EPP N.V.
(Incorporated in The Netherlands)
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("**EPP**" or "**the company**")

OPERATIONAL, TRADING AND FINANCIAL UPDATE

COVID-19 update

Up to the end of December 2021, Poland had been recovering after the latest COVID-19 wave caused by the Delta variant. Since the beginning of January 2022, the number of new daily infections has, however, been increasing, although this increase is anticipated to be temporary, primarily resulting from community socialising over the December 2021 festive season. As of 11 January 2022, the 7-day case notification rate was at 329 cases per one million people, one of the lowest in the European Union ("**EU**") and significantly below the EU's average of 1,825 cases per one million people. Importantly however, and in line with other EU countries, the Omicron variant is soon expected to result in a materially higher number of infections. Significantly, the government announced the possibility of doubling the number of COVID-19 hospital beds to prepare for such a scenario. Currently, 41% of COVID-19 beds and 36% of respirators are available. The relatively stable healthcare position has resulted in no lockdowns being imposed on the retail industry during the last months of 2021 and early January 2022.

Enhanced sanitary restrictions aimed at mitigating against new infections and allowing the national economy to avoid lockdowns were introduced in October 2021. Current limitations, which are in force until 31 January 2022 include reducing the number of customers in public places such as shopping centres, cinemas and restaurants, closing discos and night-clubs and obligatory COVID-19 testing for travellers arriving from outside the Schengen area. Vaccinated, recovered and persons who tested negative for COVID-19, are excluded from the capacity limitations in public places. Schools were closed and replaced with at home education for three weeks over the December holiday period.

The roll-out of Poland's vaccination programme has continued in recent months. Currently, the COVID-19 third dose booster shots are being administered and children aged 5-11 are also allowed to be vaccinated. As of 11 January 2022, 58% of the Polish population is fully vaccinated. To support the vaccination programme, EPP arranged vaccination points in 11 of its retail properties, facilitating the vaccination of approximately 56,000 shoppers. Vaccinating in shopping centres, which does not usually require prior registration, is gaining popularity across Poland and the number of customers making use of these facilities is growing.

Macroeconomic update

The Polish economy has quickly returned to pre-pandemic growth levels and continues to show a positive outlook. Oxford Economics anticipates GDP growth to be 5.1% in 2021, 4.5% in 2022 and 4.0% in 2023, which places Poland in the top number of the Central Eastern European ("**CEE**") states and continues to make it one of the fastest developing countries in the EU. Poland is often listed among the world's most digital, innovative and entrepreneurial economies, and this is expected to continue. According to the Digital Poland Foundation's "Invest in Digital Poland 2021" report, Poland was the third most popular capital investment country in Europe in 2020 and, according to "The fDi report 2021", the first in CEE.

Poland has one of the lowest unemployment rates in the EU at 3.5% in 2021. Demand for labour is expected to continue with unemployment rates expected to drop to 2.9% and 2.4% in 2022 and 2023, respectively. Rising employment levels will place upward pressure on average monthly salaries which are forecast to increase by approximately 8% over the next two years.

At the same time, the country is facing the global challenge of rising inflation, fuelled especially by rapidly rising energy prices. To ease this growing trend, the Monetary Policy Council of Poland has raised the reference interest rate from 0.1% (historically the lowest level) to 2.25%, with the most recent interest rate increase of 50 bps taking place on 4 January 2022. The Polish government has also launched the "inflation shield" programme, designed to protect families and households from the effect of rising prices. It includes, *inter alia*, the temporary abolition of excise duty on electricity, the reduction of the VAT rate on electricity and natural gas, decreasing the price of fuel by reducing excise duties, and providing financial support for families based on their income.

Operational update

100% of EPP's GLA has been continuously operational since 26 June 2021, with sanitary requirements such as limitation on customer numbers, wearing of face masks, disinfection and maintaining social distance in place. Current regulations in force until 31 January 2022, allow for 1 person per 15 m² in shops and gyms, and for 30% of full occupancy in cinemas and restaurants.

The second half of 2021 confirmed that the change in consumer behaviour resulting from the pandemic, which resulted in higher conversion rates, is a stable trend. From July to December 2021, when no lockdowns were in place, footfall stabilised at approximately 83% of 2019 levels, while turnover ranged between 92% and 109% of pre-pandemic levels, depending on the month. The turnover levels for the retail categories taking up the most space in shopping centres such as fashion and accessories, household goods and appliances and electronics, have frequently exceeded 2019 turnover levels. These figures indicate more purposeful shopping, resulting in a larger basket size per visit. The relatively high level of footfall also confirms that, despite the ongoing pandemic, with the sanitary measures in place customers feel safer when visiting shopping centres. From July to December 2021, when no lockdowns were in place, the e-commerce penetration rate in Poland decreased from above 10% and stabilised at approximately 8%, further evidencing that shopping centres remained the necessary and complementary place for Poles to shop, when allowed to operate without limitation.

The occupancy rate within EPP's retail portfolio is at a stable 95.8% and the retail WALT by GLA was approximately 5.21 years as at 30 September 2021. Retail rental collection rates have been steadily improving during 2021, reaching 95% in November 2021. Retailers' demand has been fluctuating over the last two years. Lease agreements signed by the EPP team for around 112,000 m² GLA in the last 6 months (of which 11,000 m² relates to new leases), is an encouraging sign. In recent months, EPP has welcomed a number of new tenants including Netto supermarkets, Action discounts, IKEA, Tescoma and Homla with household products, RTV/AGD store by Media Expert, an Orange showroom, kaes. sport store, Empik bookstore, Pandora luxury jewellery store, Foot Locker footwear, fashion stores by HalfPrice, Giacomo Conti, Greenpoint, Monnari and OCHNIK, and fast foods and restaurants such as Olimp, Ha Long, Cesare Ristorante and Tel Aviv Street Food.

Retail outlook and prospects

EPP continues to benefit from operating in Poland's resilient and quickly developing economy – one of the largest among EU members and leading in CEE. The outlook and prospects for retail in Poland are cautiously optimistic, with caution related to the ongoing pandemic. In 2021, 2022 and 2023, retail sales growth is expected to reach 7.4%, 5.5% and 3.6%, respectively, exceeding the EU average. Despite an anticipation of an improved income environment, it should however be noted that retail landlords are expected to suffer the consequences of significant electricity and cleaning / waste disposal costs, which cannot be recovered from tenants, driven principally by higher carbon emission taxes levied by the EU and the Polish government's resolution to increase the minimum wage by 34% respectively.

The Polish government has implemented COVID-19 related legislation that, in the case of lockdowns, provides rental relief to shopping centre tenants at the expense of landlords. The existing Coronavirus Act of 2020 amended in mid-2021 requires landlords to relieve tenants of 80% of their rental obligations during lockdowns, and of 50% of their lease liabilities for three months after each lockdown. EPP hopes that there will be no lockdowns in Poland during 2022, but the Omicron wave in Europe does pose a risk in this regard.

Importantly, however, the positive sentiment of Polish shoppers is expected to continue. Currently observed higher conversion rates, with turnover recovering faster than footfall, were previously anticipated, and in the longer term, as the epidemic situation stabilises, the number of customers is ultimately expected to return to pre-pandemic levels. At the same time, the growing importance of mixed-use spaces and omni-channel solutions for customers, including a similar shopping experience regardless of the shopping channel and personalisation of shopping, will force adjustments in the current retail infrastructure and determine the direction of the development in the years ahead. EPP aims to stay ahead of such changes, adjusting the company's operating model as necessary.

In line with adapting to market trends, EPP is proud to be a socially and environmentally responsible business, with properties gradually being modernised in order to reduce their environmental impact by limiting pollution and the usage of water and energy. EPP expects to issue its first ESG (Environmental, Social and Governance) report in early 2022.

The investment market in the Polish retail segment unfortunately remains passive, with very little registered transaction activity and a further period of stabilisation likely being required. Investors remain cautious, primarily due to the uncertainty caused by the new COVID-19 variants and legislation regulating rental obligations in shopping centres. In Poland, investors are focused mainly on retail parks, convenience centres and single-anchored grocer or DIY properties. EPP expects that it may take a further two to three years before investment demand for shopping centres returns to pre-pandemic levels.

Financial update

The financial information set out below, including the information on which the trading statement is based, has not been reviewed or audited by EPP's auditors. EPP expects to report its results for the year ended 31 December 2021 on or about 10 March 2022.

- **Debt and liquidity**

EPP expects to report the following balances at 31 December 2021:

- bank borrowings of c. €1.43 billion (30 June 2021: €1.44 billion);
- cash of between €85 million and €90 million (30 June 2021: €92 million); and
- LTV of c. 56% (30 June 2021: 55.6%).

Details of EPP's bank borrowings and repayment profile are set out in Annexure 12 of the circular issued to shareholders on 17 December 2021, in respect of the delisting and related transactions (the "**circular**"). EPP continues to face significant loan maturities, with €879 million maturing by 31 December 2022. The company is engaging with its lenders on the terms of extension or repayment of the loans due in 2022. Loan maturities by 31 December 2022 include an unsecured corporate facility of €250 million which matures on 31 October 2022, in respect of which the relevant debt provider has informed EPP that it requires the full €250 million to be repaid by 31 October 2022.

- **Update on property valuations**

EPP's property valuers are in the process of finalising their valuations in respect of the EPP portfolio for the year ended 31 December 2021. EPP expects that the valuations will be materially unchanged from the valuations as at 30 June 2021, as set out in Annexure 11 of the circular.

- **Net asset value per share**

EPP expects to report the following balances at 31 December 2021:

- net asset value per share of approximately €1.02 (30 June 2021: €1.02); and
- net asset value per share excluding deferred tax of approximately €1.12 (30 June 2021: €1.12).

- **Trading statement**

Shareholders are advised that EPP expects distributable earnings per share for the year ended 31 December 2021, to be at least 7.50 euro cents per share, higher than the previously provided guidance of between 7 and 7.25 euro cents per share, mainly attributable to lower taxes as a result of the suspension of GAV tax on investment property due to the continued COVID-19 pandemic, as well as better than expected operating results.

Until and upon the loans due in 2022 being extended, refinanced or repaid, with special attention on the corporate credit facility of €250 million due for repayment in October 2022, EPP will continue with its strategy to retain cash that would ordinarily be distributed to shareholders. Accordingly, the Board of EPP does not expect to recommend paying a dividend for 2021.

Availability of FAQ document

Shareholders are advised that the company will make available on its website at https://www.epp-poland.com/s,129,shareholder-circulars.html an FAQ document to address matters raised by market participants and facilitate engagement with shareholders ahead of the extraordinary general meeting of EPP shareholders to be held at 12:00 (CET) on Friday, 21 January 2022.

In the interests of correcting an inaccurate statement contained in a widely disseminated analyst note to the effect that the Redefine offer was being made at a value below the fairness range as advised by Deloitte &Touche in its independent expert report (which report is set out in Annexure 1 of the circular) by reason of the independent expert's fair value range not having taken into account that Redefine paid a dividend of 60.1 cents per Redefine share during December 2021 ("**RDF December 2021 dividend**"), the independent expert has confirmed that, in opining on the fairness of the Redefine offer, its fair value range of between 2.50 and 2.70 Redefine shares per EPP share did in fact take into account the timing and amount of the Redefine December 2021 dividend and that EPP shareholders who accept the Redefine offer would not participate in the Redefine December 2021 dividend. This issue is dealt with more fully in the FAQ document.

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JSE sponsor

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