

Bezannes, 20 September 2018 – 8.00 am

2018 half-year results

Growth, performance and roll-out of the strategy

International development: acquisition of a prime asset in Spain

Successful capital increase: €201.9 million in equity raised

 Economic portfolio ⁽¹⁾:

Valuation: €713.8m (+20%) - Annualised rental income: €40.9m (+22%)

Occupancy rate: 95.8% (+130 bp)

Change vs. 31.12.2017

Key figures

In €m - 6 months	30/06/2018	30/06/2017	Change
Consolidated revenue	17.6	12.4	up 42%
o/w gross rental income	15.4	10.1	up 53%
Profit from recurring operations	6.8	5.8	up 17%
Net income, Group share	25.2	14.9	up 69%

Balance-sheet indicators

In €m	30/06/2018	31/12/2017	Change
Diluted going concern NAV (including transfer taxes)	621.1	394.3	up 58%
<i>i.e. per share ⁽²⁾</i>	€33.01	€32.60	up 1%
Triple net EPRA NAV ⁽³⁾	581.1	367.0	up 58%
<i>i.e. per share ⁽²⁾</i>	€ 30.88	€ 30.35	up 2%
Net LTV ⁽⁴⁾	21.2%	37.7%	-1,650 bp

At its meeting of 19 September 2018, the FREY Board of Directors approved the consolidated financial statements for the first half of 2018.

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

⁽²⁾ At 30 June 2018, FREY's share capital is composed of 18,841,665 shares compared with 12,112,500, after the creation of 6,729,165 new shares resulting from the capital increase carried out in June 2018.

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

⁽⁴⁾ Including transfer taxes, excluding Opirnane.

FIRST HALF HIGHLIGHTS

- **Acquisition of Parc Vallès in Spain**

In April 2018, the Group acquired an open-air shopping centre located in Terrassa, north-west of Barcelona. The site, which opened in 1998 and was renovated in 2015, benefits from an exceptional catchment area and an attractive shopping-leisure offering developed over 42,000 m² of commercial space. It has posted strong performances: net annual rental income of €5.3 million, occupancy rate of 98% and footfall of more than 10 million visitors each year. The Group plans to make additional investments to continue its value creation work. This investment reflects the **Group's desire to develop its open-air shopping centre concept in countries bordering France**, mainly in Spain and Italy.

- **Start of works on the Shopping Promenade in Arles**

In March, the Group launched the "Shopping Promenade" project in Arles (13), an asset to be retained as a property. Located to the north of the city, this new open-air shopping centre will offer 18,000 m² of shopping and leisure with some thirty retailers, including **the first H & M signed by FREY**, and six restaurants. This site is part of the agglomeration's urban renewal project.

- **Capital increase of €201.9 million**

In June 2018, the Group completed a capital increase with preferential subscription rights of nearly €202 million (AMF visa no. 18-210 of 30 May 2018) by issuing 6,729,165 new shares. Its additional resources will make it possible to cover the share of equity needed to **finance projects under development**, given their value creation, and may also go towards financing the **acquisition of new real estate assets** with a view to achieving the Group's objective of reaching a medium-term economic portfolio of more than €1.5 billion (Group share), while maintaining an LTV ratio of less than 50%.

CHANGE IN THE PORTFOLIO

As at 30 June 2018, FREY's ⁽¹⁾ economic portfolio:

- is valued at **€713.8 million excluding es tax**, up 20.4% compared with 31 December 2017, and up 45.4% over one year,
- develops an area of **364,300 m²** (compared with 308,800 m² as at 31 December 2017),
- for an **annualised base rent of €40.9 million** (compared with €33.5 million at 31 December 2017 and €30.1 million at 30 June 2017)
- and has an EPRA ⁽²⁾ occupancy rate of 95.8%, compared with 94.5% at the end of 2017.

Growth in the economic portfolio over the half-year was a result of the acquisition of Parc Vallès in Spain and delivery of the Z'Aisne open-air shopping centre in Saint-Quentin (02).

At 30 June 2018, the projects under construction, including the site in Arles (13), represent a value (excluding transfer taxes) of €116.1 million, which brings the total value of the assets (economic portfolio + ongoing projects) to €829.9 million.

FINANCIAL PERFORMANCE AT 30 JUNE 2018

- **Revenues and rental income**

At 30 June 2018, the property growth trend brings **gross rental income from wholly-owned assets (i.e. 304,300 m²) to €15.4 million, up 52.6% year-on-year** (compared with €10.1 million and 182,500 m² at 30 June 2017).

⁽¹⁾ The economic portfolio corresponds to wholly-owned assets, plus assets held by associates, in proportion to the percentage interest held in those associates.

⁽²⁾ Delivered over a year ago and excluding strategic restructuring.

This very strong growth stems both from a **very significant scope effect** related to deliveries and acquisitions made over the last 12 months (see above, plus the delivery of the Shopping Promenade Cœur Picardie in Amiens in October 2017) and the 100% acquisition of the Be Green asset located in Troyes/Saint-Parres aux Tertres in July 2017), and a **very good performance on a like-for-like basis (up 5.9%)**, mainly thanks to commercial activity and the improvement in the occupancy rate of the portfolio.

- **Net income, Group share (+ 69%)**

Economic profit from recurring operations, up 18.6%, was €6.8 million at 30 June 2018, compared with €5.8 million at 30 June 2017. Year-on-year, the increase in staff costs is explained by an active recruitment policy designed to support the Group's rapid growth: growth in assets in operation and progress on several major pipeline projects, some of which will be delivered in 2019.

Operating profit after share of net income of companies accounted for using the equity method increased by 59.9% to €31.1 million (compared with €19.5 million at 30 June 2017). This performance comes mainly from value creation related to asset development (+€21.1 million, including €5.4 million (i.e. +1.2%) from the operating portfolio held at 31 December 2017).

Net income, Group share, amounted to €25.2 million, up 69%, after taking into account the cost of net debt (-€4.9 million), the change of which follows that of the Group's debt.

- **Diluted Going concern NAV per share of €33.01 (+ 1%) post capital increase and 2017 dividend payment**

The diluted Going concern NAV (including transfer taxes) amounted to €621.1 million at 30 June 2018, up 58% compared to 31 December 2017 (€394.3 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 1% to €33.01/share over six months after the impact of the capital increase carried out in June 2018 ⁽¹⁾ and payment of the 2017 dividend of €1.0/share (up 30% over one year). The triple net EPRA NAV ⁽²⁾ amounted to €581.1 million. Restated per share, it comes out at €30.88, up 2%.

- **Bank debt**

The net consolidated LTV ratio including transfer taxes, excluding Opirnane, temporarily fell to 21.2%, compared to 37.7% at the end of 2017, given the strengthening of equity and the increase in the value of investment properties over the half-year.

The average interest rate on bank debt after taking into account interest rate hedges and with a 3-month Euribor as of 30 June 2018 (0.321%) **was 1.70%, down 12 basis points** from 31 December 2017.

OUTLOOK AND PROGRESS OF PROJECTS UNDER DEVELOPMENT

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.

⁽¹⁾ Impact of the creation of 6,729,165 new shares following the €201.9 million capital increase of June 2018.

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

As at 30 June 2018, 5 projects of the global pipeline ⁽¹⁾ are underway ⁽²⁾, including the Shopping Promenade Cœur Alsace (67), the Shopping Promenade Claye-Souilly (77) and the Shopping Promenade en Arles (13).

The Group is also continuing to market the Ode à la Mer Shopping Promenade in Montpellier (34), a mixed project of more than 110,000 m², comprising 90,000 m² of retail and leisure space and 20,000 m² of offices, including a 102-room hotel.

*The half-year financial report as at 30 June 2018 is available (in French version)
on the frey.fr website, under Finance / Regulated Information*

About FREY

FREY is a REIT specialising in major urban renewal operations and the development and operation of open-air shopping centres. Its Shopping Promenade® offer a complete 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, in the deep market (creation, extension, 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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⁽¹⁾ At 31 December 2017, the pipeline of committed and controlled projects represented an overall investment of €915 million for a delivery by 2022.

⁽²⁾ At 100%, these projects total 148,000 m² of surface, of which 123,000 m² will be conserved by FREY.

APPENDIX - Financial statements as at 30 June 2018
Figures relating to the portfolio

In €m

Portfolio value (excl. transfer taxes)		Annualised rental income	
Investment property	707.1		
Projects under development	(106.1)		
Wholly-owned assets in operation	601.0		
+			
Jointly-owned assets in operation in proportion to the percentage interest held	112.8		
Economic portfolio in operation	713.8	Annualised rental income of the economic portfolio in operation	40.9
+		+	
Assets in operation, jointly-owned (share non FREY)	418.9	Annualised rental income of assets in operation, jointly-owned (share non FREY)	24.7
+		+	
Assets managed on behalf of third parties	0.0	Annualised rental income from assets managed on behalf of third parties	0.0
Assets under management in operation	1,132.7	Annualised rental income of assets under management in operation	65.6

IFRS consolidated simplified income statement

In €m	30.06.2018	30.06.2017	Change
Gross rental income	15.4	10.1	+52%
Income from third-party promotion	1.1	1.0	
Income from other real estate management activities	1.1	1.3	
Revenue	17.6	12.4	+42%
Consumed purchases	(6.1)	(3.9)	
Employee costs	(3.7)	(1.7)	
Other income and expenses	0.0	(0.1)	
Taxes and similar payments	(0.6)	(0.5)	
Amortisation and depreciation	(0.4)	(0.3)	
Profit from recurring operations	6.8	5.8	+19%
Other operating income and expenses	(0.5)	(0.3)	
Adjustment of values of investment property	21.1	9.3	
Operating profit	27.4	14.9	+84%
Share of net profit from associates	3.7	4.6	
Operating profit after share from associates	31.1	19.5	+60%
Cost of net debt	(4.9)	(4.8)	
Adjustment of values of derivatives instruments	0.0	0.4	
Profit before tax	26.1	15.1	+73%
Income tax	(0.9)	(0.2)	
Net income from consolidated companies	25.2	14.9	+69%
Non-controlling interests	ns	ns	
Net income, Group share	25.2	14.9	+69%
<i>Net income, Group share, per share</i>	<i>€ 2.06</i>	<i>€ 1.56</i>	<i>+32%</i>
<i>Net income, Group share, diluted per share</i>	<i>€ 1.88</i>	<i>€ 1.42</i>	<i>+32%</i>
<i>Average number of shares taken into account after potential dilutive effect of the Opirane bonds</i>	<i>13,878,158</i>	<i>11,214,854</i>	

IFRS consolidated simplified balance sheet

In €m	30.06.2018	31.12.2017
ASSETS		
Non-current assets	777.2	636.3
of which Investment property	707.1	569.7
Of which Shares of equity-accounted companies	52.1	50.4
Current assets	270.4	127.0
of which Cash and cash equivalents	211.4	70.0
LIABILITIES		
Equity	581.0	366.8
Non-current liabilities	424.0	351.4
of which LT financial debt (including bond issues)	405.2	339.4
Current liabilities	42.6	45.1
of which ST financial debt (including bond issues)	10.2	7.8
Total balance sheet	1.047,6	763.3

Loan to value

	30/06/2018	31/12/2017
Non-current financial liabilities	405.2	339.4
Current financial liabilities	10.2	7.8
Adjustment share of debt of OPIRNANE bonds	(27.0)	(26.9)
Adjustment of debts not related to investment property (*)	(6.7)	(3.2)
Cash	(211.4)	(70.0)
Total debt (A)	170.3	247.1
Investment property	707.1	569.7
Registered office (recognised in property, plant and equipment)	7.3	6.2
Adjustment of non-recoverable costs on projects	(16.6)	(16.8)
Transfer rights	26.6	20.6
Total property holdings including transfer taxes (B)	724.4	579.7
Investment property including transfer taxes	127.9	123.5
Debt	(50.9)	(49.7)
Cash	2.3	2.2
Total free assets of equity-accounted companies (C)	79.3	76.1
Net LTV including transfer taxes (A / (B + C))	21.2%	37.7%

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

IFRS consolidated cash flow statement

In €m	30.06.2018	31.12.2017
Funds from operations	7.7	13.0
Dividends received from companies accounted for using the equity method	1.7	2.6
Tax paid	(0.2)	(1.5)
Change in working capital	(1.1)	(13.3)
Net cash generated by operating activities	8.0	0.9
Fixed asset acquisitions	(40.4)	(61.7)
Fixed asset disposals	1.5	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	(64.3)	(70.4)
Dividends paid to shareholders of the parent company	(12.1)	(9.3)
Capital increase	201.9	98.9
Amounts paid on a change in holdings without loss of control	-	-
Cost of debt	(3.0)	(10.8)
Loan issue	102.0	216.8
Loan repayment	(90.8)	(168.5)
Change in other financing	(0.2)	(0.1)
Net cash related to financing	197.7	127.1
Change in cash	141.5	57.6

Net asset value

In €m	30.06.2018	31.12.2017	Change
Consolidated equity - attributable to owners of the company	581.0	366.6	+58%
Adjustment of financial instruments	2.9	3.7	
Deferred tax on the statement of financial position on non-REIT assets	7.4	0.5	
Restatement of companies accounted for using the equity method	0.1	0.6	
EPRA NAV	591.4	371.3	+59%
Market value of financial instruments	(2.9)	(3.7)	
Effective tax on unrealised capital gains of non-REIT assets	(7.4)	(0.5)	
Optimisation of transfer rights and expenses	(0.5)	0.1	
Restatement of companies accounted for using the equity method	0.5	(0.2)	
EPRA triple net NAV	581.1	367.0	+58%
EPRA triple net NAV per share	30.88	30.35	+2%
Reintegration of transfer taxes and actual disposal costs	26.1	20.6	
Adding back of tax on unrealised capital gains	7.4	0.5	
Restatement of companies accounted for using the equity method	6.5	6.2	
Diluted going concern NAV	621.1	394.3	+58%
Diluted going concern NAV per share	33.01	32.60	+1%
Diluted number of shares	12,112,500	12,112,500	
Number of shares and treasury shares held in the liquidity contract	23,831	17,671	
Corrected number of shares	18,817, 834	12,094, 829	