



2018 annual results

STRENGTHENING OF FREY'S BUSINESS MODEL

Implementation of the Shopping Promenade concept in France
European expansion1st success for "Citizers" in 2019, the team dedicated to mixed use projects launched in 2018Strong operating performance of the economic portfolio ⁽¹⁾

Valuation: €729.8 million (+23%) - Annualised rental income: €42.6 million (+27%)

Footfall ⁽²⁾: +1.4% - Tenants' sales ⁽²⁾: +1.2%Occupancy rate ⁽²⁾: 96.7% (+170 bp)

Sound financial structure

Fund raising of €322 million⁽³⁾Diluted going concern NAV €34.40/share (+5%)
after the impact of the capital increase

Profit from recurring operations: €18.3 million (+46%)

Dividend 2018 ⁽⁴⁾: €1.20 per share (+20%)

Change in relation to 31.12.2017

Key figures - In € million - 12 months	2018	2017	Change
Consolidated revenues	56.7	29.4	+93%
Property investment activity (gross rental income)	32.8	23.7	+38%
Profit from recurring operations	18.3	12.5	+46%
Fair value adjustment of investment property	35.7	53.8	N/A
Net income group share	45.1	61.1	-26%
Balance sheet indicators - In € million	31.12.2018	31.12.2017	Change
Going concern NAV (including stamp duty) i.e. per share ⁽²⁾	646.6 €34.40	394.6 €32.60	+64% +5.5%
Triple net EPRA NAV ⁽⁵⁾ i.e. per share ⁽²⁾	601.8 €32.00	367.3 €30.34	+64% +5.5%
Net LTV ⁽⁶⁾	26.1%	37.7%	-1,160 bp

At its meeting on 07 March 2019, FREY's Board of Directors closed the consolidated financial statements for 2018. The audit has been prepared by the Statutory Auditors. The certification report has been issued.

(1) The economic portfolio comprises assets in operation that are wholly-owned by FREY or jointly held with associates, in proportion to FREY's percentage interest in those associates.

(2) On a like-for-like basis. Assets owned more than 50% in France.

(3) At 31 December 2018, FREY's share capital is composed of 18,841,665 shares compared with 12,112,500 at the end of 2017, after the creation of 6,729,165 new shares resulting from the capital increase of €202 million carried out in June 2018. FREY also signed €120 million in additional corporate facilities in 2018.

(4) As will be put forward to the Annual General Meeting which will take place on 21 May 2019. Total amount of around €22.6 million compared with €12.1 million for the 2017 dividend (up 87%).

(5) Triple net NAV calculated according to the standards developed and published by the EPRA (European Public Real Estate Association).

(6) Including stamp duty, excluding Opirnane.

On the occasion of the annual results, Antoine Frey commented: *"We are very proud of the excellent operational and financial performance of the Group once again this year. For the future, we believe that the deep on-going changes in the retail sector will strengthen the weight of specialists in this asset class. Thanks to its unique know-how, FREY is well positioned to be the reference player of the transformation of retail which, in the months and years to come, will offer many value-creating opportunities in both France and abroad."*

2018 HIGHLIGHTS AND SUBSEQUENT EVENTS

- **Three Shopping Promenade projects under construction in Strasbourg, Claye-Souilly and Arles**

In 2018, the Group continued the building works of the **Shopping Promenade Coeur Alsace (67)** and the **Shopping Promenade Claye-Souilly (77)**, due to be delivered in 2020. Many tenants are joining FREY's sites or strengthening their presence, such as New Yorker, Kaporal, Adidas, Reebok, Vib's, Big Fernand, Vapiano and Factory & Co.

This year, FREY has **launched works on the Shopping Promenade in Arles (13)**. This site with an area of more than 18,000 m² will provide a shopping and leisure offering with 30 strong covenants, including **the first H&M store signed by FREY**, but also Fnac, New Yorker, Courir and Emilie & the cool kids (winner of the FREY Passport Award for the 2018 Franchise). This site is part of the urban renewal project of the district.

These three projects represent a total investment of €245 million for the Group and potential annualised rent of €19.5 million for the patrimonial part (119,000 m²).

The Group also **delivered the Z'Aisne retail park** (11,000 m²) located in Saint-Quentin (02) and sold for €26.4 million¹ of assets above the last appraisal value.

- **New professional awards**

This year the Group received the **Janus label of excellence for retail (2018)**, awarded by the French Institute of Design, and the **CNCC 2018 trophy for the Shopping Promenade Coeur Picardie** in Amiens (80). For its first anniversary, the retail park has recorded very good performances: footfall of 4.9 million and an occupancy rate of 97.9% with the following recently opened tenants: JD Sport, 231 East St, Colombus and IT Trattoria.

The Group once again received the highest rating among the property investment companies in the ranking established by the magazine "Sites Commerciaux" (annual study on landlord-tenant relationships). FREY's portfolio posted a **competitive occupancy cost ratio in 2018 of 7.8%**.

- **Launch of the international development: acquisition of Parc Vallès in Spain**

In 2018, the Group acquired Parc Vallès near Barcelona, an open-air retail site of 47,000 m² (42,000 m² acquired in April 2018 and 5,000 m² in February 2019). This property has posted a sound performance: 13.2 million visitors, net annual rental income of €5.9 million and an occupancy rate of 100%. The Group plans to carry out an extension to continue its value creation process. This investment reflects the **Group's strategy to develop its open-air shopping centre concept in countries surrounding France**, mainly in Spain and Portugal.

- **Ongoing transformation of the Group's financial structure**

FREY Group has continued to significantly transform its financial structure and strengthen its robustness:

- **capital increase of €202 million** in June to cover the share of equity needed to finance projects under development and to participate in the acquisition of real estate assets. FREY received the 2018 award for the best equity transaction in the "mid-caps" category awarded by Euronext Paris;

¹ Amount of 100% disposals, i.e. €5.3 million attributable to owners of the company.

- **increase of the syndicated credit facility signed in June 2017, from €300 million to €350 million.** On this occasion, the Group lowered the financial terms of this credit and extended its maturity date by one year. FREY also signed a **new €70 million syndicated credit facility** at the end of 2018, for a period of five years with two options for an additional one-year extension, thus **diversifying its financing partners**.

At the end of 2018, the Group has **€325 million of available liquidity**¹.

- ***Launch of Citizers, the FREY's entity specialised in mixed use projects and 1st success in Rennes***⁽²⁾

Citizers will be the dedicated business unit of FREY in the selection and design of mixed urban projects (direct sourcing or public auction). The team is co-directed by Roger Barbary and Pascal Allançon, seasoned specialists in this type of industry.

In early 2019, the Group, in partnership with Engie, won its first success by being awarded winner of the public tender for the conversion of the Palais du Commerce in Rennes (35), an iconic building in the city centre. Named "Renaissance", this ambitious project, designed by the architects of MVRDV and Bernard Desmoulin, has been conceived as a place for living, sharing and communicating.

With over 18,000 m², the project will gather an unprecedented range of mixed uses for the Rennes metropolitan area: 5,000 m² of retail space, including new major retailers (Citadium, Décathlon City, AMPM, etc.), 4,100 m² of offices and co-working areas, a 105-room "concept hotel" operated by the Marriott Group, seven cafés and restaurants (including the historic Brasserie de la Paix), a catering and hotel trade training institute chaired by chef Thierry Marx and reserved primarily for those on back-to-work schemes as well as a variety of original and attractive leisure and cultural facilities such as a boxing gym, an electro bar and a Lego workshop. Moreover, there will also be many other innovative services, including those offered by La Poste, the building's owner and historical operator, such as digital and physical concierge and urban logistics services.

EVOLUTION OF PROPERTY PORTFOLIO

At 31 December 2018, FREY's ⁽³⁾ economic portfolio:

- is valued at **€729.8 million excluding stamp duty**, up 23% compared with 31 December 2017,
- comprises 365,000 m² of GLA area (compared with 308,700 m² at 31 December 2017),
- generates an **annualised base rent of €42.6 million** (up 27% compared with 31 December 2017),
- and has an occupancy rate (EPRA) ⁽⁴⁾ of 96.7%, compared with 95.0% at the end of 2017.

The growth of the economic portfolio results from the acquisition of Parc Vallès in Spain, the delivery of the Z'Aisne open air shopping centre in Saint-Quentin (02) and the leasing of existing assets.

At 31 December 2018, projects under construction represent a value (excluding stamp duty) of €140.2 million, which brings the total value of the assets (economic portfolio + ongoing projects) to €870 million.

FINANCIAL PERFORMANCE IN 2018

- ***Revenue and rental income***

At 31 December 2018, the growth of the property company brought **gross rental income from wholly-owned property (i.e. 301,300 m²) to €32.8 million, up 38.4% year-on-year** (compared with €23.7 million and 247,700 m² at 31 December 2017).

⁽¹⁾ €247 million in corporate facilities and €78 million in cash available.

⁽²⁾ Cf. press release published on 07 February 2019, available on the FREY website.

⁽³⁾ The economic portfolio comprises assets in operation that are wholly-owned by FREY or jointly held with associates, in proportion to FREY's percentage interest in those associates.

⁽⁴⁾ Delivered over a year ago and excluding strategic restructuring.

This very strong growth stemmed both from a **very significant scope effect** related to deliveries in 2018 and 2017 (Shopping Promenade Coeur Picardie in Amiens, for €2.7m) and acquisitions made in 2018 and 2017 (Parc Vallès, Be Green (100%) mainly, for €5.7 million), **and a very good performance on a like-for-like basis (+2.8%)**, mainly related to the leasing activity and the improved occupancy rate for the property portfolio.

Development business rose significantly in financial year 2018, mainly thanks to the forward sale (VEFA) of a retail site located in Laval-Saint-Berthevin (53).

FREY's total revenue grew by 93% to €56.7 million at 31 December 2018, compared with €29.4 million at the end of 2017, reflecting the growth momentum of property under development.

- ***Profit from recurring operations of €18.3 million (up 46%)***

Profit from recurring operations, up sharply by 46%, stood at €18.3 million at 31 December 2018, compared with €12.5 million at 31 December 2017. The Group has efficiently controlled its overhead costs over the year, in a context of strong growth. Its active recruitment policy aims to support the growth of assets in operation and the progress of several major pipeline projects, some of which will be delivered in 2020 (Shopping Promenade Strasbourg and Claye Souilly).

Operating profit amounted to €53.1 million (versus €65.2 million at 31 December 2017, down 19%). In 2017, this result was due in part to the recognition of very strong value creation (€53.8 million) related to the launch of works for the two major Shopping Promenade centres in Strasbourg and Claye Souilly.

This year value creation remained high at €35.7 million, made up of assets under development (€23.7 million), acquisitions (€4.4 million) and assets in operation at 31 December 2017 (up €7.6 million on a like-for-like basis).

Profit from recurring operations⁽¹⁾ amounted to €60.2 million (compared with €74.2 million at 31 December 2017, down 19%).

Net profit group share amounted to €45.1 million for the year, after taking into account a stable net cost of debt of €(9.3) million and income tax of €(2.8) million, the latter compared with €(0.7) million in 2017.

- ***Diluted going concern NAV per share of €34.40 (up 5.5%) post-dilution due to the capital increase and 2017 dividend payment***

The diluted going concern NAV (including stamp duty) amounted to €646.6 million at 31 December 2018, up 64% compared with 31 December 2017 (€394.6 million). This growth was driven by the Group's operating performance and the increase in the value of assets held in the portfolio.

Adjusted per share, the NAV increased by 5.5% to €34.40/share over 12 months after the impact of the capital increase carried out in June 2018⁽²⁾ and payment of the 2017 dividend of €1.0 per share (for a total sum of €12.1 million). The triple net EPRA NAV⁽³⁾ amounted to €601.0 million. Adjusted per share, it came out at €32.0, up 5.5%.

- ***Bank debt***

The net consolidated LTV ratio including stamp duty, excluding Opirnane, temporarily fell to 26.1%, compared with 37.7% at the end of 2017, given the strengthening of equity and the increase in the value of investment property over the year.

The average interest rate on bank debt after taking into account interest rate hedges and with 3-month Euribor at 31 December 2018 of (0.309%) **was 1.95%, composed of 1.29% for corporate facilities and of 2.85% for other bank financing. The debt duration was 5.9 years and the debt has an interest rate protection at 98.2%.**

⁽¹⁾ Profit from recurring operations includes the share of profit from recurring operations attributed to associates.

⁽²⁾ Impact of the creation of 6,729,165 new shares following the €201.9 million capital increase of June 2018.

⁽³⁾ Triple net NAV calculated according to the standards developed and published by the EPRA (European Public Real Estate Association).

PROPOSED DIVIDEND FOR 2018: €1.20 PER SHARE (+20%)

FREY's Board of Directors will propose a **dividend of €1.20/share at the Annual General Meeting to be held in May, up 20%, amounting to around €22.6 million, up 87% compared with the amount distributed for the 2017 dividend.**

OUTLOOK AND PROGRESS OF PROJECTS UNDER DEVELOPMENT

The Group will pursue its growth strategy taking into account the full potential of its unique know-how in retail real estate. Thanks to its robust business model, based on controlling the entire retail value chain, **FREY intends to take advantage of new opportunities for development and value creation offered by current changes in retail universe:**

- **win restructuring projects of retail areas on the outskirts of towns**, such as in Strasbourg or Montpellier. At the end of 2018, the pipeline of open-air shopping centres represented a total investment of €989 million and 14 projects (excluding Rennes);
- **on an opportunistic basis, acquire assets sold by their owners, in order to convert them into the brand new concepts**, such as Wood-Up (formerly Maisonnément in Cesson) or Parc Vallès in Barcelona;
- **promote the urban retail anchor by developing dense mixed projects via Citizers**, as in Rennes. Citizers is currently working on six redevelopment operations in major French cities;
- **continue the internationalisation of the Group**, to uplift the share of its international portfolio to 30% in the medium term, by focusing on Spain and Portugal.

A presentation will be made available in the finance section of FREY's website on 11 March.

FREY's 2018 registration document will be put online on the website frey.fr, under the heading Finance / Regulatory Information, by 12 April 2019 at the latest.

About property investment company FREY

FREY is a property investment company specialising in major urban renewal operations and the development and operation of outdoor shopping centres. Its Shopping Promenades® represent a comprehensive offer combining shopping and leisure, to create an "enhanced experience" for all the family. Through its unique expertise, FREY has become a recognised French leader in this resilient asset class, covering the whole market (creation, extension and renovation) and in perfect harmony with the expectations of consumers, retailers and communities.

Property investment company FREY is listed on compartment B of Euronext Paris. ISIN: FR0010588079 - Mnemo: FREY

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APPENDICES – Financial statements at 31 December 2018 - Consolidated financial statements (audited and certified)

Figures relating to the portfolio

In € million			
Portfolio value (excl. stamp duty)		Annualised rental income	
Investment property - IFRS statement of financial position	746.2	Rents recognised	32.8
Projects under development	(140.2)	Impact of disposals during the period	(0.3)
		Impact of acquisitions / deliveries during the period	3.1
		Impact of vacancies during the period	0.5
		Rent-free periods and step rents invoiced	0.8
		Reinvoicing of works and staggering of rent-free periods	(1.7)
Wholly-owned assets in operation	606.0	Annualised rental income of wholly-owned assets in operation	35.2
Jointly-owned assets in operation in proportion to the percentage interest held	123.8	Annualised rental income from jointly-owned assets in operation in proportion to the percentage interest held	7.5
Economic portfolio	729.8	Annualised rental income from the economic portfolio	42.7
Assets in operation, jointly-owned (share non-FREY)	553.3	Annualised rental income of assets in operation, jointly-owned (share non-FREY)	25.0
Total wholly-owned asset portfolio	1,283.1	Annualised rental income from the wholly-owned asset portfolio	67.7

IFRS consolidated simplified income statement

In € million	2018	2017	Change
Gross rental income	32.8	23.7	+38%
Income from third-party development	21.6	2.8	N/A
Income from other real estate management activities	2.2	2.8	
Revenue	56.7	29.4	+93%
Purchases consumed	(28.2)	(8.0)	
Payroll expenses	(8.8)	(6.7)	
Other income and expenses	0.5	0.2	
Taxes and similar payments	(1.1)	(1.0)	
Amortisation and depreciation	(0.9)	(1.3)	
Profit from recurring operations	18.2	12.5	+46%
Other operating profit and expenses	(0.9)	(1.1)	
Adjustment of values of investment property	35.7	53.8	
Operating profit	53.0	65.2	-19%
Share of net profit (loss) of associates	7.2	9.0	
Operating profit after share of net profit (loss) of associates	60.2	74.2	-19%
Cost of net debt	(9.3)	(9.2)	
Adjustment of values of derivatives instruments	(3.1)	(3.2)	
Profit before tax	47.8	61.8	-22%
Income tax	(2.7)	(0.7)	
Net income attributable to owners of the company	45.1	61.1	-26%

IFRS simplified consolidated statement of financial position

In € million	31.12.2018	31.12.2017
ASSETS		
Non-current assets	818.8	636.3
of which Investment property	746.2	569.7
Of which Shares of associates	54.2	50.4
Current assets	168.2	127.0
of which Cash and cash equivalents	78.0	70.0
EQUITY AND LIABILITIES		
Equity	600.5	366.8
Non-current liabilities	299.1	351.4
of which long-term financial debt (including bond issues)	280.0	339.4
Current liabilities	87.4	45.1
of which short-term financial debt (including bond issues)	44.6	7.8
Total statement of financial position	987.0	763.3

Loan to value

	31.12.2018	31.12.2017
Non-current financial liabilities	280.0	339.4
Current financial liabilities	44.5	7.8
Adjustment of share of debt of OPIRNANE bonds	(25.4)	(26.9)
Adjustment of debts not related to investment property (*)	(3.8)	(3.2)
Cash	(77.7)	(70.0)
Total debt (A)	217.6	247.1
Investment property	746.2	569.7
Registered office (recognised in property, plant and equipment)	7.2	6.2
Adjustment of non-recoverable costs on projects	(24.8)	(16.8)
Stamp duty	29.7	20.6
Total property holdings including stamp duty (B)	758.3	579.7
Investment property including stamp duty	124.2	123.5
Debt	(52.4)	(49.7)
Cash	2.8	2.2
Total free assets of associates (C)	74.6	76.1
Net LTV including stamp duty (A / (B + C))	26.1%	37.7%

(*) including deposits and guarantees received and IFRS treatment of debt issuance costs

IFRS consolidated cash flow statement

In € million	31.12.2018	31.12.2017
Cash flow from operations	19.5	13.0
Dividends received from associates	3.3	2.6
Tax paid	(0.7)	(1.5)
Change in working capital requirement	(31.6)	(13.3)
Net cash generated by operating activities	(9.4)	0.9
Fixed asset acquisitions	(60.5)	(61.7)
Fixed asset disposals	-	4.5
Impact of change in consolidation scope and miscellaneous	(25.3)	(7.9)
Change in other financial assets	0.0	(5.3)
Net cash related to investment	(83.4)	(70.4)
Dividends paid to shareholders of the parent company	(12.1)	(9.3)
Capital increase	201.1	98.9
Cost of debt	(10.8)	(10.8)
Loan issue	148.0	216.8
Loan repayment	(225.0)	(168.5)
Change in other financing	(0.2)	(0.1)
Net cash related to financing	100.9	127.1
Change in cash	8.1	57.6

Net asset value

In € million	31.12.2018	31.12.2017	Change
Consolidated equity - attributable to owners of the company	600.5	366.6	+64%
Adjustment of financial instruments	4.7	3.7	
Deferred tax on the statement of financial position on non-REIT assets	7.4	0.5	
Adjustment of associates	0.1	0.6	
EPRA NAV	612.7	371.6	+65%
Market value of financial instruments	(4.7)	(3.7)	
Effective tax on unrealised capital gains of non-REIT assets	(7.4)	(0.5)	
Optimisation of stamp duty and expenses	1.3	0.1	
Adjustment of associates	(0.1)	(0.2)	
EPRA triple net NAV	601.8	367.3	+65%
EPRA triple net NAV per share	32.0	30.4	+5.5%
Reintegration of stamp duty and actual disposal costs	29.7	20.6	
Reintegration of tax on unrealised capital gains	7.4	0.5	
Adjustment of associates	7.7	6.2	
Diluted going concern NAV	646.6	394.6	+64%
Diluted going concern NAV per share	34.4	32.6	+5.5%
Diluted number of shares	18,841,665	12,112,500	
Number of shares and treasury shares held in the liquidity contract	30,337	17,671	
Corrected number of shares	18,811,328	12,094,829	