangement fees	**(946)**	(1 153)
Proceeds from issue of share capital	**–**	89 488
Transaction costs on issue of shares	**–**	(1 435)
Acquisition of own shares	**(677)**	(2 142)
Dividends paid	**–**	(100 076)
Interest paid	**(35 453)**	(32 654)
Change in other monetary assets related to financing activity	**(1 219)**	(2 158)
Lease payments	**(971)**	(3 052)
Net cash generated from financing activities	**39 132**	75 642
Net increase in cash and cash equivalents	**86 348**	(2 903)
Cash and cash equivalents at the beginning of the period	**67 319**	60 340
Effect of foreign exchange fluctuations	**(1 521)**	9 882
Cash and cash equivalents at the end of the period	**152 146**	67 319

NET ASSET VALUE PER SHARE ("NAV")

	2020 €'000	2019 €'000
NAV attributable to ordinary equity holders of the parent (excluding deferred tax)	**987 229**	1 196 129
Net tangible asset value (excluding deferred tax)	**987 229**	1 196 129
Number of ordinary shares at the reporting date (thousands)	**907 947**	907 947
NAV per share (excluding deferred tax) (€)	**1.087**	1.317
Net tangible asset value per share (€)	**1.087**	1.317

COMMENTARY

1. BASIS OF PREPARATION

The consolidated financial statements were prepared by the management of the company on 8 March 2021 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the JSE Listings Requirements, IAS 34 and IFRS as adopted by the European Union.

The stand-alone financial statements of EPP NV attached in the integrated report were prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code ("Dutch-GAAP").

The group's financial statements were prepared on a historical cost basis, except for investment properties and loans receivable measured at fair value. The consolidated financial statements are presented in EUR (€) and all values are rounded to the nearest thousand (€'000), except where otherwise indicated. Notes are an integrated part of financial statements.

This summarised report is extracted from audited information, but is not itself audited. The directors take full responsibility for the preparation of this summarised report and for ensuring that the financial information has been correctly extracted from the underlying audited annual financial statements for the year ended 31 December 2020. The auditors, Ernst & Young Accountants LLP, have issued their unmodified opinion on the annual financial statements for the year ended 31 December 2020 and a copy of the audit opinion, together with the underlying audited annual financial statements are available for inspection at the company's registered office.

EPP's integrated report containing the audited annual financial statements for the year ended 31 December 2020 has been published and is available on the company's website at https://www.epp-poland.com/s,128,annual-reports.html.

Going concern

The pandemic of COVID-19 in the financial year 2020 brought an unprecedented situation that required additional consideration to be made on the preparation of the financial statements.

The pandemic impacted EPP group's 2020 financials with:

- A reduction in the rent collection resulting from trading restrictions ensuing from the governmental regulation and rent reliefs given to tenants in the amount of approximately €40 million;
- An increased provision on credit losses on receivables from tenants with severe solvency problems; and
- A reduction in the value of investment properties mainly attributable to the market impact.

EPP management has assessed the group's ability to continue as a going concern. The assessment included analysis of liquidity and solvency considering a wide range of factors and was based on expected cash flows in the next 12 months, including operational, financial and investment activity. As at 31 December 2020, the group had a stable liquidity position, with a cash balance of €152 million.

The uncertainties that were considered as part of the going concern assessment were mitigated by the management response in the following way:

Liquidity

Given the uncertainty of future trading conditions and the difficulty in determining the impact of COVID-19 on EPP as a whole, the board decided to prioritise EPP's sustainability, by adopting prudent precautionary measures to preserve capital and maintain liquidity. The group decided to draw the available balance of corporate facility loan in the amount of €95 million. Also the declared dividend in the amount of €53 million for the six months ended 31 December 2019 was revoked to ensure that EPP remains well capitalised to meet its liquidity needs during this period of uncertainty.

Debt covenants

The value of investment property directly impacts loan-to-value (“LTV”) covenant. In 2020 the majority of the principal repayments from 2020 was deferred to the end of 2021 and the compliance with covenants was waived for the 2020 financial year. As at 31 December 2020, no covenants were breached. All debt covenant projections are proactively monitored to manage and remedy any potential breaches, the company has safe ranges for the covenant compliance in the upcoming year.

Rental concessions

EPP has approached tenant negotiations on a case-by-case basis and has considered multiple factors, such as the analysis of the tenant’s financial situation, potential government support received, historical sales performance and the type of industry in which the tenant operates (fashion outlets, restaurants, cinema and leisure facilities were impacted more than others). In line with EPP’s strategy, discounts or deferrals were offered to tenants with the aim of extending lease periods and increasing long-term rentals securing future cash flows.

In the case of tenants for whom negotiations have been completed as at the balance sheet date, the group issued credit notes correcting sales related to rent reductions in 2020. For the rest of the tenants for whom negotiations are ongoing, the group decided to estimate the value of the rebates regarding the discounts granted for 2020.

Provision for credit losses

EPP has taken a careful approach when calculating expected credit loss (“ECL”) on the balance sheet under IFRS 9 with consideration of current condition and forecast of future economic conditions. The increased balance of ECL included not only provisions calculated based on a historical default matrix, but also balances resulting from individual analysis of all balances from tenants who historically had payment issues, especially those who were severely affected by COVID-19.

Operating cash flows

EPP management has taken steps to reduce costs by temporarily reducing operational costs at a property level and deferring non-essential capital expenditures. The outlook for 2021 assumes no costs exceeding the standard operational activity.

Laws and regulations

The management of the group has actively participated in the Polish Council of Shopping Centres response to the pandemic with an EPP representative appointed to the council. Proactive efforts were also made to avoid further restrictions on shopping centres, formulating and consulting on sanitary protocols being introduced for shopping centres and new legislation affecting the sector.

EPP management is satisfied that the group is in a good financial position and that it has sufficient funds to meet its foreseeable cash requirements. Considering the outcomes of the analysis, the group will be solvent and liquid and management is confident in the ability of the group to continue as a going concern and have no reason to believe that the group will not be a going concern in the year ahead.

The directors have therefore concluded that the group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES – IMPACT OF NEW STANDARDS

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the group, but may impact future periods should the group enter into any business combinations.

Amendments to IFRS 16: *COVID-19 Related Rent Concessions*

In May 2020 the IASB issued COVID-19 Related Rent Concessions – Amendment to IFRS 16: *Leases* ("the Amendment"). The Amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application was permitted, including financial statements not yet authorised for issue at 28 May 2020.

The Amendment provides an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expediency, a lessee may elect not to assess whether a rent concession meets the conditions of a lease modification.

Lessor accounting for rent concessions remains unchanged and is based on the current guidance in IFRS 16. As the group predominantly acts as the lessor, the Amendment does not have a material impact on the group.

Other new standards and interpretations

- Amendments to IAS 1 and IAS 8: *Definition of Material*
- Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*
- Revised conceptual Framework for Financial Reporting issued on 29 March 2018

Although these amendments applied for the first time in 2020, they did not have a material impact on the annual consolidated financial statements of the group.

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. AUDIT OPINION

The auditors, EY, have issued their unmodified opinion, which includes disclosure on key audit matters namely Valuation of IP and Revenue Recognition, on the annual financial statements for the year ended 31 December 2020 and a copy of the audit opinion together with their underlying audited annual financial statements are available for inspection at the company's registered office, and on https://www.epp-poland.com/s,128,annual-reports.html.

4. SEGMENT INFORMATION

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management. The information provided is net of rentals (including gross rent and property expenses), valuation gains/losses, profit/loss on disposal of investment property and share of profit or loss from the joint ventures. The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property and the occupier market it serves. Management considers that this is best achieved by aggregating into retail and office segments.

Consequently, the group is considered to have two reportable segments, as follows:

- Retail – acquires, develops and leases shopping malls,
- Office – acquires, develops and leases offices.

The group's administrative costs, finance revenue, finance costs and income taxes are not reported to the members of the executive management team on a segment basis. The operations between segments are eliminated for consolidation purposes. Segment assets represent investment property and the investment in the joint ventures. Segment liabilities represent loans and borrowings, as these are the only liabilities reported to the board on a segmental basis.

Cumulative top 10 retail and office tenants represent 25% of rental income.

	Retail €'000	Office €'000	Unallocated €'000	Total €'000
2020				
Segment profit				
Rent and recoveries income	**151 363**	**13 171**	**25**	**164 559**
Property operating expenses	**(46 274)**	**(4 019)**	**(61)**	**(50 354)**
Net property income	**105 089**	**9 152**	**(36)**	**114 205**
Investment in joint ventures	**139 991**	**22 711**	**–**	**162 702**
Investment property	**2 000 659**	**124 807**	**–**	**2 125 466**
Total segment assets	**2 140 650**	**147 518**	**–**	**2 288 168**
Bank borrowings	**1 102 006**	**59 660**	**246 473**	**1 408 139**
Total segment liabilities	**1 102 006**	**59 660**	**246 473**	**1 408 139**
2019				
Segment profit				
Rent and recoveries income	177 268	22 432	1 609	201 309
Property operating expenses	(45 876)	(7 068)	(265)	(53 209)
Net property income	131 392	15 364	1 344	148 100
Investment in joint ventures	144 840	26 277	–	171 117
Investment property	2 182 488	138 896	–	2 321 384
Total segment assets	2 327 328	165 173	–	2 492 501
Bank borrowings	1 114 764	61 464	149 737	1 325 965
Total segment liabilities	1 114 764	61 464	149 737	1 325 965

All revenues were generated from external customers based in Poland.

All investment properties are located in Poland.

HEADLINE EARNINGS AND DISTRIBUTABLE INCOME RECONCILIATION

	2020 €'000	2019 €'000
Profit/(loss) for the period attributable to EPP shareholders	**(87 905)**	66 165
Change in fair value of investment properties including joint ventures (net of tax)	**187 866**	(5 045)
Headline and diluted earnings attributable to EPP shareholders	**99 961**	61 120
Change in deferred tax (other than the deferred tax change related to fair value of investment properties)	**28 705**	11 949
Fair value losses/(gains) in joint ventures (other than the change in fair value of investment properties in JV)	**19 251**	6 631
Amortised cost valuation of long-term financial liabilities and other	**4 347**	4 977
Provision for LTI	**(923)**	2 802
Distribution of shares to the board	**(677)**	(2 142)
Unrealised foreign exchange losses/(gains)	**(94 697)**	10 042
Amortisation of selling fees	**1 280**	1 600
Rental lease straight-lining	**(5 528)**	(729)
IFRS 9 remeassurement and other items	**(1 258)**	6 427
Antecedent dividend	**–**	2 848
Distributable income	**50 461**	105 525
Actual number of shares in issue	**907 946 793**	907 946 793
Shares in issue for distributable earnings	**907 946 792**	907 946 792
Weighted number of shares in issue	**907 946 793**	883 598 583
Basic and diluted earnings per share (€ cents)*	**(9.7)**	7.5
Headline earnings and diluted headline earnings per share (€ cents)**	**11.01**	6.92
Distributable income per share (€ cents)**	**5.56**	11.62

* *There are no dilutionary instruments in issue and therefore headline earnings and diluted headline earnings are the same.*

** *Calculated based on actual number of shares in issue as at 31 December 2020 and 31 December 2019, respectively.*

EVENTS AFTER BALANCE SHEET

On 21 December 2020, the Polish government signed a decree which provided additional restrictions and quarantine measures in Poland, including the partial limitation of shopping centres operations. The new regulations came into force on Monday, 28 December 2020 and were in place until 31 January 2021. Grocers, DIY stores, furniture stores, pharmacies, cosmetics shops, pet stores, bookstores, service points and stands were all able to continue trading. Restaurants and food and beverage operators located in shopping malls would continue to operate on a delivery or take-away only basis. The GLA of EPP's retail portfolio that remained operational was approximately 30%. The tenants, for which operations were restricted are allowed by government regulations to obtain rent relief for the lockdown period in return for lease extension of further six months plus the lockdown period. The due date for tenants' declaration is 90 days from reopening, i.e. end of April 2021.

On 2 March 2021, the group has entered into Facility Agreement in the amount of €45 million to provide financing for the acquisition of the third tranche of M1 (Power Parks). Closure of the third tranche of M1 is imminent and a further announcement in this regard will be released in due course.

By order of the board

EPP N.V.

10 March 2021

COMPANY INFORMATION

Directors
Tomasz Trzósło (Chief Executive Officer)
Jacek Bagiński (Chief Financial Officer)
Robert Weisz*(Chairman)
Marek Belka*
Taco de Groot*
Dionne Ellerine*
James Templeton*
Maciej Dyjas**
Pieter Prinsloo**
Andrew König**
*   *Independent non-executive*
** *Non-executive*

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