MERCIALYS

PRESS RELEASE

Paris, July 27, 2020

2020 first-half results

- **Good resilience for first-half results, despite the impacts of an unprecedented health crisis** on the second quarter's recovery rate, the loan to value ratio and the outlook
- **Encouraging upturn in footfall** for the weeks after the lockdown was lifted, reflecting French consumers' attachment to physical retail. The period of store closures has not led to any widespread shift to online shopping, as this sector has also experienced significant difficulties in the past few months, particularly in terms of considerably longer delivery times. This unprecedented context represents an additional catalyst for developing Mercialys' ability to serve last-mile logistics from its retail sites. The acceleration of the Ocitô platform's deployment across the majority of the portfolio by the end of 2020 illustrates the Company's commitment to further strengthening its centers' omnichannel dimension, benefiting both consumers and retailers
- **Rapid normalization of center footfall levels**, following their full reopening. **Retailer sales** stable compared with 2019, in May excluding the closure period and in June, supported by day-to-day purchases and the level of available savings.
- **Invoiced rents down -0.8% like-for-like**[1], significantly affected by the health crisis, contrasting with +3.1% like-for-like growth at end-March 2020
- **Funds from operations (FFO) stable** compared with the first half of 2019 at Euro 63.0 million
- **EPRA NNNAV of Euro 19.90 per share**, down -2.4% year-on-year. Average yield rate of 5.49% for the portfolio in the first half of 2020, vs 5.26% at end-December 2019
- **Rational approach for development projects**, with around Euro 6 million to be paid out for the whole year in 2020. The redeployment of projects will be dependent on the completion of the asset sales for which talks are underway
- **Loan to value ratio (LTV excluding transfer taxes) of 41.1%**, impacted by store closures during the lockdown period. Based on a standard level of rent recovery for the second quarter of 2020, the LTV would represent 40.0%
- **2020 objectives revised**: In view of the health crisis' various impacts on rents, organic growth no longer seems to be a relevant indicator for 2020. FFO per share is expected to contract by 10% and 15% compared with 2019. The dividend will range from 70% to 95% of 2020 FFO; in Q4 2020, the Board of Directors will decide on a potential interim dividend payment before the end of the year. These objectives exclude the impacts of a reoccurrence of episodes linked to the health crisis

	June 30, 2019	June 30, 2020	Change %
Organic growth in invoiced rents	+3.6%	-0.8%	-
Spread between the change in footfall[2] for Mercialys centers and the CNCC index[3] (year to end-June)	+100bp	+640bp	-
Year-on-year change in sales[2] for Mercialys retailers (from May 1 to May 31)	-	-33.0%	-
Year-on-year change in sales[2] for Mercialys retailers (from June 1 to June 30)	-	+0.6%	-
FFO (in millions of euros)	63.0	63.0	0.0%
Interest Coverage Ratio (ICR)	6.7x	10.6x	-
LTV (excluding transfer taxes)	40.9%	41.1%	-
EPRA NAV (Euros per share)[4]	20.86	19.72	-5.5%
EPRA NNNAV (Euros per share)[4]	20.40	19.90	-2.4%

[1] Assets enter the like-for-like scope used to calculate organic growth after being held for 12 months
[2] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 85% of the value of the Company's shopping centers
[3] CNCC index - all centers, comparable scope
[4] Calculated based on the average diluted number of shares, in accordance with European Public Real Estate Association (EPRA) guidelines

I. Major impacts linked to the health crisis

The start of 2020 was marked by considerable uncertainty linked to the spread of coronavirus (covid-19). With the pandemic spreading in Europe and France, in March the French government ordered the closure of all non-essential stores from March 15 to May 11, 2020.

However, the government order authorized essential activities to continue trading, which included tenant retailers representing nearly 40% of Mercialys' rental base, for segments relating to food, mobility, information, health, hygiene, press, tobacco, construction and financing. All of Mercialys' sites therefore remained open during the nationwide public lockdown, ordered by the French government on March 16, 2020 and kept in place through to May 11, 2020.

On May 11, 2020, following the authorization to reopen stores and the lifting of the public lockdown, Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding leisure venues and sit-down restaurants). This full reopening of the centers was completed under optimum health and safety conditions. Restaurants were able to reopen from June 2, 2020.

In this context, a mediation process between tenants and landlords was considered necessary by the French government, which appointed a mediator in April 2020. This mediation process, completed in May 2020, has been signed up to by all the landlord federations, including the ones that Mercialys is part of, as well as certain retailer federations, but not by representatives from the main retailers.

Mercialys has therefore aligned itself with the core principles from this mediation process for discussions with its tenants. These principles are as follows:

- Maximum budget for relief per landlord representing 50% of rent invoiced in Q2 2020 to retailers that were ordered to close during the lockdown (however, service charges will still be payable). The maximum amount of relief includes the three rent-free months offered to very small businesses who were forced to close, a measure that the French Ministry for the Economy called for in April 2020 and that the leading landlords, including Mercialys, adopted. The application of this principle based on rent corresponding to the retailers affected by the closure order, representing around 60% of Mercialys' total rental base, would give **a maximum budget of Euro 13.5 million**.
  The relief corresponding to **three months of rent for very small businesses** included in this budget is estimated at a **maximum of Euro 4.7 million**. This amount may change depending on the legal elements to be submitted by the retailers concerned qualifying their very small business status. In accordance with the accounting rules applicable, the impact is spread over the remaining firm duration of the corresponding leases, with a **Euro 1.2 million impact** recognized in the accounts at June 30, 2020. The impacts for the second half of 2020 and for 2021, 2022 and 2023 are expected to represent Euro 1.3 million, Euro 1.4 million, Euro 0.6 million and Euro 0.2 million respectively. As no negotiations had been finalized with retailers other than very small businesses by the half-year reporting date, the accounts at June 30, 2020 do not include other relief measures linked to the health crisis. These will also be spread over the remaining firm term of the corresponding leases, if appropriate;
- Service charges will be payable for the second quarter of 2020. The recovery rate to date is 70.2%;
- Tenants with rental arrears before the lockdown are excluded from these support measures;
- Various arrangements may be adopted in exchange for this relief (extending leases, renewing leases early, signing new leases, registering for the Ocitô platform, etc.);
- The collection of rent for the second quarter of 2020 has been suspended until September 30, 2020 for retailers that were ordered to close.

However, the government-ordered shutdown may have affected the profitability of the retailers concerned. 45.8% of the total amount billed for the second quarter has been collected to date, compared with 96.5% for the 12 months to end-March 2020. In accordance with the mediation guidelines, as presented above, Mercialys will only deploy recovery measures for the second quarter of 2020 from September 30 for retailers that were ordered to close their stores.

Mercialys' LTV (excluding transfer taxes), which came to 41.1% at end-June 2020, was affected by this unusual recovery level. Collection of the full amount billed for the second quarter would have given an LTV excluding transfer taxes of 40.0%. Third-quarter bills were issued at the start of July, with a recovery rate of 63.1% to date.

II. 2020 first-half business and results

Invoiced rents came to Euro 90.7 million, down -3.3%, linked primarily to:

- the asset sales completed in 2019 for -2.3%;
- other effects primarily including strategic vacancies linked to current redevelopment programs for -0.2%;
- the impact of provisions for rent relief supporting very small businesses, spread over the firm period of their leases, for -1.3%;
- the impact of indexation for +1.6%;
- a lower contribution by Casual Leasing, following the order to close stores, for -0.8%;
- the actions carried out on the portfolio for -0.2%, with this impact including the deferral of rental measures resulting from the lockdown;
- the contraction in variable rents for -0.1%.

Taking into account the last five effects presented above, **organic growth** in invoiced rents is down **-0.8%**, linked primarily to the consequences of the health crisis.

Mercialys' shopping centers[5] have recorded **sustained footfall levels** in the weeks following the lifting of the lockdown. After dropping -76.0% on average compared with 2019 over the period from March 17 to May 10, 2020 (-77.9% for the France panel[6]), the rapid normalization of footfall levels following the reopening limited the contraction to -12.5% compared with 2019 for the period from May 11 to June 25, 2020 (-25.0% for the France panel[6]). Footfall for the last few days of June was negatively affected by the deferral of the sales period (-25.9%), which began on June 26 in 2019 and only July 15 in 2020. In the end, Mercialys' aggregate footfall for shopping centers over the first half of 2020 is down -27.4% compared with the first half of 2019, outperforming the CNCC national benchmark index[7] (-33.8%) by +640bp.

The assessment of the change in **retailer sales** over the first half of 2020 is not particularly relevant. As the majority of stores were closed between March 15 and May 11, the second quarter's analyses are ineffective. Nevertheless, Mercialys is recording a good performance by retailers in its centers for the period from May 11 to 31 (i.e. from the date when the public lockdown was lifted and stores reopened through to the end of the month), with a limited contraction in sales of -33.0% in May 2020 versus May 2019, equivalent to a stable level of activity if the centers had not had to operate under deteriorated conditions during the first third of May 2020. Sales for June 2020 confirm this trend, up +0.6% compared with

[5] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 85% of the value of the Company's shopping centers
[6] Performance calculated based on Quantaflow's French shopping center panel, which enables access to daily footfall data
[7] CNCC index - all centers, comparable scope

June 2019, despite the deferral of the summer sales period, supported by day-to-day purchases and the level of available savings.

The analysis of the **occupancy cost ratio**[8] is subject to the same limitations as the sales analysis due to the period when stores were ordered to close. This ratio showed a very moderate level of 10.4% at December 31, 2019.

The **current financial vacancy rate**[9] was 2.5% for the first half of 2020, identical to the level from end-2019 (2.5%).

Rental revenues came to Euro 92.0 million, down -3.6% compared with the first half of 2019, reflecting the change in invoiced rents, with lease rights down from 2019 due to an unfavorable base effect linked to the project to extend the Le Port site on Reunion Island, inaugurated at the end of 2018. **Net rental income** is down -3.9% to Euro 85.6 million.

EBITDA totaled Euro 78.1 million, down -4.2% compared with June 30, 2019. The EBITDA margin is still high, coming in at 84.9% (85.3% for the first half of 2019). This change notably includes a reduced payout from the 20% interest in the OPCI real estate fund UIR 2 (which holds the Pessac center), as well as the increase in staff costs linked to a lower level of capitalization against a backdrop of effective control over development projects, as well as digitalization efforts.

The **net financial expenses** used to calculate FFO[10] are down significantly to Euro 10.1 million (Euro 13.3 million at end-June 2019), reflecting the full-year impact of the redemption of the Euro 480 million bond issue maturing in March 2019. This same impact is reflected in the **real average cost of drawn debt** of 1.1%, representing a further reduction compared with the 1.3% recorded for the full year in 2019.

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro -1.3 million, primarily including allocations to provisions.

Tax represents a Euro 1.2 million expense at end-June 2020 (Euro 1.8 million for the first half of 2019). This amount corresponds primarily to a CVAE corporate value-added tax expense.

The **share of net income from associates** (excluding depreciation and amortization) was Euro 1.4 million at June 30, 2020, compared with Euro 2.0 million at June 30, 2019. The change in this share reflects the assets sold in 2019 by SCI Rennes Anglet and the impact of the rent relief measures in connection with the health crisis, particularly for SCI AMR.

Non-controlling interests (excluding capital gains and amortization) totaled Euro 5.2 million at June 30, 2020, virtually stable compared with the first half of 2019.

Funds from operations (FFO) are stable versus June 30, 2019 at Euro 63.0 million, with Euro 0.69 per share[11].

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[8] Ratio between rent, charges (included marketing funds) and invoiced work (including tax) paid by retailers and their sales revenue (including tax), excluding large food stores

[9] The occupancy rate, as with Mercialys' vacancy rate, does not include agreements relating to the Casual Leasing business

[10] FFO: Funds From Operations = Net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects

[11] Calculated based on the average undiluted number of shares (basic), i.e. 91,609,039 shares

(In thousands of euros)	June 30, 2019	June 30, 2020	Change (%)
Invoiced rents	**93,843**	**90,732**	**-3.3%**
Lease rights and despecialization indemnities	1,644	1,271	-22.7%
Rental revenues	**95,487**	**92,003**	**-3.6%**
Non-recovered building service charges	(6,424)	(6,378)	-0.7%
Net rental income	**89,063**	**85,626**	**-3.9%**
Management, administrative and other activities income	1,690	1,698	+0.4%
Other income and expenses	(2,977)	(2,384)	-19.9%
Personnel expenses	(6,294)	(6,860)	+9.0%
EBITDA	**81,482**	**78,079**	**-4.2%**
EBITDA margin (% of rental revenues)	*85.3%*	*84.9%*	-
Net financial items (excluding the impact of hedging ineffectiveness and banking default risk)	(13,252)	(10,087)	-23.9%
Reversals of / (Allowances for) provisions	(172)	1,272	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	(32)	(1,268)	na
Tax expense	(1,795)	(1,215)	-32.3%
Share of net income from associates (excluding amortization and impairment)	1,955	1,402	-28.3%
Non-controlling interests (excluding capital gains and amortization)	(5,211)	(5,188)	-0.4%
FFO	**62,975**	**62,993**	**0.0%**
FFO per share[11] (in euros)	***0.69***	***0.69***	***+0.1%***

III. Rational investment approach, while accelerating the development of Mercialys' last-mile logistics capabilities

Acceleration of the Company's omnichannel strategy, with preparations for the widescale deployment of digital and logistics solutions from the shopping centers

The health crisis has highlighted certain underlying trends that were already present in the retail sector.

On the supply front, the restrictions on the circulation of goods highlighted, with the closure of borders, the limitations involved with just-in-time models or models using production sites that are located very far away. The supply-side disruptions and their consequences in terms of product availability, longer delivery times, higher costs and increased customer dissatisfaction call into question the robustness of upstream and downstream logistics organization models.

With regard to demand, consumers, who were already very aware of the stakes involved with local consumption issues, showed strong levels of interest in their local stores that remained open during the lockdown. In this exceptional context, leading individuals to concentrate on their essentials and question their habits, Mercialys' shopping centers, with their retail mixes focused on serving recurrent consumption with affordable prices, have proven their relevance and remained an integral part of their communities' habits.

As such, the period when physical stores were ordered to close has not led to any widespread shift to online shopping, with e-commerce sales linked more to a default purchasing reflex by consumers rather than a major change in their preferences. In addition to the shortage of available products, e-commerce also faced some very significant operational constraints during the lockdown period, with companies making widespread use of furlough measures (66% of online retailers in March 2020[12]), as well as a lack of logistics capacity (45% of items taking more than 10 days to be delivered in April 2020[13]) and a reduction in the

[12] FEVAD, March 2020
[13] LSA Conso, April 2020

average basket[14]. In terms of this last point, the significant drop in consumption in the tourism, transport and leisure segments and for certain non-food products is reflected in an unprecedented slowdown in global growth for e-commerce (down to +1.8% in the first quarter of 2020 versus +11.9% in the first quarter of 2019[14]), which recalls that the majority of online purchases are still very sector-specific and focused on particular products.

This exceptional situation confirms the relevance for Mercialys to further strengthen its local roots and accelerate its omnichannel approach, serving last-mile logistics from its shopping centers.

During the first half of 2020, the Company ramped up its developments to enable the widescale deployment of its unified logistics solutions, which offers end customers: 1/ all the products sold by retailers in its centers in just a few clicks and with a single order, and 2/ interchangeable options to receive them at home or to collect them in-store or with the drive-through service.

Called Ocitô, these Mercialys' services are based on three solutions that form an outstanding local ecosystem, responding to changes in consumer trends and the limitations of current models, while offering retailers a new source of growth for their sales through a complementary online sales channel and an opportunity to rationalize their logistics costs. These three solutions are:

1/ "Ocitô.net", Mercialys' proprietary web and mobile marketplace, enabling consumers to easily access the products offered by retailers in their center. "Ocitô.net" is up and running at the Angers and Rennes shopping centers, covering a diverse selection, from takeout food to household equipment, leisure and optical products;

2/ "Ocitô.logistique", a range of services designed to facilitate the consolidation and shipping of packages from stores (dedicated logistics unit, provision of consumables, centralized postage franking and collection), enabling retailers to adopt and develop ship-from-store. This solution makes it possible to pool the needs of retailers who are already operating their own ship-from-store services with the needs of the "Ocitô.net" marketplace, ensuring operational efficiency and cost synergies for all parties. From September 2020, each center will therefore organize a daily collection of packages for retailers and provide a secure unit for centralizing their storage;

3/ "Ocitô.transport", a suite of solutions for last-mile logistics, enabling customers to receive their products even more quickly: immediate delivery, home delivery within two days, click and collect, drive-through and parcel collection lockers.

The development of the Ocitô ecosystem is being supported by the Company's advances with increasing the number of personalized interactions with its retailers and end customers.

During the first half of 2020, Mercialys launched the latest version of its proprietary 100% digital loyalty program, which is now operational across 24 shopping centers and over 900 retailers. By offering more purchasing power for consumers, this service will help boost retailers' sales and support the resumption of activity in the centers by encouraging local, in-store consumption.

It operates based on a digital cashback system, inviting customers to scan their mobile whenever they buy anything from their center's participating retailers. By sharing their shopping basket's contents, consumers provide access to data that makes it possible to understand their habits and needs more effectively, supporting both historical and predictive analysis.

This new loyalty program also feeds into the Company's digital ecosystem and its qualified databases now cover more than half of its shopping centers' unique customers.

[14] FEVAD, May 2020

Investments considered exclusively after the completion of the current sales program

The effects of the health crisis linked to the covid-19 pandemic on the macroeconomic environment reinforce the need for Mercialys to safeguard its balance sheet balances. The Company is therefore maintaining a very limited level of investments for 2020, focused mainly on the Le Port Retail Park on Reunion Island, which is scheduled to open in November 2020. This project, fully prelet before it is scheduled to open, shows a yield rate of 6.8%

The resumption of investments, linked to the project portfolio or potential acquisitions outside of the Company's current scope, will initially be dependent on the asset disposals being completed. Talks are underway with various types of investors concerning shopping centers and more specifically food stores.

At end-June 2020, Mercialys' project portfolio represented Euro 480.7 million through to 2027, with Euro 28.0 million of additional rental potential and an average target yield rate of 7.0%. This portfolio, which concerns 27 sites out of the 53 shopping centers and high-street assets owned by the Company, includes retail space projects (redevelopments, extensions, retail parks), dining and leisure projects, and tertiary activity projects (housing, healthcare, coworking, etc.).

(In millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost (%)	Completion date
COMMITTED PROJECTS	**12.1**	**5.9**	**0.8**	**6.8%**	**2020**
Retail (Retail Park - Le Port)	12.1	5.9	0.8	6.8%	2020
CONTROLLED PROJECTS	**245.9**	**241.3**	**11.6**[15]	**7.0%**[15]	**2022 / 2026**
Retail	138.4	134.3	9.7	7.0%	2022 / 2024
Dining and leisure	27.5	27.5	1.9	6.9%	2023
Tertiary activities	80.0	79.5	na[15]	na[15]	2026
IDENTIFIED PROJECTS	**222.6**	**221.8**	**15.6**[15]	**7.0%**[15]	**2023 / 2027**
Retail	72.4	72.3	5.1	7.0%	2023 / 2027
Dining and leisure	70.0	70.0	4.9	7.0%	2024
Tertiary activities	80.2	79.5	5.6[15]	7.0%[15]	2024 / 2027
TOTAL PROJECTS	**480.7**	**469.0**	**28.0**[15]	**7.0%**[15]	**2020 / 2027**

- *Committed projects: projects fully secured in terms of land management, planning and related development permits*
- *Controlled projects: projects effectively under control in terms of land management, with various points to be finalized for regulatory urban planning (constructability), planning or administrative permits*
- *Identified projects: projects currently being structured, in emergence phase*

[15] Excluding the impact of mixed-use high-street projects, which could also generate property development margins

IV. Portfolio and financial structure

EPRA NNNAV down -2.4% over 12 months and -0.5% over six months

Mercialys' portfolio value came to **Euro 3,522.6 million, including transfer taxes**, down -3.1% over six months and -6.1% over 12 months. Like-for-like[16], the portfolio value is down -3.1% over six months and -3.7% over 12 months.

Excluding transfer taxes, the portfolio value represents Euro 3,314.6 million, also down -3.1% over six months and -6.1% over 12 months.

At end-June 2020, Mercialys' portfolio mainly comprised 53 shopping centers and high-street sites[17], with 47% regional and large shopping centers and 53% leading local retail sites (neighborhood shopping centers and city-center assets).

The average size of its shopping centers (excluding high-street assets) was 17,200 sq.m at end-June 2020, compared with 7,400 sq.m at end-2010. Their average value was Euro 71.4 million including transfer taxes in the first half of 2020, compared with Euro 26.9 million in 2010.

The average appraisal yield rate was **5.49% at June 30, 2020**, compared with 5.26% at December 31, 2019 and 5.20% at June 30, 2019.

The NAV at end-June 2020 came to Euro 19.72 per share, down -3.9% over six months and -5.5% over 12 months.

EPRA NNNAV is down **-0.5% over six months to Euro 19.90 per share and -2.4% over 12 months**. The Euro -0.11 per share change for the first half of this year takes into account the following impacts:

- dividend payment: Euro -0.48;
- Funds From Operations: Euro +0.69;
- change in unrealized capital gains (i.e. difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes): Euro -0.98, including a yield effect for Euro -1.60, a rent effect for Euro +0.44 and other effects[18] for Euro +0.19;
- Change in fair value of fixed-rate debt: Euro +0.82;
- Change in fair value of derivatives and other items: Euro -0.16.

Note that the EPRA NNNAV at end-June 2020 is higher than the EPRA NAV. This difference is linked to the change in the fair value of fixed-rate debt, which reflects a market value for this debt that is lower than its nominal value.

Balanced financial structure

The Euro 1,572 million of **drawn debt** at end-June 2020 is made up of three bond issues and commercial paper.

At June 30, 2020, Mercialys had Euro 410 million of undrawn financial resources. This amount is stable compared with the end of 2019. Mercialys also has a Euro 500 million commercial paper program, with further issuing capacity of nearly Euro 128 million, taking into account the outstanding amount at June 30, 2020.

[16] Sites on a constant surface area basis
[17] Added to these are five geographically dispersed assets with a total appraisal value including transfer taxes of Euro 12.2 million
[18] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals

The **real average cost of drawn debt** for the first half of 2020 was **1.1%**, which shows a further reduction compared with the full-year figure of 1.3% for 2019, reflecting the full-year impact in 2020 of the redemption of the Euro 480 million bond issue maturing in March 2019.

The **average maturity of drawn debt** was 3.2 years at end-June 2020. Following the refinancing operation carried out in July 2020, based on a new Euro 300 million bond issue with a maturity of seven years and the partial redemption of the bond issue maturing in 2023 for a nominal value of Euro 181.3 million, the average maturity of drawn debt represents 3.9 years (at July 7, 2020, i.e. the date when the refinancing operation was carried out).

Mercialys continues to have a balanced financial structure, with an **LTV ratio excluding transfer taxes** of **41.1%**[19] at June 30, 2020 (vs 39.5% at December 31, 2019) and an **LTV ratio including transfer taxes** of 38.6% at the same date. The loan to value ratio reflects the impact of the health crisis linked to covid-19, through the reduction in rent receipts for the second quarter of 2020. Collection of all the rent billed would have contributed to an LTV excluding transfer taxes of 40.0%.

The **ICR ratio** came to **10.6x**[20] at June 30, 2020, a significant improvement compared with the high level already recorded at December 31, 2019 (7.4x).

On June 9, 2020, Standard & Poor's confirmed its **BBB/outlook negative** rating for Mercialys.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**. Fixed-rate debt (including commercial paper) represents **82%** of total debt compared with 86% at end-December 2019.

V. Dividend and outlook

On March 23, 2020, the Company indicated that its objectives, published with its 2019 full-year results in February 2020, were no longer applicable on account of the context of the health crisis linked to covid-19. There is still significant uncertainty concerning both the macroeconomic and health environment and its repercussions in terms of employment and consumption, as well as the level of activity for retailers present in the centers and the negotiations underway for potential rent relief measures and arrangements that may be adopted in exchange for this.

As a result, organic growth in rents no longer seems to be a relevant indicator for 2020. However, Mercialys will provide specific details concerning the various factors behind changes in its rental income in its future publications in order to ensure the utmost clarity for analysis for its stakeholders.

With regard to Funds from operations (FFO) per share, Mercialys has set itself a new objective for a contraction of between 10% and 15% compared with 2019.

Lastly, the dividend will range from 70% to 95% of 2020 FFO. The Company's Board of Directors decided, during its meeting on July 27, 2020, to defer to the fourth quarter of 2020 its decision concerning a potential interim dividend payment before the end of the year.

These objectives exclude the impacts of a reoccurrence of episodes linked to the health crisis.

[19] LTV (Loan To Value): Net financial debt / (portfolio market value excluding transfer taxes + market value of investments in associates for Euro 56.3 million at June 30, 2020 and Euro 65.2 million at June 30, 2019, since the value of the portfolio held by associates is not included in the appraisal value)

[20] ICR (Interest Coverage Ratio): EBITDA / net finance costs

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About Mercialys

Mercialys is one of France's leading real estate companies, focused exclusively on shopping centers and high-street retail assets. At June 30, 2020, Mercialys had a portfolio of 2,111 leases, representing a rental value of Euro 182.3 million on an annualized basis. At June 30, 2020, it owned properties with an estimated value of Euro 3.5 billion (including transfer taxes). Mercialys has had "SIIC" real estate investment trust (REIT) tax status since November 1, 2005 and has been listed on Euronext Paris Compartment A (ticker: MERY) since its initial public offering on October 12, 2005. At June 30, 2020, there were 92,049,169 shares outstanding.

IMPORTANT INFORMATION

This press release contains certain forward-looking statements regarding future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to Mercialys' Universal Registration Document available at www.mercialys.com for the year ended December 31, 2019 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business. Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstances that might cause these statements to be revised.

APPENDIX TO THE PRESS RELEASE: FINANCIAL STATEMENTS

Consolidated income statement

(In thousands of euros)	June 30, 2019	June 30, 2020
Rental revenues	**95,487**	**92,003**
Service charges and property taxes	(30,919)	(30,429)
Expenses billed to tenants	27,903	26,953
Property operating expenses	(3,408)	(2,901)
Net rental income	**89,063**	**85,626**
Management, administrative and other activities income	1,690	1,698
Other income	276	53
Other expenses	(3,254)	(2,438)
Personnel expenses	(6,294)	(6,860)
Depreciation and amortization	(20,201)	(20,236)
Reversals of / (Allowances for) provisions	(172)	1,272
Other operating income	11,164	3,541
Other operating expenses	(16,059)	(15,922)
Operating income	**56,214**	**46,734**
Income from cash and cash equivalents	126	46
Gross finance costs	(12,239)	(7,401)
(Net finance costs) / Income from net cash	**(12,113)**	**(7,355)**
Other financial income	134	124
Other financial expenses	(1,400)	(1,463)
Net financial income	**(13,379)**	**(8,693)**
Tax expense	(1,795)	(1,215)
Share of net income from associates and joint ventures	1,350	775
Consolidated net income	**42,390**	**37,599**
Attributable to non-controlling interests	4,414	4,384
Attributable to owners of the parent	37,977	33,215
Earnings per share[21]		
Net income, attributable to owners of the parent (in euro)	0.41	0.36
Diluted net income, attributable to owners of the parent (in euro)	0.41	0.36

[21] Based on the weighted average number of shares over the period adjusted for treasury shares:
- Undiluted weighted average number of shares in H1 2020 = 91,609,039 shares
- Fully diluted weighted average number of shares in H1 2020 = 91,609,039 shares

Consolidated balance sheet

ASSETS

(in thousands of euros)	Dec 31, 2019	June 30, 2020
Intangible assets	3,588	4,297
Property, plant and equipment other than investment property	857	1,247
Investment property	2,222,452	2,196,285
Right-of-use assets	9,981	9,411
Investments in associates	36,355	36,650
Other non-current assets	51,867	61,400
Deferred tax assets	1,200	1,303
Non-current assets	**2,326,300**	**2,310,593**
Trade receivables	20,532	61,610
Other current assets	36,594	30,066
Cash and cash equivalents	72,024	180,547
Investment property held for sale	111	111
Current assets	**129,262**	**272,334**
Total assets	**2,455,562**	**2,582,929**

EQUITY AND LIABILITIES

(in thousands of euros)	Dec 31, 2019	June 30, 2020
Share capital	92,049	92,049
Additional paid-in capital, treasury shares and other reserves	565,909	547,065
Equity, attributable to owners of the parent	657,958	639,114
Non-controlling interests	202,072	202,107
Equity	**860,030**	**841,221**
Non-current provisions	1,128	1,038
Non-current financial liabilities	1,234,944	1,245,863
Deposits and guarantees	21,502	22,058
Non-current lease liabilities	9,640	9,155
Other non-current liabilities	12,939	16,312
Non-current liabilities	**1,280,154**	**1,294,425**
Trade payables	13,839	16,983
Current financial liabilities	261,643	375,472
Current lease liabilities	959	968
Current provisions	10,920	10,389
Other current liabilities	27,542	42,637
Current tax liabilities	474	833
Current liabilities	**315,378**	**447,282**
Total equity and liabilities	**2,455,562**	**2,582,929**