

Bezannes, 23 September 2020 – 5.35 PM



## 2020 half-year results

## Strong outperformance from FREY open-air shopping centres in the context of an unprecedented health crisis

Value of the economic portfolio: **€1.1 billion** (+0.5%) <sup>(1)</sup>

Rental income: **€26.7 million** (+55%), **+1.8% on a like-for-like basis**

**Good recovery** in footfall and tenants' revenues

High occupancy rate: **97.8%**

Profit from recurring operations: **€16.0 million** (+55% vs 30.06.19)

EPRA NDV <sup>(2)</sup>: **€31.0 per share** (-5.5%)

### Sound financial structure

LTV ratio (incl. transfer tax): **28.1%**

Available liquidity: **€248.3 million** <sup>(3)</sup>

*Change compared with 31.12.19 unless stated otherwise*

Key figures - In € million - 6 months	30.06.2020	30.06.2019	Change
Consolidated revenue	40.1	24.8	+62%
<b>o/w property investment business (gross rental income)</b>	<b>26.7</b>	<b>17.2</b>	<b>+55%</b>
<b>Profit from recurring operations</b>	<b>16.0</b>	<b>10.1</b>	<b>+58%</b>
Change in fair value of investment property	(15.6)	6.1	N/A
<b>Net income attributable to owners of the company</b>	<b>(3.3)</b>	<b>15.2</b>	<b>N/A</b>
Balance sheet indicators - In € million	30.06.2020	31.12.2019	Change
<b>EPRA Net Disposal Value (NDV) <sup>(2)</sup></b>	<b>742.4</b>	<b>777.5</b>	-4.5%
<i>Per share:</i>	€ 31.00	€ 32.70	-5.5%
<b>Net LTV (incl. transfer tax)</b>	<b>28.1%</b>	<b>23.1%</b>	<b>+500 bp</b>

On 23 September 2020, the FREY Board of Directors approved the consolidated financial statements for the six months ended 30 June 2020. The half-year financial statements were subject to a limited review by the statutory auditors. The statutory auditors' reports on the half-year financial information were issued without reservation.

(1) The economic portfolio includes the wholly-owned investment properties as well as the share of assets held in partnership or in associates.

(2) NAV calculated according to the standard developed and published by the European Public Real Estate Association (EPRA) and applicable to financial years beginning on or after 1 January 2020.

(3) €110 million in corporate facilities and €138.3 million in available cash.

## SIGNIFICANT EVENTS SINCE THE BEGINNING OF THE FINANCIAL YEAR

- **Management of the COVID-19 crisis**

The first half of 2020 was strongly marked by the COVID-19 pandemic. The three countries in which the Group is present (France, Spain and Portugal) were subject to **restrictions regarding the opening of shops**, with only those shops selling essential goods allowed to open, and a general lockdown of the population. A large majority of the Group's tenants have therefore had to close their doors **for periods ranging from two to three months depending on the country and the type of retail business**.

**All of the Group's sites reopened completely at the beginning of June.** FREY has put in place and maintains the necessary preventive sanitary and organisational measures to limit the spread of the epidemic, while at the same time allowing for the continuity of its activities as far as possible. However, the health crisis has led to an economic crisis whose impact and duration remain as yet uncertain.

Faced with this crisis, and to manage its relations with its partner retailers, **in April FREY set up an exceptional financial aid package, in the aim of responsibility and solidarity, offering two types of assistance:**

- **either** a financial package consisting of an **immediate operating subsidy** completed with a debt repayment scheduled over 24 months. This package is **granted by the FREY Group's support fund** to the tenant of French companies wholly owned by FREY SA;
- **or a waiver of rent and/or interest-free deferred rent** for the tenant of jointly-owned companies (partnerships and associates) and for the tenants of Spanish and Portuguese companies.

The Group quickly entered discussions with its tenants. **By 31 August 2020**, FREY had already signed within its economic scope <sup>4</sup>:

- **€1.5 million in financial assistance** (subsidy from the support fund + waiver of rent),
- **and €1.1 million** in deferred rent.

Given the progress of the latest discussions with its tenants, FREY estimates that the **overall impact of the COVID-19 health crisis on the cash flow for the 2020 financial year** (subsidy + waiver of rent + deferred rent over 2021 and 2022) **will amount to between €5.6 million and €7.0 million**, of which €3.6 million and €4.9 million respectively in financial assistance and €2.0 million in deferred rent.

With regard to the value of investment properties, FREY states that it does not have the capacity to discount the impact of the health crisis and refers to the table of sensitivity to changes in the capitalisation rate of the value of its portfolio <sup>(5)</sup>.

- **Excellent post-lockdown recovery**

Over the period from 11 May (end of strict lockdown) to 30 June 2020, the Group's retailers recorded an **average increase in revenue of 16% on a like-for-like basis**. This performance can be explained by several factors:

- **a diversified merchandising mix for each FREY shopping centers** that meets the needs of the whole family (fashion, beauty, sports, leisure, DIY, gardening, restaurants, services, click & collect, for parents and children),

(4) Economic assets include wholly-owned investment properties as well as the share of assets held in partnership or in associates. The impact of the health crisis on the fully consolidated scope is set out in detail in the half-year financial report. At 31 August 2020, it was €2.5m, including €1.4m of financial assistance (subsidy from the support fund + waiver of rents).

(5) As presented in the notes to the consolidated financial statements of its 2020 half-year financial report

- **greater attractiveness of the "open-air" format** of the FREY shopping centers, favored by consumers after lockdown, compared to "traditional malls", with equivalent sanitary measures for welcoming customers.

Thus, Frey even recorded an almost stable footfall compared to last year of -0.9%, for the period from May 11 to August 31 for its properties in operation in France, with in particular an outperformance of +0.6% in August.

- **Four projects under construction in France**

**FREY is continuing to develop its assets in France. Thus, at 30 June 2020, three projects were under construction** for deliveries planned between 2020 for the Promenade d'Artois open-air shopping centre in Arras-Guisans (62), and 2021 for Shopping Promenade Claye-Souilly (77) and Shopping Promenade Cœur Alsace in Strasbourg-Vendenheim (67). The Group is **also continuing the restructuring of Woodshop** in Cesson (77), phase 3 of which will be delivered in 2021. These assets represent a surface area of just over 120,000 m<sup>2</sup>, of which around 99,000 m<sup>2</sup> will be retained in the portfolio.

- **Strengthening in the Frey Retail Fund**

On 28 July, FREY announced the acquisition of AG Real Estate's stake in the FREY Retail Fund 2 (FRF 2) investment vehicle, thereby becoming the majority shareholder in FRF (at 62%) alongside its long-standing partner Crédit Agricole Assurances. This strategic transaction enables it to strengthen its position in prime assets known to the company and offering solid operating performances. From 28 July 2020, the FRF division will be fully consolidated in the company's financial statements.

- **FREY is committed to the French timber sector and reaffirms its low-carbon strategy**

To achieve neutrality in greenhouse gas emissions by 2030, FREY's CSR strategy is based on three levers:

- boosting the French timber industry (the leading bio-sourced material) by acquiring and exploiting sustainably-managed French forests;
- reinforcing the low-carbon strategy of its model, from the construction to the operation of its assets;
- and annual monitoring of the financial impact of its carbon footprint on its profitability, using the RNP Carbon index as the key indicator.

With regard to the timber industry, FREY has decided to devote an investment budget of €35 million by 2030 and has set up its own forestry group (FoREY®). An initial investment of a total of 104 hectares was made in June 2020.

## **FINANCIAL PERFORMANCE IN THE 1st HALF OF 2020**

- **Change in the portfolio**

**As at 30 June 2020, FREY's<sup>(6)</sup> economic portfolio in operation:**

- is **valued at €885.9 million excluding transfer tax** (of which €291.9 million outside France), compared with €902.2 million at 31 December 2019. The 1.8% decline is mainly attributable to the inclusion of the rental impact of the COVID-19 pandemic estimated by property experts in the uncertain context of the health crisis<sup>(7)</sup>,
- covers **a surface area of 397,600 m<sup>2</sup>** (stable compared to the end of 2019),

(6) 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.

(7) Comprising the change in fair value of investment properties in operation and under development at 31 December 2019.

- amounts to **€54.4 million in annualised gross rental income** (+€0.2 million compared with end-2019) and €26.9 million in gross invoiced rental income for the first half of 2020 (up 29.6% compared with the first half of 2019),
- and has a **financial<sup>(8)</sup> occupancy rate of 97.8%**, compared with 97.7% at the end of 2019.

At 30 June 2020, the value of projects under construction amounted to €249.1 million, bringing **the total value of the portfolio (economic portfolio in operation + projects underway) to €1,135.0 million** (excluding transfer tax).

- **Gross rental income: €26.7m (+55%) and consolidated revenue: €40.1 million (+62%)**

At 30 June 2020, **rental income from the consolidated portfolio totalled €26.7 million, up 55.2%** compared with the first half of 2019. This was due to a **very significant scope effect** with the acquisition of Algarve Shopping in Portugal in July 2019, the delivery of the Shopping Promenade in Arles last October and the restructuring of Woodshop in Cesson (77). **Performance on a like-for-like basis remains strong, up 1.8%.**

**FREY's consolidated revenue rose by 62% to €40.1 million at 30 June 2020** (compared with €24.8 million at 30 June 2019). In addition to rental income, it includes €5.6 million in revenue from property development activities (€2.4 million at 30 June 2019) and €0.9 million from property management activities on behalf of third parties.

- **Profit from recurring operations of €16.0 million (+58%), with net income attributable to owners of the company (-€3.3 million) impacted by the decline in the value of investment properties in the context of the health crisis**

**Profit from recurring operations grew very sharply** to €16.0 million at 30 June 2020, compared with €10.1 million at 30 June 2019, thanks to the increase in revenue, as described above, and good control of overheads.

**Operating profit, at €0.1 million**, was adversely affected by the recognition of a **negative change in fair value of €15.6 million**.

**Consolidated net profit was -€3.3 million at 30 June 2020** (compared with €15.2 million at 30 June 2019), after taking into account the share of profit of associates (-€0.6 million) and a sharply reduced cost of net debt (-€4.0 million compared with -€4.9 million at 30 June 2019).

- **EPRA NDV<sup>(9)</sup> per share of €31.0, (-5.5%) after payment of the 2019 dividend of €1.50**

**The Group's shareholders' equity was down €35.2 million (-4.5%)** compared with 31 December 2019 at €742.7 million, mainly impacted by the payment of the 2019 dividend<sup>(10)</sup> on 12 June 2020. On that date, the Company made a partial payment of its dividend in shares (option subscribed to by 88.7% of shareholders), thereby enabling it to retain €9.7 million in shareholders' equity.

(8) The financial occupancy rate is determined on the basis of assets delivered over a year ago and excluding strategic restructuring.

(9) EPRA liquidation NAV, or EPRA NDV (net disposal value) NAV.

(10) Payment of the dividend in cash for a total amount of €25.6 million and creation of 378,266 new shares under the option for partial payment of the dividend in shares (88.69% subscribed), thereby strengthening the Group's equity by €9.7 million.

Consequently, the EPRA NDV NAV amounted to €742.4 million at 30 June 2020, down 4.5% compared to 31 December 2019 (€777.6 million). On a per share basis, the EPRA NDV NAV was €31.0 per share, i.e. down 5.5% over six months. The decline in NAV is almost entirely due to the distribution of the 2019 dividend.

- **Financial position and bank debt**

The consolidated net LTV ratio (including transfer tax) was 28.1%, compared with 23.1% at the end of 2019. The Group is maintaining an extremely low LTV level, given the strengthening of its equity via a capital increase at the end of 2019 (+€161.5 million) and the partial payment of the 2019 dividend in shares (resulting savings of €9.7 million).

At 30 June 2020, the Group had €489.0 million in bank debt (including €412.1 million in corporate lines) and excellent liquidity (€110 million in undrawn cash facilities supplemented by €138.3 million in available cash).

After taking interest rate hedges into account, the average interest rate on bank debt based on market conditions at 30 June 2020 (margin included) amounted to 1.54%, compared with 1.73% at 31 December 2019), i.e. a decline of 19 bp.

The maturity of the bank debt amounts to 5 years (compared with 5.5 years at end-2019).

In July, the Group extended the maturity date of the €100 million syndicated loan by one year, i.e. until July 2026.

## OUTLOOK

The Group will pursue its development strategy aimed at drawing on the quintessence of its unique know-how in retail property and social venues, based on a relationship of proximity and trust with its partner retailers in the current health and economic crisis.

*This press release is available on the website [frey.fr/en](http://frey.fr/en) under Finance / Results and Press Releases  
The half-year annual report is available under Finance / Regulatory Information*

## About FREY

A planner. developer. investor and manager. FREY is a real estate company specialising in major urban renewal operations as well as the development and operation of open-air shopping centres. Its Shopping Promenade®, an open-air shopping centre, offers a complete range of shopping and leisure activities to create an "enhanced experience" for the whole family. Thanks to its unique expertise, Frey has become a recognised French leader in this resilient asset class, with a deep market (creation, extension, renovation) and in perfect harmony with the expectations of consumers, brands and local authorities. Another structuring pillar of FREY's know-how is the large mixed urban projects, which it develops with the support of its dedicated subsidiary CITIZERS.

Frey is listed on compartment B of Euronext Paris. ISIN: FR0010588079 - Mnemo: FREY.

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**APPENDICES –**
**Figures relating to the portfolio (at 30 June 2020)**

In € million	(excluding d)	
<b>Portfolio value – Wholly-owned assets</b>		
	Investment property (*)	897.7
	Projects under development	(216.9)
	Projects underway, valued at cost	(26.5)
<b>(A)</b>	<b>WHOLLY-OWNED ASSETS IN OPERATION VALUE</b>	<b>654.3</b>
<b>Jointly-held assets (FREY share)</b>		
	Investment property in partnerships (*)	143.3
	Projects underway at cost in the partnerships	(5.7)
	Investment property of associates (*)	94.0
	Projects underway at cost of associates	-
<b>(B)</b>	<b>JOINTLY-HELD ASSETS IN OPERATION VALUE (FREY SHARE)</b>	<b>231.6</b>
<b>(C) = (A) + (B)</b>	<b>ECONOMIC PORTFOLIO IN OPERATION</b>	<b>885.9</b>
<b>(D)</b>	Jointly-held assets in operation (non-FREY share)	58.9
<b>(E)</b>	Assets in operation of associates (non-FREY share)	341.1
<b>(C) + (D)</b>	<b>TOTAL PORTFOLIO IN OPERATION</b>	<b>1.285.9</b>

(\*) Value of the total economic portfolio = €1.135.0 million.

**Consolidated simplified income statement**

In € million	30.06.2020	30.06.2019
<b>Gross rental income</b>	<b>26.7</b>	<b>17.2</b>
Income from third-party development	5.6	2.4
Income from other real estate management activities	0.9	1.0
Re-invoiced expenses – IFRS 16	6.9	4.1
<b>Revenue</b>	<b>40.1</b>	<b>24.8</b>
Purchases consumed	(17.1)	(9.4)
Overheads expenses	(5.0)	(4.4)
Other income and expenses	(0.3)	0.4
Taxes and similar payments	(0.6)	(0.6)
Amortisation and depreciation	(1.1)	(0.7)
<b>Profit from recurring operations</b>	<b>16.0</b>	<b>10.1</b>
Other operating profit and expenses	(0.3)	(0.5)
Fair value adjustments of investment property	(15.6)	6.1
<b>Operating profit</b>	<b>76.4</b>	<b>15.8</b>
Share of net profit (loss) of associates		7.0
<b>Operating profit after share of net profit from associates</b>	<b>(0.5)</b>	<b>22.8</b>
Cost of net financial debt	(4.0)	(4.9)
Fair value adjustments of financial assets	(0.1)	(2.2)
<b>Profit before tax</b>	<b>(4.6)</b>	<b>15.6</b>
Income tax	1.1	(0.4)
<b>Net profit</b>	<b>(3.5)</b>	<b>15.2</b>
<i>Net profit attributable to non-controlling interests</i>	0.2	-
<b>Net profit Group Share</b>	<b>(3.3)</b>	<b>15.2</b>

***Simplified consolidated balance sheet***

In € million	30.06.2020	31.12.2019
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1,181.8</b>	<b>1,184.5</b>
of which Investment property	1,102.5	1,094.1
of which shares of associates	45.9	57.5
<b>Current assets</b>	<b>248.7</b>	<b>191.0</b>
of which Cash and cash equivalents	138.3	97.5
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>742.7</b>	<b>789.2</b>
<b>Non-current liabilities</b>	<b>557.7</b>	<b>454.9</b>
of which long-term financial liabilities (including bond issues)	532.4	428.0
<b>Current liabilities</b>	<b>118.9</b>	<b>131.4</b>
of which short-term financial liabilities (including bond issues)	10.0	19.4
<b>Total</b>	<b>1,430.4</b>	<b>1,375.5</b>

***IFRS consolidated cash flow statement***

In € million	30.06.2020	31.12.2019
<b>Cash flow from operations</b>	<b>16.1</b>	<b>27.9</b>
Dividends received from associates	10.4	4.4
Tax paid	(1.3)	(2.6)
Change in working capital requirement related to the activity	(11.6)	(1.0)
<b>Net cash generated by operating activities (1)</b>	<b>13.5</b>	<b>28.7</b>
Fixed asset acquisitions	(33.3)	(117.6)
Change in loans, advances and other financial assets	(9.2)	(23.0)
Fixed asset disposals	1.6	22.9
Impact of change in consolidation scope and miscellaneous	(0.0)	(98.9)
Change in other investments	(1.0)	-
<b>Net cash flow from investment activities (2)</b>	<b>(42.0)</b>	<b>(216.6)</b>
Dividends paid to shareholders of the parent company	(25.6)	(23.8)
Capital increase	-	160.1
Net sale (acquisition) of treasury shares	(6.2)	(11.0)
Loan issue	147.1	433.4
Repayment of loans (including finance leases)	(42.2)	(327.7)
Repayment of lease liabilities	(0.5)	(0.9)
Cost of debt (including on lease obligations)	(3.2)	(22.8)
Change in other financing	-	-
<b>Net cash related to financing (3)</b>	<b>69.3</b>	<b>207.4</b>
<b>Change in cash (1+2+3)</b>	<b>40.9</b>	<b>19.4</b>

**Net asset value**

The Group presents the Net Reinstatement Value (NRV) and Net Disposal Value (NDV) as defined by the EPRA recommendations for fiscal years beginning on or after January 1, 2020.

In € million	30.06.2020	31.12.2019	Change
<b>EPRA NDV</b>	<b>742.4</b>	<b>777.5</b>	<b>-4.5%</b>
<i>EPRA NDV per share (€)</i>	<i>31.0</i>	<i>32.7</i>	<i>-5.5%</i>
<b>EPRA NRV</b>	<b>803.2</b>	<b>839.1</b>	<b>-4.3%</b>
<i>EPRA NRV per share (€)</i>	<i>33.6</i>	<i>35.3</i>	<i>-4.8%</i>
<i>Diluted number of shares</i>	<i>24,603,263</i>	<i>24,224,997</i>	
<i>Number of shares and treasury shares held in the liquidity contract</i>	<i>660,045</i>	<i>430,969</i>	
<i>Corrected number of shares</i>	<i>23,943,218</i>	<i>23,794,028</i>	