Press release

Boulogne-Billancourt, 13 February 2020

2019 Annual Results

Carmila exceeded its growth objective for recurring earnings per share which stood at €1.63/share, up +6.6%

Carmila's model of leading local shopping centres demonstrates its commercial and financial efficiency and its attractiveness to customers: retailer revenues increased by +2.0% and organic growth of net rental income stood at +3.1%

The 2019 results are proof of the strong business momentum and demonstrate the power and efficiency of Carmila's positioning around proximity.

2019 was a profitable operating year for Carmila and its retailers.

- Retailer revenues grew +2.0% on a like-for-like basis.
- Net rental income increased by **+6.2%** to **€333.2 million,** including organic growth of **+3.1%.**
- Recurring earnings amounted to **€222.5** million, an increase of **+7.2%** compared with 2018. Recurring earnings per share grew **+6.6%** to **€1.63 per share**. Carmila thus **exceeded its growth objective for the year** of between +5.0% and +6.5%.
- The portfolio valuation, including transfer taxes, stood at **€6,421.5 million** at 31 December 2019, a +0.3% increase.
  Appraisers consolidated their portfolio valuations for the second half of 2019: over 6 months, the appraised value of Carmila's portfolio was **stable on a like-for-like basis** (+0.3%), as was the portfolio's average capitalisationrate (5.90%).
  Over 12 months, on a like-for-like basis, the portfolio valuation dropped slightly by -0.9% (-€56.8 million).
- The EPRA NAV per share stood at **€27.79**, a drop of €0.6/share over 12 months (-2.1%) after the distribution of a €1.50 per share dividend.
- The LTV[1] remains low at **34.9%** at end December 2019 (+90 bp in 12 months).

Confident in its outlook and the sustainability of its cash flows and growth drivers, Carmila has an objective **for 2020 recurring earnings per share growth of between +2% and +4%** based on 2019 recurring earnings per share of €1.61, adjusted for the €2.0 million of financial income from securities recorded in the 2019 financial statements.

Alexandre de Palmas commented: *"2019 was a very successful year for Carmila and its retailers, who faced numerous operational challenges with enormous flexibility and efficiency, relying on the strength of centres with deep ties to their community and long-appreciated by their customers.*

2019 was also a year of new business development. In 2019, Carmila made structural achievements and explored promising avenues both in terms of partnerships with dynamic, high-performing retailers and the development of new expertise. Thanks to its expert and entrepreneurial teams, business development proved to be a significant future growth driver for the group."

[1] *The consolidated net financial debt/fair value of property portfolio ratio (including transfer taxes).*

2019 Income

Gross rental income for 2019 totalled **€359.5 million**, an increase of +**5.6%** as a result of organic growth combined with acquisitions and extension projects completed in 2018 and 2019.

Net rental income for 2019 stood at €**333.2 million**, an increase of **+6.2%.**

Like-for-like growth in 2019 was €9.7 million, i.e. **+3.1%** including 1.6% for indexation and 0.5% from the application of IFRS 16 in 2019.

Acquisitions completed in 2018 represented 2.2% of the 2019 growth in net rental income (+€6.9 million) and the extension projects delivered in 2018 and 2019 were responsible for 1.5% of this growth (+€4.6 million).

Other effects represent -0.6% growth in net rental income and include the impact of strategic vacancies of premises to allow for restructuring and extension operations.

Operating costs net of other operating income and expenses for 2019 totalled **€52.8 million**, versus €50.6 million in 2018, an increase of **+4.5%**. This growth was mainly linked to variable expenses indexed to income or activity.

EBITDA for 2019 stood at **€282.6 million**, up **+6.9%** compared with 2018 EBITDA**.** EBITDA growth, higher than gross rental income growth, bears witness to the sound management of operating costs and unrecoverable expenses.

The net financial expense for 2019 was **-€58.1 million**, versus -€58.6 million in 2018. The cost of net debt was up due to the interest paid on the bond issued in March 2018. However, other financial income and expenses benefited from a positive adjustment in the market value of the short-term investments portfolio (a €2.0 million reversal in 2019), and the positive impact of the application of IFRS 9. The average cost of debt for the financial year stood at 2.1%.

EPRA Recurring Earnings, after restatement for adjustments related to the application of IFRS 9, the amortisation of fees from the bond issue and adjustments to the market value of short-term investments, stood at **€222.5 million**, up **+7.2**% compared to 2018.

Recurring earnings per share were **up 6.6% to €1.63 per share**. Carmila exceeded its announced 2019 objective for recurring earnings per share between +5% and +6.5%.

Letting activity

2019 proved to be a busy year, with 874 leases signed for a minimum guaranteed rent of €38.3 million. These lettings comprised signed leases on (i) 436 vacant premises for a minimum guaranteed rent of €16.9 million, (ii) 48 premises on extension projects for €3.8 million, and (iii) 390 renewals for €17.5 million, generating a reversion of 6.9%.

The portfolio's financial occupancy rate[2] at 31 December 2019 was **96.3%**, up 0.1% compared to 31 December 2018 (a rate of 96.2%).

Lettings of vacant premises enabled Carmila to diversify its retail offering: across the three countries 69% of leases in 2019 (in gross rental income) were signed with tenants active in the Services and Restaurant sectors, particularly in Beauty and Health 24%, Culture, Gifts and Leisure also 24% while Food and Restaurants represented 14%. Clothing and accessories represented 26%.

Temporary retail activity was also part of Carmila's letting momentum. This includes Specialty Leasing and Pop-up Stores, with lease terms for retail premises ranging up to 36 months. Temporary retail activity grew by a remarkable 33.9% in 2019, with total revenues standing at €14.3 million. The most significant share of this growth was generated in Spain where Carmila has a stronger rental market share than in 2018.

Retailer performance

On a like-for-like basis, **retailer revenues** grew **+2.0%** cumulative for all three countries in 2019, with France at +2.1%, Spain at +2.0% and Italy at +1.7%.

This overall growth is due to the sharp increase in revenue in three different sectors: Food and Restaurants significantly increased (France +3.3%, Spain +2.7%, Italy +0.9%) thanks to the solid performance of fast food chains, followed by Services (France +5.1%, Spain +1.8%, Italy +6.9%) supported by the good performance of telephony. The Health and Beauty sector (France +3.1%, Spain +5.6%) benefited from solid performance from opticians and hairdressers-barbers, who showed momentum in 2019.

The revenue growth trend for Ready-to-Wear was overall positive (+1.0% in France, +3.2% in Spain and +0.8% in Italy). Retail brand performance varied, with some retail brands growing strongly (including H&M, Zara, Kiabi and Mango) and others under-performing (such as children's fashion).

Digital marketing strategy

In 2019, Carmila continued its distributed marketing strategy, allowing each of its centres to have the best marketing and digital tools available in the market and local data bases.

Our B-to-B digital tools offering is increasingly used by retailers. More than 800 transactions per month were carried out in France, Spain and Italy as part of Kiosque, i.e. in total more than 10,000 B-to-B marketing transactions during 2019, two times more than in 2018. The stores supported for at least six months in 2019 (+67% in number terms over 2018) out-performed their network by 4.4 points due to the use of locally-activated digital levers. This outperformance rose to 8.1 points for campaigns greater than €2,000.

For this reason, initiatives to accelerate the development of local customer databases are expanding. At end-2019, the number of "opt-in" contacts able to be activated in these databases was **2.8 million** across our three countries (+25% compared to end-2018).

[2] *Excluding 1.8% strategic vacancy rate at end-2019, 1.9% at end-2018.*

CSR activity

In 2019, Carmila strengthened its CSR commitments, by developing a programme of responsible initiatives entitled "Here, we act" built around three pillars.

Pillar no. 1: "Here, we act" for the local regions

Carmila is undertaking actions to develop the local economic network, initially aimed at retailers, with the development of the "tenants' extranet" intended to enable retailers to obtain information and perform administrative tasks. Actions also apply to the centre's customers, with the organisation in 2019 of 1,000 campaigns on the theme of the food transition and responsible consumption trends.

Lastly, these actions apply more broadly to stakeholders in local life, through partnerships with associations like the French "Secours Populaire", or start-ups from the social and solidarity economy like Too Good To Go.

Pillar no. 2: "Here, we act" for the planet

Carmila is committed to a process of continuous improvement of its environmental performance. To that end, the company launched a wide-ranging campaign to certify its assets, and thus 45 sites have been certified during 2019 (30 in France, 10 in Spain, 5 in Italy).

At 31 December 2019, Carmila's BREEAM certification rate stood at 61% of its portfolio by value (an increase of 25 points compared with 2018), with 76% of the sites receiving a Very Good or Excellent score.

Pillar no. 3: "Here, we act" for the employees

During 2019, a well-being at work programme was developed in Spain under the name "A tu Salud". This programme is intended to be rolled out in France and Italy. Carmila also encourages its employees to participate in the CSR programme through, for example, the creation of a joint council on gender equality, or by financing the participation of two teams in the Oxfam 100 km solidarity walk.

Thanks to these actions, the employee satisfaction rate is high: 87% of employees expressed satisfaction with their job[3].

Debt and balance sheet structure

In November 2019, Carmila privately placed a fourth bond with a face value of €50 million, a 12-year maturity and a coupon of 1.89%.

At 31 December 2019, Carmila's gross debt stood at €2,416 million and its cash position amounted to €174 million. Available facilities (RCF and net available cash) stood at €1.2bn. The average debt term was 5.0 years (5.5 years at 31 December 2018).

At the end of December 2019, **the consolidated net financial debt/fair value of property assets (*including transfer taxes*)** was low at **34.9%**. The consolidated net financial debt/fair value of property assets (excluding transfer taxes) was 36.7%.

The **EBITDA/Net cost of financial debt** ratio at 31 December 2019 was **5.0x**, compared with 4.9x one year earlier, well above the minimum contractually agreed bank covenant threshold of 2.0x.

The **Net debt/EBITDA** ratio was **7.9x** in 2019, a -30 bp improvement over 2018.

[3] Annual survey of all employees in the three countries

Portfolio valuation and NAV

The portfolio valuation, including transfer taxes, stood at €6,421.5 million at 31 December 2019, +€16.9 million higher (+0.3%) than at 31 December 2018 (€6,404.6 million).

Over 12 months, on a like-for-like basis, the portfolio valuation declined by -0.9% (-€56.8 million). Appraisal values showed this slight drop in the first half of 2019. In the second half, appraisers stabilised their valuations (+0.3%).

The average capitalisation rate for the portfolio was **5.90%** compared with 5.77% at 31 December 2018. This increase in the average capitalisation rate was the result (i) of a slight increase in the market capitalisation rates in France (+24 bp) mitigated by the work of asset management (-9 bp) and (ii) a slight decompression in the market capitalisation rates in Spain (+14 bp).

The fully diluted EPRA NAV per share at 31 December 2019 stood at **€27.79**, versus €28.39 per share at 31 December 2018, i.e. a drop of -€0.60 per share (-2.1%) after the distribution of a €1.50 per share dividend.

The *fully diluted* EPRA triple net asset value (EPRA NNNAV) was €26.45 per share, i.e. a change of -2.5%.

Extension pipeline and acquisitions

In 2019, Carmila opened the fully let extension of the Rennes-Cesson shopping centre. A leading shopping centre in the east of Rennes, the shopping centre is home to 30 new stores and counts 70 retail brands across 11,500 sqm centred around H&M, Mango, Maisons du Monde and a 9,800 sqm Carrefour hypermarket. The revamped merchandising plan hosts a balance of branches, master franchisees operating major brands as well as successful, high-performing local independent players (Holly's Dinner, Bessec, Made in Dé), which strengthens this shopping centre as a destination for upscale (CSP+) customers.

The extension will generate €2.4 million of additional rental income on an annual basis.

After the delivery of Rennes-Cesson, a restructuring at Bourg-en-Bresse in 2019, and placing five projects on standby, the 2020-2024 extension pipeline at 31 December 2019 includes 19 projects for a forecast investment of €1.3 billion and an average developer yield of 7.2%. The pipeline includes 9 flagship projects in Nice – Lingostière, Montesson (western Paris), Barcelona – Tarassa, Marseille – Vitrolles, Aix-en-Provence, Thionville, Antibes, Toulouse – Labège and Lyon – Vénissieux. These projects represent 90% of the value of the pipeline.

Carmila plans to deliver three projects in 2020, in particular the extension of the Nice Lingostière shopping centre and the restructuring of Calais - Coquelles, for annualised net rental income of €8.0 million and a total investment of €118.4 million.

Business development

Carmila Retail Development

In 2019 Carmila continued to develop its joint venture activity through its Carmila Retail Development subsidiary. This company partners with high-performing retailers in the growth phase of their development, to support them and enable them to have priority access to premises in Carmila shopping centres. At the end of 2019, four main partners operated 56 stores in Carmila's French and Spanish shopping centres for an annual rental income of €2.1 million, and 15 stores in third-party centres. Commitments to date from these partnerships represent a total of €7.5 million for an unrealised capital gain of €6.5 million.

In the upcoming two or three years, the development plan of these four partnerships envisions more than 160 stores open for an annual rental income of €6 million, a net commitment of €15 million and a potential capital gain of €12 million.

Carmila believes that this activity is a powerful future growth driver and aims, when fully up and running, to be continuously partnered with 15 to 20 retail brands for a net commitment of approximately €20 million and an unrealised capital gain on the order of €50 million (*Carmila share*). The investments in two to four brands would be reconsidered each year.

Health Hub

Carmila also intends to implement an ambitious Health offer in its shopping centres to strengthen its "convenient " and "practical" offer and meet a substantial need for the population with regard to large pharmacies, dental and ophthalmology practices, primary care, etc. The Carmila sites, accessible, at the heart of urban areas and with free parking facilities, are particularly appropriate to this offer.

The company is thus partnering with experienced and well-known professionals to develop health activities in its shopping centres. In 2019, a partnership was formed as a joint venture called Pharmalley. To date, the joint venture has partnered with pharmacists to transfer or expand four pharmacies in its shopping malls, with the goal to acquire five to ten pharmacies per year (investment of €0.5 million to €1.5 million each and a similar expected capital gain in four years.

At the end of 2019, a new joint venture was being created: Dentalley, which is set to launch its dental practice offering with the first openings in 2020. The objective is to develop 50 dental centres in five years for an EBITDA after six years of €15 million/year and a maximum commitment of €7 million. Carmila partners with the best references in the business to develop this activity.

Lou5G

Lastly, the Lou5G subsidiary is actively developing its land rental business for telephone antennas. By renting land to each of the four national telephone operators for the installation of antennas, Lou5G is helping the national effort to bridge the digital divide. 130 antennas have been let in 2019 for €1.5 million of signed leases. Carmila's objective is to continue developing this activity to reach a valuation of €100 million in five years.

Dividends and Outlook

Confident in the robustness and effectiveness of Carmila's business model, the Company's management will ask the General Meeting scheduled for 14 May 2020 to approve the payment of a 2019 dividend matching that of 2018, i.e. **€1.50 per share**.

This dividend level represents a pay-out ratio (dividend/recurring earnings) of **92.0%** for 2019 versus 98% for the financial year 2018, with a target pay-out ratio standing at 90%.

Carmila has excellent visibility for its income (long leases, indexation, highly stable occupancy rate), productivity gains that enable it to reduce its cost ratio, and a solid financial structure with stable and predictable cost of debt (S&P rating of BBB, long maturity debt, 82% of which is fixed rate, good financial liquidity). Furthermore, Carmila has powerful growth drivers at its disposal, including sustained organic growth, a carefully managed pipeline comprising large-scale structural and value-creating projects, and a local digital marketing strategy intended to help retailers develop their revenues.

In addition, Carmila's teams are agile, dynamic experts in the leading shopping centres in their local regions and focused on innovation. They are researching and developing promising growth drivers, such as land development in partnership with Carrefour Property, and continuing development of joint venture activities with double-digit 5-year IRR objectives.

Consequently, Carmila's management is confident in the sustainability and strength of the company's business model.

2020 will be a year of large project launches to develop the company's growth with the following objectives:

- Three deliveries of development projects, in particular the extension of Nice Lingostière and the restructuring of Calais Coquelles with the establishment of Primark on 6,000 sqm;

- Significant advances on flagship projects after the municipal elections;
- Continued selectivity on acquisitions to concentrate on financially very favourable opportunities;
- Acceleration of growth from Business Development.

In this context, Carmila's objective for **recurring earnings per share growth is between +2% and +4%** based on recurring earnings per share in 2019 of €1.61 per share, adjusted for the €2.0 million of financial income from securities recorded in the 2019 financial statements.

Main results and financial indicators

(in thousands of euros)	at 31/12/2019	at 31/12/2018	% change
Gross Rental income	**359,457**	**340,250**	**5.6%**
Charges rebilled to tenants	79,359	74,799	
Total Income from rental activity	**438,816**	**415,049**	
Real estate expenses	-21,214	-18,659	
Rental charges	-71,307	-71,076	
Property expenses (landlord)	-13,111	-11,656	
Net Rental Income	**333,184**	**313,658**	**6.2%**
Payroll expenses	-52,840	-50,574	
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	-3,493	-3,508	
Other operating income and expenses	1,343	-277	
Gain (losses) on disposals of investment properties and equity investments	-610	-1,796	
Change in fair value adjustment	-90,172	13,586	
Share in net income of equity-accounted investments	4,376	3,882	
Operating income	**191,788**	**274,971**	**-30.3%**
Financial income	559	384	
Financial expenses and allowances	-57,277	-54,011	
Cost of net indebtness	**-56,718**	**-53,627**	
Other financial income (expenses)	-1,389	-4,931	
Net financial income/(expense)	**-58,107**	**-58,558**	**-0.8%**
Income before taxes	**133,681**	**216,413**	**-38.2%**
Income tax	-17,804	-52,804	
Consolidated net income	**115,877**	**163,609**	**-29.2%**
Consolidated net income (Group share)	**115,686**	**163,557**	**-29.3%**
EBITDA	**282,563**	**264,347**	**6.9%**
EPRA earnings	**219,407**	**202,447**	**8.4%**
Recurring Earnings	**222,545**	**207,521**	**7.2%**
Portfolio valuation	**6,421,482**	**6,404,613**	**0.3%**
EPRA NAV	**3,799,450**	**3,876,129**	**-2.0%**
Per-share data (euros)			
Recurring Earnings per share (average)	**1.63**	**1.53**	**6.6%**
Diluted EPRA NAV per share	**27.79**	**28.39**	**-2.1%**

****

Investor and analyst contact
Marie-Flore Bachelier – General Secretary
marie_flore_bachelier@carmila.com
+33 6 20 91 67 79

Press contacts
Morgan Lavielle - Director of Corporate Communications
morgan_lavielle@carmila.com
+33 1 58 33 63 29

****

Next events and publications:

14 February 2020 *(9:00 am Paris time)***:** Investors and Analysts Meeting
14 May 2020 *(9:30 am Paris time): Shareholders*' Annual General Meeting
29 July 2020 *(After market close): 2020* Half Year Results
30 July 2020 *(14:30 Paris time)***:** Investors and Analysts Meeting

****

About Carmila

Carmila was founded by Carrefour and large institutional investors in order to develop the value of shopping centres anchored by Carrefour stores in France, Spain and Italy. At 31 December 2019, its portfolio comprised 215 shopping centres in France, Spain and Italy, leaders in their catchment areas, and with a total value of €6.4 billion. Inspired by a genuine retail culture, Carmila's teams include all of the expertise dedicated to retail attractiveness: leasing, digital marketing, specialty leasing, shopping centre management and portfolio management.
Carmila is listed in compartment A of Euronext Paris under ticker CARM. It benefits from SIIC ("sociétés d'investissements immobiliers cotées") tax status (French REIT regime).
On 18 September 2017, Carmila joined the FTSE EPRA/NAREIT Global Real Estate (EMEA Region) indices.
On 24 September 2018, Carmila joined the Euronext CAC Small, CAC Mid & Small and CAC All-tradable indices.
On 26 November 2019, Carmila joined the MSCI Global Small Caps Index.