

2017 annual results

Very strong acceleration in the Group's results Growth prospects strengthened

Economic portfolio⁽¹⁾: €592.8 million (+23%). Annualised rental income: €33.5 million (+11%)

Net income, Group share: €61.1 million (+87%)

Diluted going concern NAV per share: €32.60 (+17%)

Dividend proposed for 2017: €1.0 per share (+30%)

"2017 will be remembered as an excellent year for FREY and all its employees.

It was last year that FREY unveiled its new open-air retail format by inaugurating the Shopping Promenade Cœur Picardie in Amiens. Even more pleasant for shoppers and effective for retailers, Shopping Promenade also responds to the need to regenerate the outskirts of French cities.

In this area, the Group launched the marketing campaign of the two biggest commercial restructuring projects of city outskirts in France: in Strasbourg, where work is underway, and in Montpellier, where the Group is capitalising on its expertise as an urban developer with a project combining retail, leisure, hotels and offices to create a brand new district.

In 2017, the robustness of our business model was reflected in both our operating indicators, which comfortably outperformed the best market standards, and our financial indicators, which once again posted double-digit growth this year: +17% for diluted going concern NAV to €32.60 per share, and +87% for net income, Group share to €61.1 million, allowing the Group to pay a dividend per share of €1, up 30%.

This year, the Group also strengthened its balance sheet and secured the growth of its portfolio of projects under development, which now totals €915 million. FREY has reinforced its capacity to generate vigorous organic growth and reiterates its intention to make new acquisitions in France or abroad. The medium-term objective is to have a portfolio value of more than €1.5 billion, Group share", said Antoine Frey, Chairman of FREY.

Key figures

In €m	2017	2016	Change
Consolidated revenue	29.4	26.6	+ 11%
o/w gross rental income	23.7	17.0	+ 39%
Profit from recurring operations	12.5	12.6	-1%
Economic profit from recurring operations⁽²⁾	19.2	18.9	+ 1%
Net income, Group share	61.1	32.7	+ 87%

⁽¹⁾ The economic portfolio includes operating assets that are wholly-owned by FREY, together with equity associates, in proportion to the percentage interest held.

⁽²⁾ Economic profit from recurring operations includes the share of profit from recurring operations contributed by equity associates.

Balance-sheet indicators

In €m	31 December 2017	31 December 2016	Change
Diluted going concern NAV (including stamp duty)	394.3	238.9	+ 65%
Per share:	€32.60	€27.78	+ 17%
Triple net EPRA NAV⁽¹⁾	367.0	216.7	+ 69%
Per share:	€30.35	€25.20	+ 20%
NET LTV⁽²⁾	37.7%	44.1%	- 640 bps

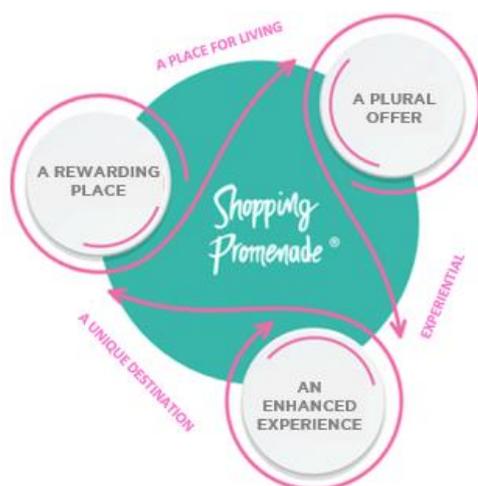
At its meeting on 8 March 2018, FREY's Board of Directors closed the consolidated financial statements for 2017. The audit was prepared by the Statutory Auditors. The certification report has been issued.

OPERATIONS: HIGHLIGHTS OF 2017

The Group delivered the **Shopping Promenade Coeur Picardie in Amiens in October 2017** and 3 new restaurants in Green7® in Salaise sur Sanne. These operations, **totalling 37,850m²**, have been retained in the asset portfolio.

Shopping Promenade Coeur Picardie in Amiens, opened in October 2017, has been hugely successful, with almost 1.5m visitors in the first three months following its opening.

Shopping Promenade is a new open-air shopping centre philosophy that perfectly meets the expectations of:



- **consumers:** Shopping Promenade is a must-visit shopping destination combining shops, leisure and services for the whole family;
- **retailers:** Shopping Promenade is an optimised business model (contained occupancy cost ratio, high quality shopping centres, maximised footfall) at the service of their business, their brand image and their multi-channel strategy;
- **local authorities:** Shopping Promenade responds to the new needs of city outskirts, which are becoming pleasant living spaces, solid and sustainable economic hubs as they are freshened up, urbanised and de-specialised.

The Group has continued to invest in its assets by acquiring the residual shares (50%) it did not own in the Be Green shopping centre in Troyes with a surface area of 20,700 m² and by acquiring several units to add to existing assets or projects under development (for a total of 5,900 m²).

CHANGES IN THE PORTFOLIO

The portfolio wholly owned by the Group at 31 December 2017 generated €23.7 million of gross rental income from 247,400 m² (versus €17.0 million and 182,000 m² respectively at the end of 2016).

At 31 December 2017, FREY's economic portfolio⁽³⁾ was valued at €592.8 million before stamp duty, up 23.3% from 31 December 2016. It covered an area of **308,700 m²** (versus 254,000 m² at 31 December 2016), for **annualised rental income of €33.5 million** (versus €30.1 million at the end of 2016). The occupancy rate of the stabilised portfolio⁽⁴⁾ was 95.0%.

⁽¹⁾ Triple net NAV calculated according to the standard developed by the EPRA (European Public Real Estate Association).

⁽²⁾ Including stamp duty, excluding Opirane.

⁽³⁾ The economic portfolio corresponds to wholly-owned assets, plus assets held by associates, in proportion to the percentage of interest held in those associates.

⁽⁴⁾ Delivered within less than one year and excluding strategic restructurings, versus 93.9% in 2016.

Footfall increased by an impressive 5.9%⁽¹⁾ year-on-year, reflecting consumer appetite for the open-air shopping centres model, whereas the national index of footfall in shopping centres fell by 1.8% in France⁽²⁾.

Tenant's sales in FREY's property portfolio grew by 3.6% in 2017, a stand-out performance in a tough business environment for specialist retailers, whose total revenues fell by 0.2% in 2017⁽³⁾.

FINANCIAL PERFORMANCE IN 2017

- **Revenues and rental income**

At 31 December 2017, gross rental income from the wholly-owned portfolio (or 247,400 m²) was €23.7 million, up 39.4% year-on-year. This vigorous growth stemmed from:

- a highly positive scope effect of +€6.1 million (with deliveries and acquisitions comfortably offsetting selective disposals);
- solid growth at constant business scope (+€0.6 million), or +4.2%.

FREY's total revenues grew by 10.6% to €29.4 million at 31 December 2017, compared with €26.6 million at the end of 2016, reflecting the growth momentum of property under development.

- **Economic profit from recurring operations⁽⁴⁾ (+1.4%). Net income, Group share (+87%)**

Economic profit from recurring operations, including the share of profit from recurring operations contributed by equity associates (€6.6 million, up 5.5% year-on-year), **grew by 1.4% to €19.2 million, compared with €18.9 million in 2016.**

Operating profit after share of net profit from associates grew by 63% to €74.2 million. This performance was mainly driven by value creation from expansion of the portfolio (+€53.8 million), in a context of slightly tightening capitalisation rates⁽⁵⁾.

Net income, Group share, grew by 87% to €61.1 million including the net cost of debt (-€9.2 million), whose change mirrored that in the Group's debt.

- **Transformation of the Group's financial structure**

FREY Group profoundly changed its financial structure and strengthened its solidity, with :

- a €99.9 million rights issue in April 2017 to finance the share of capital required to develop its projects portfolio. This rights issue, taken up by historical shareholders Firmament Participations (Antoine Frey group), Predica, AG Finance and Effi Invest II, was also subscribed to by two new institutional shareholders, Cardiff Assurance Vie and Sogecap, which were assigned seats on the Board of Directors. The success of this transaction reflects their confidence in FREY's growth strategy;
- the signing of a syndicated credit facility for an amount of €300 million and an initial maturity of five years, with two one-year extension options, on favourable financial terms to refinance part of its debt and to finance its expansion programme. In February 2018, FREY obtained the unanimous agreement of its entire banking pool for the first one-year extension.

⁽¹⁾ Figures drawn from shopping centres with footfall records in 2016 and 2017 over 12 months (or approximately 285.000 m²).

⁽²⁾ Source: National Council of Retail Parks (Conseil National des Centres Commerciaux)

⁽³⁾ Source: PROCOS.

⁽⁴⁾ Economic profit from recurring operations includes the share of profit from recurring operations attributable to equity associates.

⁽⁵⁾ The average capitalisation rate before stamp duty applied by experts on operated property in 2017 was 5.63%, compared with 5.80% at the end of 2016.

- **Diluted going concern NAV per share of €32.60 (+17%)**

The diluted going concern NAV (including stamp duty) was €394.3 million at 31 December 2017. NAV per share grew by 17% compared with 31 December 2016 to €32.60 per share⁽¹⁾. This growth was driven by the Group's operating performance and the increase in the value of assets held in the portfolio.

The triple net EPRA NAV⁽²⁾ was €367.0 million. On a per share basis, it rose by 20% to €30.35.

- **Indebtness**

At 31 December 2017, FREY's debt⁽³⁾ amounted to €280.9 million, up €75.6 million from 31 December 2016 because of investments made over the year. The net consolidated LTV ratio including stamp duty, but excluding Opirnane, was 37.7%, compared with 44.1% at the end of 2016 following the capital increase in that year.

The average interest rate on bank debt, including interest-rate hedges and with a 3-month EURIBOR of 0.329% at 31 December 2017, was 1.82%, down 25 bps from 31 December 2016.

DIVIDEND PROPOSED FOR 2017: €1.0 PER SHARE (+ 30%)

At the AGM to be held next June, FREY's board of directors will propose the payment of a **dividend of €1.0 per share, up 30%**.

OUTLOOK

The Group will pursue its organic growth strategy (projects developed through private contracts or via competitive tender) and will continue to seize acquisition opportunities. Thanks to its robust business model, founded on control of the entire value chain, the Group is capable of replenishing the pipeline of new projects and of identifying asset acquisition opportunities.

In the medium term, FREY's ambition is to become the European leader in open-air shopping centres and to deploy its model across Europe.

At 31 December 2017, the pipeline of controlled and committed projects consisted of 14 transactions (412,000 m²), representing a total investment of €915 million for delivery by 2022, including investment pipeline for €725 million of investments (around 273,000 m² and a potential rental income of €56.5 million).

This pipeline comprises the four projects⁽⁴⁾ under development at the end of 2017, which are already completely financed, including the Shopping Promenade Cœur Alsace (67) and the Shopping Promenade Claye-Souilly (77).

In 2018, the Group is set to launch the construction of five new projects⁽⁵⁾, including the Shopping Promenade in Arles (13), on which works have already started recently begun, and will continue the marketing of the Shopping Promenade Ode à la Mer in Montpellier (34), a mixed project of more than 110,000 m² with a predominantly retail and leisure mix.

A presentation will be made available on FREY's internet site on 9 March in the finance section.

FREY's 2017 registration document will be put online on the internet site frey.fr, under the heading Finance / Regulatory Information, by 31 March 2018 at the latest.

⁽¹⁾Impact of the creation of 3,506,250 new shares following the €99.9 million capital increase in April 2017.

⁽²⁾Triple net NAV calculated according to the standard developed by the EPRA (European Public Real Estate Association).

⁽³⁾Bank debt breaks down as 17% mortgages, 14% leases and 69% corporate facilities. Excluding bonds (Euro PP and Opirnane).

⁽⁴⁾At 100%, these projects total 135,000 m² of surface area and €251 million of investment, and 104,000 m² and €210 million of investment for FREY's portfolio share.

⁽⁵⁾At 100%, these projects total 62,700 m² of surface area.

About FREY

FREY is a property developer specialising in new generation open-air shopping centres.

Its virtuous growth model is based on the complementary nature of its two main businesses: Investor/Manager and Planner/Developer. FREY provides convivial environments combining shopping and leisure in more energy-efficient spaces under the Shopping Promenade® concept.

Thanks to its unique expertise, FREY has become a recognised French leader in this resilient asset class, with a deep market (extension, renovation and regeneration) that perfectly meets the expectations of consumers, retailers and local authorities.

It is listed on Compartment B of the Euronext Paris stock exchange. ISIN: FR0010588079 - Mnemo: FREY

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APPENDICES – Consolidated financial statements (audited and certified)

Figures relating to the portfolio

In €m

Portfolio value (excl. stamp duty)		Annualised rental income	
		Gross rental income	23.7
		Impact of disposals over the period	(0.1)
Investment properties	569.7	Impact of acquisitions/deliveries over the period	3.1
Projects under development	(91.4)	Impact of vacancies over the period	(0.1)
Wholly-owned operated assets	478.2	Annualised rental income from the wholly-owned asset portfolio	26.5
+		+	
Jointly owned operating assets in proportion to the percentage interest held	114.6	Gross rental income from jointly owned operating assets in proportion to the percentage interest held	7.0
Economic portfolio	592.8	Annualised rental income from the economic portfolio	33.5
+		+	
Jointly owned operating assets - portion not owned by FREY	425.4	Annualised rental income from jointly owned operating assets - portion not owned by FREY	24.8
Total wholly-owned asset portfolio	1,018.3	Annualised rental income from the wholly-owned asset portfolio	58.3
+		+	
Assets managed on behalf of third parties	43.6	Annualised rental income from assets managed on behalf of third parties	2.7
Portfolio under management	1,061.9	Annualised rental income from the portfolio under management	61.0

IFRS consolidated simplified P&L

In €m	2017	2016	Change
Gross rental income	23.7	17.0	+39%
Income from third-party promotion	2.8	6.4	
Income from other real estate management activities	2.9	3.2	
Revenue	29.4	26.6	+11%
Consumed purchases	(8.0)	(9.1)	
Employee benefits expense	(6.7)	(3.6)	
Other income and expenses	0.2	(0.1)	
Taxes and similar payments	(1.0)	(0.7)	
Amortisation and depreciation	(1.3)	(0.4)	
Current operating income	12.5	12.6	-1%
Other operating income and expenses	(1.1)	(3.1)	
Adjustment of values of investment properties	53.8	32.5	
Operating profit	65.2	41.9	+56%
Share of net profit from associates	9.0	3.4	
Operating profit after share from associates	74.2	45.4	+63%
Net cost of debt	(9.2)	(8.7)	
Adjustment of values of derivatives	(3.2)	(0.9)	
Profit before tax	61.8	35.8	+73%
Income tax	(0.7)	(3.1)	
Net income from consolidated companies	61.1	32.7	+87%
Minority interests	ns	ns	
Net income, Group share	61.1	32.7	+87%
Net income, Group share, diluted per share	€5.33	€3.51	+52%
<i>Average number of shares taken into account after potential dilutive effect of Opirmane bonds</i>	12,508,217	10,260,375	

IFRS consolidated simplified balance sheet

In €m	31.12.2017	31.12.2016
ASSETS		
Non-current assets	636.3	479.4
of which Investment properties	569.7	415.1
Of which Shares of equity-accounted companies	50.4	52.2
Current assets	127.0	57.8
of which Cash and cash equivalents	70.0	13.4
LIABILITIES		
Equity	366.8	215.9
Non-current liabilities	351.4	273.8
of which LT financial debt (including bond issues)	339.4	261.3
Current liabilities	45.1	47.5
of which ST financial debt (including bond issues)	7.8	20.0
Total balance sheet	763.3	537.2

Loan to value

	31/12/2017	31/12/2016
Non-current financial liabilities	339.4	261.3
Current financial liabilities	7.8	20.0
Restatements share of debt of OPIRNANE bonds	(26.9)	(26.7)
Restatement of debts not related to investment properties (*)	(3.2)	(19.7)
Cash	(70.0)	(13.4)
Total debt (A)	247.1	221.5
Investment properties	569.7	415.1
Registered office (recorded in fixed assets)	6.2	6.7
Restatement of non-recoverable costs on projects	(16.8)	(17.2)
Transfer duties	20.6	15.4
Total properties including duties (B)	579.7	420.0
Investment properties including duties	123.5	138.8
Debt	(49.7)	(59.6)
Cash	2.2	3.1
Total free assets of equity-accounted companies (C)	76.1	82.3
Net LTV including duties (A / (B + C))	37.7%	44.1%

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

IFRS consolidated cash flow statement

In €m	31.12.2017	31.12.2016
Funds from operations	13.0	13.0
Dividends received from companies accounted for using the equity method	2.6	0.2
Tax paid	(1.5)	(1.7)
Change in working capital	(13.3)	(1.2)
Net cash generated by operating activities	0.9	10.2
Fixed asset acquisitions	(61.7)	(71.7)
Fixed asset disposals	4.5	62.9
Impact of change in consolidation scope and miscellaneous	(7.9)	(34.1)
Change in other financial assets	(5.3)	(1.4)
Net cash related to investment	(70.4)	(44.3)
Dividends paid to shareholders of the parent company	(9.3)	(6.0)
Capital increase	98.9	-
Amounts paid on a change in holdings without loss of control	-	-
Cost of debt	(10.8)	(8.6)
Loan issue	216.8	105.2
Loan repayment	(168.5)	(69.3)
Change in other financing	(0.1)	(5.4)
Net cash related to financing	127.1	15.9
Change in cash	57.6	(18.1)

Net asset value

(in €m)	31.12.2017	31.12.2016	Change
Consolidated shareholders' equity - Group share	366.6	215.9	+70%
Restatement of financial instruments	3.7	4.0	
Deferred tax on the balance sheet on non-SIIC assets	0.5	0.1	
Restatement of companies accounted for using the equity method	0.6	0.7	
EPRA NAV	371.3	220.8	+68%
Market value of financial instruments	(3.7)	(4.0)	
Effective tax on unrealised capital gains of non-SIIC assets	(0.5)	(0.1)	
Optimisation of transfer duties and charges	0.1	0.0	
Restatement of companies accounted for using the equity method	(0.2)	0.0	
EPRA triple net NAV	367.0	216.7	+69%
EPRA triple net NAV per share	30.35	25.2	+20%
Reintegration of rights and actual disposal costs	20.6	15.4	
Reintegration of tax on unrealised capital gains	0.5	0.1	
Restatement of companies accounted for using the equity method	6.2	6.7	
Diluted going concern NAV	394.3	238.9	+65%
Diluted going concern NAV per share	32.60	27.78	+17%
Diluted number of shares	12,112,500	8,606,250	
Number of shares and treasury shares held in the liquidity contract	17,671	10,772	
Corrected number of shares	12,094,829	8,595,478	

Headcount – key figures in 2017

81 employees at the end of 2017, +7 employees vs 2016

44% women, 56% men

Average age of 39

88% trained employees

2.6% of the payroll dedicated to training (compared with a legal requirement of 0.2%)