

COMPANY NEWS | EDITION 14

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In this newsletter

- [A word from our CEO](#)
- [EPP is the top performing property stock on the JSE for 2018](#)
- [Poland expected to continue economic growth in 2019](#)
- [Investment and retail news](#)
- [Black Friday sales](#)
- [Going green](#)
- [Sunday trading ban](#)
- [EPP wins awards](#)

A word from our CEO

2018 was a very successful year for EPP and all of our stakeholders. As I have mentioned before, we believe that our company strategy, leadership, governance and efforts have paid off for all of us. Consumers continue to drive the Polish economy, which is still on track for steady growth. We believe Poland is well poised to continue to outperform other European countries in 2019.

We are on track to bring you our annual results in March and are anticipating a very positive 2019. Most notably, we are all looking forward to the opening of our flagship property Młociny in Warsaw in Q2.

Our retail-focused strategy has benefitted from some positive trends which we highlight below. Holiday shopping in Poland was launched by a record-setting Black Friday. In addition, during 2019 we will add another 184,000 sqm of quality retail GLA, bringing us closer to our stated goal of becoming the dominant owner of retail property across Poland.

Hadley Dean

CEO

EPP is the top performing property stock on the JSE for 2018

EPP outperformed all other stocks in the JSE property index in 2018. EPP shares delivered a total return of 21.3% for 2018, compared with the benchmark (SAPY) total return of -25%.

EPP was one of only a few property companies on the JSE to deliver a total positive return.



Poland expected to continue economic growth in 2019

The World Bank is forecasting Polish GDP for 2019 at 4.0%, a slight upward revision from October 2018, when it predicted it to be 3.9%. Growth will continue to be fueled by private consumption.

In 2018, Poland was marked by increases in wages and consumption, combined with very low unemployment. This trend is expected to continue through 2019, with the European Commission predicting wage increases around 8%, and forecasting unemployment to drop from 3.8% to 2.9%. These numbers have translated into higher consumption, a trend that is also expected to continue in the new year.

CBRE noted in its latest report that: "The Polish economy is based on strong macroeconomic fundamentals, a sound banking situation and low imbalances; consequently, there are no reasonable prerequisites for a serious slowdown."



Investment and retail news

According to JLL, Poland saw a record EUR 7.2 billion invested into its markets in 2018. This was the fourth consecutive year of growth, and an impressive EUR 2.2 billion increase from the previous year. Offices finished the year as the sector with the highest investment volume.

The CBRE report also highlighted key advancements within the retail sector, which saw record investment during the year. A record 29 new international brands entered the Polish market in 2018.

Black Friday sales

Black Friday in our shopping centres turned out to be a great success. We recorded significant increases in the number of visitors to our properties with Galaxy in Szczecin beating 2018's previous footfall record (65 000 visitors) and Echo in Kielce achieving the best footfall results since its opening (55 000 visitors). Wzorcownia in Włocławek, Outlet Park in Szczecin and Twierdza in Zamość recorded increases in the number of visitors compared to the previous year's Black Friday by 95%, 104% and 136%, respectively.



Going green

EPP, together with Polskie Centrum Badań i Certyfikacji S.A. (PCBC, Polish Centre for Testing and Certification) has launched a first of its kind programme to ensure the highest environmental standards are met in all its shopping centres. The "Go Green, Go Clean" programme certifies that EPP shopping centres will use only environmentally friendly and people friendly services, solutions and products dedicated to maintaining cleanliness at retail facilities and public utility properties.

These services are marked by the EU Ecolabel sign. To achieve this marker, products and companies must comply with standards set by the European Commission and must satisfy the highest quality and health standards. EPP is proud to be the company bringing this programme into Poland.



Sunday trading ban

We have made great efforts to continue attracting customers to our shopping centres in spite of the Sunday trading ban.



Board Games Sunday: Galeria Echo hosted "Games unplugged", which provided a full range of board games aimed at both children and adults. These included classic strategy games such as chess and checkers, as well as a sports bridge tournament and role-playing games. There was also an exchange of cassettes, vinyl records and CDs.

Galeria Echo repeated this event in January while Pasaż Grunwaldzki in Wrocław also hosted a similar event, both of which were covered in local media.

On Polish Independence Day in November Galeria Echo hosted "Patriotic Songs", an event which resulted in increased footfall compared to previous Sunday trading ban days where no events had been held. "Patriotic Songs" increased footfall by 117% while "Sports Sunday" increased footfall by 128%.

EPP wins awards

In December 2018, Eurobild awarded EPP prizes in two categories. The acquisition of eight M1 shopping centers and four Power Park shopping centers was recognized by the jury as the 2018 Transaction of the Year. Józef Wojciech Wilczak, the Property Manager of Tryton Business House managed by EPP, won the Office Manager of the Year. We are very proud of Józef and all of those involved in the M1 portfolio acquisition!



EPP N.V.
Gustav Mahlerplein 28
1082 MA Amsterdam
The Netherlands

T: [+48 22 221 71 10](tel:+48222217110)
E: HQoffice@echo-pp.com

IR related comments / feedback welcome: IR@singular.co.za