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A word from our CEO

The first half of the year has given everyone under the EPP umbrella several reasons to celebrate, with the expanded portfolio and increased footfall numbers.

With a strong first half of the year we have grown closer to our goal of becoming a pure retail-focused company. At the end of July we acquired the King Cross Marcelin shopping centre which boasts 45 353 m² in GLA and is located in affluent western Poznan. With the M1 acquisition in the pipeline, by 2020 we are set to own 28 shopping centres spanning more than a million square metres, all within a 30-minute drive of 40% of Poland's wealthiest population. Additionally, the construction of Galeria Młociny, our flagship Warsaw development, is on track and on schedule to open in spring 2019 with pre-letting currently at 87%. In due course we look forward to announcing the entry of a major new

fashion retailer into the Polish market with its first store located in Galeria Młociny. Its name is to be revealed in the course of the next year.

In a recent interview with Bloomberg I had the opportunity to discuss EPP's solid performance thus far, the Polish economy, retail spending patterns, our acquisitions to come and what sets Poland apart from its EU competitors.

<https://www.bloomberg.com/news/videos/2018-08-21/future-is-bright-for-poland-says-epp-ceo-dean-video>

Our success lies not only in our growing portfolio but most of all in the extraordinary talent of our asset and property management teams. As we head into the end of the year, we continue to drive value for our tenants and solidify our strategy of becoming the leading landlord in Poland.

Hadley Dean

CEO

Poles are becoming more affluent

According to the latest Household budgets report from the central statistical office (GuS), the average household disposable income per capita in Poland was PLN 1598 which shows an 8.3% increase from the previous year and more importantly 6.3 % growth in real terms. EPP's assets, which are widely distributed throughout Poland geographically are well positioned to take advantage of this trend. The increase is largely due to higher employment rate, rising wages and the introduction of the 500+ programme. Households benefiting from the 500+ programme accounted for 14.5% disposable income per person. Per capita income for married couples with at least three children increased by 42% in 2017.

An additional benefit of the rising household income is that Polish families now have a greater opportunity to save as income has increased at a greater rate than household expenditure. Household expenditure was on average 95.4% of income in 2004 compared to 73.3% in 2017, Rising household incomes is contributing positively to the restaurant and leisure industries with Poles now spending more on restaurants and hotels. In 2017, Poles spent on average PLN 53 per person per month equal to an 18% increase since 2015 and more impressively a 134% increase since 2010.

In conclusion the household income is expected to grow in 2019 mainly due to the labour market conditions.



Source: Polityka Insight

Driving tenant performance - EPP University

EPP University is a platform created to support our tenants in their daily operations, as well as ensuring successful performance within our portfolio. It is headed by Roksana Bialecka, an experienced expert in training sales, visual merchandising and business, who together with her team comprising four professionals, provide EPP's tenants with training on important performance factors such as effective sales techniques, customer typology, selling on the shop front and business KPIs analysis.

This initiative not only improves the clients' performance leading to rental growth, but also helps to identify and prevent any potential problems they might have.

Roksana says: "During the past four years we arranged 180 shop displays and trained over 2 500 retail staff as well as supported them in creating a new visual merchandising strategy. We support over 260 of our tenants in improving the performance of their business. The activities run within the EPP University are appreciated by our tenants who perceive our shopping centres as an optimal environment to develop their businesses."

Head of Property Management, Wojciech Knawa added: "This initiative is a tremendous benefit to our clients and we continue to look forward to helping our tenants achieve their aspirations."

Poland achieves developed market status in FTSE Russell

Poland has been promoted from 'advanced emerging' to 'developed market' status in indices run by FTSE Russell, which means Poland is now recognised as a developed country joining countries such as France, Germany, United Kingdom, Australia, Canada, New Zealand and the USA. This is a huge achievement as Poland is the first CEE country to make this step and the first country in the world to be awarded such an upgrade in almost a decade. This transition took place in conjunction with the FTSE Global Equity Index Series (GEIS) semi-annual review in September 2018.

Guidelines for this market classification are dependent on the quality of regulations, the dealing landscape, custody and settlement procedures. A country needs to be of a material size to warrant inclusion in a global market and international investors should be able to invest and withdraw funds in a timely manner at reasonable costs.

On the heels of this, S&P Global upgraded Poland's credit rating from BBB+ to A- in mid October, citing strong and balanced growth and better than projected budget results.

Polish banks also proved strong this year when the European Banking Authority conducted a stress test to see how banks would fare in an economic downturn over the next three years. Polish banks took first and third place in this test, outperforming their Western European counterparts.

EPP stock news

EPP has been added as a new entrant to the FTSE EPRA Nareit Global Emerging Markets Index under the FTSE EPRA Nareit Global Real Estate Index Series. Other candidates include Equites Property Fund Ltd, Octodec Investments Ltd and Emirates REIT CEIC.



EPP participates in JSE's first Polish day

On 14 September, the JSE hosted its first ever country focussed investor day. Guest speakers, Andrzej Kanthak, Polish Ambassador to South Africa, and Senior Economist for the World Bank, Dr Marcin Piatkowski were the keynote speakers at the event and discussed business relations between South Africa and Poland, as well as the economic rise of Poland.

EPP and other JSE listed property companies – Redefine and Growthpoint - also took part in a panel discussion to discuss the local property market and their experience in Poland. The event gave analysts and fund managers detailed information on Polish politics and the economy, including the country's ultimate growth drivers – a broad-based inclusive society, as well as a social consensus on European integration.

The JSE's Polish Day was well attended and received positive feedback from its participants who recognised it as both informative and insightful.

We look forward to attending similar events in the future.



Left to right: Hadley Dean, Andrzej Kanthak, Dr Marcin Piatkowski

EPP's liquidity increases

Since the beginning of the year Echo Investment has been incrementally selling off its investment in EPP, culminating in the sales of the remaining 15 million shares on 5 November 2018. "Echo

Investments has now completely exited the stock and the overhang on the stock which had been of concern to investors has been removed. Notably this has also increased our liquidity." says EPP CEO Hadley Dean. The sale was in line with Echo Investment's stated strategy to align its asset composition as a pure developer. EPP and Echo Investment remain strategic partners and will continue to collaborate on joint projects including the current two flagship development projects in Warsaw, namely Towararowa 22 and Młociny.

H1 2018 - Another set of solid results

For the six months ended June 2018 we posted distribution growth of 12% per share to €5.82 cents and distributable earnings increased 32% to €48.3 million.

Our successful acquisition of the first tranche of the three-phase M1 portfolio deal adds 194 400m² to our retail property portfolio, increasing total assets to more than €2 billion. Net asset value per share increased 4% to €1.37.

CEO Hadley Dean says: "The retail sector in Poland is booming, and our vacancy rate remains below 1%. We are on target to deliver full year dividends of between €11.6-11.8 cents. This is excellent news, because it means that for a consecutive year we are on track to continue rewarding all of our investors."

EPP N.V.

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