MERCIALYS

**PRESS RELEASE**

Paris, April 19, 2021

# 2021 first-quarter activity

## Start of the year still significantly marked by the health crisis

**Store opening restrictions since January and still in place**

**Mercialys focused in priority on maintaining operational management efforts and protecting its balance sheet positions**

Vincent Ravat, Mercialys' Chief Executive Officer: *"The health crisis that began in 2020 is continuing in 2021, with deep impacts linked to the government's decisions to close stores. Since the start of January 2021, France has successively been faced with local then national curfews, restrictions on opening shopping centers and stores considered to be non-essential over 20,000 sq.m, then 10,000 sq.m, and, more recently, a third national lockdown, with all stores classed as non-essential closed regardless of their size. These restrictions on trading, which are unprecedented in terms of their duration, are due to be accompanied by government support measures for retailers, aiming in particular to allow them to honor their rent payments, but their deployment is still to be put in place. Nevertheless, we are seeing buoyant letting trends continuing with the hope of an end to the crisis and a normalization soon, highlighting the solidity of our sites."*

## I. Rental revenues down

Mercialys' business contracted during the first quarter of 2021, with **organic growth** of -6.0%, which includes a positive effect of +0.5% for indexation, more than offset by the combined impact of the effects of the health crisis for -6.5% linked to the decrease in rents for Casual Leasing and variable rents, as well as the embedded impacts, for the closure periods, of the support granted to tenants in 2020 and the deferral of letting actions or their effects in a context of sites being closed again.

**Invoiced rents** came to Euro 42.0 million, down -9.8% compared with the first quarter of 2020 after factoring in scope effects, linked in particular to the asset sales completed in December 2020.

| ***(In thousands of euros)*** | **Year to end-March 2020** | **Year to end-March 2021** | **Change Current basis (%)** | **Change Like-for-like basis (%)** |
|---|---|---|---|---|
| Invoiced rents | 46,518 | 41,958 | **-9.8%** | **-6.0%** |
| Lease rights | 632 | 635 | **+0.5%** | |
| **Rental revenues** | **47,150** | **42,593** | **-9.7%** | |

These changes reflect the following elements:

| | Year to end-March 2020 | | Year to end-March 2021 | |
|---|---|---|---|---|
| Indexation | +1.6 pp | +€2.2m | +0.5 pp | +€0.2m |
| Contribution by Casual Leasing | -0.3 pp | -€0.5m | -1.0 pp | -€0.5m |
| Contribution by variable rents | +0.1 pp | +€0.1m | -1.4 pp | -€0.7m |
| Actions carried out on the portfolio | -0.5 pp | -€0.8m | -1.2 pp | -€0.5m |
| Accounting impact of "Covid-19 rent relief" granted to retailers for the first lockdown from 2020 | -1.3 pp | -€1.8m | -2.9 pp | -€1.4m |
| **Like-for-like growth** | **-0.5 pp** | **-€0.7m** | **-6.0 pp** | **-€2.8m** |
| Asset acquisition and sales | -1.8 pp | -€2.5m | -3.7 pp | -€1.7m |
| Other effects | -0.1 pp | -€0.2m | 0.0 pp | €0.0m |
| **Growth on a current basis** | **-2.4 pp** | **-€3.4m** | **-9.8 pp** | **-€4.6m** |

**Lease rights and despecialization indemnities** received over the period came to Euro 0.6 million, consistent with the first quarter of 2020, after taking into account the deferrals applicable under IFRS.

**Rental revenues** came to Euro 42.6 million at March 31, 2021, down -9.7% compared with March 31, 2020.

Negotiations with retailers continued to move forward constructively over the period, notably resulting in the contractual formalization of new negotiations for the first lockdown from 2020, with Euro 1.0 million of the Euro 13.2 million of exceptional provisions for doubtful receivables, recorded in the 2020 accounts, transferred to relief to be issued.

This Euro 1.0 million recognized in invoiced rents is taken into account in the change in organic growth, as detailed above, under "Accounting impact of Covid-19 rent relief granted to retailers for the first lockdown from 2020", resulting in a reversal of provisions for the same amount below the Rental revenues item, with a neutral effect in profit and loss.

## II. Shopping center activity deeply affected

The shopping center sector in France has been significantly affected, since January 2021, by the government measures relating to the health crisis.

From January 2, 2021, the French government announced that it was introducing local curfews due to the sharp rise in the Covid-19 epidemic in certain regions. These arrangements were gradually extended nationwide, then on January 29, 2021, the French Prime Minister ordered the closure of all non-food stores with over 20,000 sq.m of gross leasable area, as well as non-food stores in shopping centers with a gross leasable area of over 20,000 sq.m, with effect from midnight on January 30, 2021.

These restrictions, which already included an extremely broad definition of the spaces taken into account, combined with a ban for closed stores on click and collect and order collection services, were reinforced on March 6, 2021, in all French departments under stronger supervision measures, by reducing the limit for gross leasable area authorized to open to 10,000 sq.m.

Lastly, on April 3, 2021, the French government introduced a third national lockdown and also ordered the closure of all stores considered to be non-essential, regardless of their size.

Stores that are classed as essential, with the exception of food retail and pharmacies, are closed if they are located in a shopping center that is over 10,000 sq.m. As a result of this scope for closures that is more restrictive than in 2020, combined with the asset sales completed at the end of 2020 by Mercialys, including the divestment of four Monoprix units, the stores open to date across the Company's portfolio represent 36% of its annualized rental base, compared with 40% during the first lockdown from March to May 2020.

The French government has made a commitment to put in place support packages, in addition to the solidarity fund, which should notably make it possible for tenants that have been ordered to close to honor their rent payments. However, there have been delays with rolling out these support measures. These delays have affected the **recovery rate** for rent and charges for the first and second quarters of 2021, which stand at 77% and 54%[1] respectively, while noting that these recovery rates are calculated on the full amount of rent and charges excluding tax invoiced by Mercialys to its tenants, which are all due in full.

Alongside this, Mercialys is continuing to move forward with its efforts to recover arrears relating to 2020. The Company has received payments for rent and charges for a combined total of Euro 3.3 million[2] for the second and third quarters of 2020, taking its gross recovery rate for 2020 up to 87.6% to date, compared with 85.3% when it released its 2020 full-year results on February 15, 2021. Following these receipts, Euro 2.5 million of provisions have been reversed in the accounts for 2021.

As a result of the extremely long closure phases faced currently, combined with a basis for comparison for business that was already disrupted in the first quarter of 2020, the analysis of shopping center footfall and retailer sales for the first quarter of 2021 is not relevant and this will continue to be the case until the process is underway for all stores to reopen.

## III. However, letting trends highlight retailers' confidence in the future

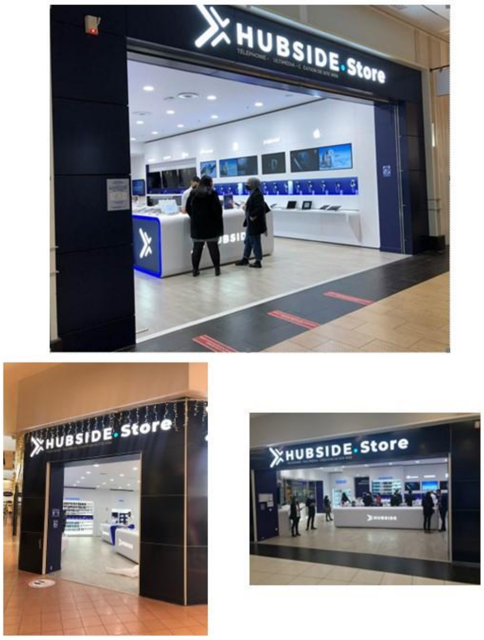
Despite the lack of visibility concerning the reopening date for stores, Mercialys' lettings performance continued to show positive trends in the first quarter of 2021, once again highlighting the Company's expertise and adaptability.

Several openings were completed during the first few months of 2021. For example, Hubside Store, specialized in new and reconditioned phones and connected devices, inaugurated four stores at the Nîmes, Saint-Étienne, Besançon and Mandelieu sites. These stores, all replacing textiles retailers, will help reduce the Company's rental exposure to this sector, while responding to growing consumer interest in products that are both affordable and responsible. Building on this success, the business relationship between Mercialys and Hubside Store is continuing to develop, with a fifth store signed up recently and to open shortly at the Brest shopping center.

In line with this approach, a "city" format Mr Bricolage store was opened at the Grenoble site, replacing a textiles retailer, fully in line with consumers' current aspirations relating to their home environment.

[1] Estimated recovery rate at April 15, 2021 which may be subject to negative changes as a result of demands for payment potentially being rejected
[2] Amount at April 15, 2021


Mr Bricolage - Grenoble




Hubside Store - Besançon, Nîmes, Monthieu

In addition to the various openings, the number of relettings was particularly positive, with 10 completed during the first quarter of 2021 and about 40 other cases currently underway. These results reflect a structural interest in development among certain retailers and highlight the quality of the physical locations offered by Mercialys across its various catchment areas.

The Company's tailored lettings approach is also benefiting the relaunch of assets to be repositioned and incorporated into the portfolio in December 2020, with several discussions at an advanced stage with stores or retailers from buoyant sectors, such as food, culture, services and health and beauty.

Alongside this, Mercialys has not recorded any increase in the number of retailers serving notice over the last few months, while the current financial vacancy rate was 3.9% at March 31, 2021, compared with 3.8% at December 31, 2021.

## IV. Strong focus on protecting balance sheet positions

Since the start of the health crisis, in March 2020, Mercialys has focused on safeguarding the solidity and liquidity of its balance sheet.

At end-March 2021, the Company had Euro 325 million of cash. The decrease compared with the Euro 465 million recorded at end-December 2020 reflects the redemption of commercial paper over the period for Euro 152.5 million, with the Company's strong cash position enabling it to reduce its exposure to these short-term debt facilities.

Mercialys also extended the maturity of its primary undrawn financing source, i.e. a Euro 225 million revolving bank credit facility, with 80% extended to December 2023, compared with December 2022 previously. A Euro 30 million undrawn bilateral bank line was also extended by two years. The Company's undrawn financial resources represent Euro 405 million, unchanged compared with the end of December 2021.

The Company is also continuing to optimize the management of its bond maturities and, since the start of 2021, has redeemed a further Euro 11.5 million of the bond issue maturing in March 2023. These bonds are cancelled in the Company's books.

Lastly, Mercialys will continue moving forward with its asset rotation efforts.

## V. Dividend of Euro 0.43 per share proposed at the General Meeting on April 22, 2021

As announced when reporting its full-year results for 2020 on February 15, 2021, due to the continued uncertainty surrounding the economic and health context, which requires vigilance concerning its key financial balances, as mentioned above, the Board of Directors will submit a proposal at the General Meeting on April 22, 2021 for a 2020 dividend of Euro 0.43 per share, representing a total of approximately Euro 39.6 million based on the number of shares outstanding at December 31, 2020, corresponding to 41% of 2020 FFO.

This proposed dividend covers the requirement, with the SIIC tax status, to distribute 95% of exempt profits from property rental or sub-letting operations. It does not include the distribution based on 70% of exempt profits for 2020 from the disposal of properties and investments in real estate companies, representing an additional Euro 0.39 per share, which is attributable to the shareholders and, under the requirements for SIIC real estate investment trusts, will need to be distributed by 2022 at the latest.

Furthermore, subject to approval by the General Meeting on April 22, 2021, shareholders will be able to opt for 1/ this dividend to be paid in shares or 2/ this dividend to be paid in cash. As applicable, the dividend will be released for payment in cash or shares on May 21, 2021, with an ex-dividend date of April 29, 2021, taking into account the timeframes required to put these options in place.

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This press release is available on www.mercialys.com

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**About Mercialys**
Mercialys is one of France's leading real estate companies. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends, on its own behalf and for third parties. At December 31, 2020, Mercialys had a real estate portfolio valued at Euro 3.3 billion (including transfer taxes). Its portfolio of 2,138 leases represents an annualized rental base of Euro 173.9 million. Mercialys has been listed on the stock market since October 12, 2005 (ticker: MERY) and has "SIIC" real estate investment trust (REIT) tax status. Part of the SBF 120 and Euronext Paris Compartment B, it had 92,049,169 shares outstanding at December 31, 2020.

***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, 2020 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.*

## MERCIALYS RENTAL REVENUES

| 2020 | Mar 31, 2020 | Jun 30, 2020 | Sep 30, 2020 | Dec 31, 2020 | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|---|---|---|---|
| Invoiced rents | 46,518 | 90,732 | 136,382 | 172,911 | 46,518 | 44,214 | 45,650 | 36,529 |
| Lease rights | 632 | 1,271 | 1,925 | 2,529 | 632 | 639 | 654 | 604 |
| **Rental revenues** | **47,150** | **92,003** | **138,308** | **175,440** | **47,150** | **44,853** | **46,305** | **37,132** |
| Change in invoiced rents | +0.4% | -3.3% | -2.4% | -8.4% | +0.4% | -7.0% | -0.5% | -25.6% |
| Change in rental revenues | 0.0% | -3.6% | -2.6% | -8.6% | 0.0% | -7.2% | -0.6% | -25.4% |

| 2021 | Mar 31, 2021 | Jun 30, 2021 | Sep 30, 2021 | Dec 31, 2021 | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|---|---|---|---|
| Invoiced rents | 41,958 | | | | 41,958 | | | |
| Lease rights | 635 | | | | 635 | | | |
| **Rental revenues** | **42,593** | | | | **42,593** | | | |
| Change in invoiced rents | -9.8% | | | | -9.8% | | | |
| Change in rental revenues | -9.7% | | | | -9.7% | | | |