MERCIALYS

PRESS RELEASE
Paris, July 28, 2021

2021 first-half results

- **Solid balance sheet and limited contraction in values.** The loan to value ratio (LTV) is 38.3% excluding transfer taxes, and 36.0% including transfer taxes. The portfolio value is Euro 3,186 million including transfer taxes, down -2.2% over six months. The average appraisal yield rate came to 5.74% vs. 5.72% at end-December 2020. The EPRA NDV is down -6.8% over six months to Euro 17.17 per share, reflecting the adjustment of the portfolio value, the impact of the fair value recognition of fixed-rate debt, and the increase in the number of shares outstanding following the partial payment of the dividend in shares
- **Business close to 2019 levels and positive trend for retailer sales.** Footfall levels for Mercialys centers, between the reopening of stores on May 19 and June 30, 2021, reached 91% of the pre-crisis activity level from 2019. Retailer sales for May came in +8.4% higher than 2020, while June's figures are up +5.6%, confirming the continued appeal of physical retail. Retailers are returning to robust development trends based on limited rent adjustments
- **The rollout of the government support measures in the second half of 2021 is expected to normalize the rent collection levels.** The gross collection rate[1] for 2020 increased by Euro 7.0 million during the first half of 2021 to reach 88.3%, of which Euro 4.1 million for the 2nd and 3rd quarters of 2020. The rate for the first half of 2021 is 75.0%, negatively affected by the government-ordered closures and the timeframes for the French government to put in place the retailer support measures that it has committed to following the compulsory closures linked to the third lockdown. However, the French government has made a public commitment to put in place support packages, in addition to the solidarity fund, that will notably enable retailers that were ordered to close to honor their rent payments. As a result, no receivables were written off for the first half of 2021
- **Funds from operations (FFO) at end-June 2021 reflect the impacts of the health crisis, the refinancing operation carried out in July 2020 and the asset sales completed in December 2020.** Invoiced rents are down -4.0% like-for-like to Euro 83.4 million, including the impact of the relief granted to tenants for the 2020 closures and the impact of the government-ordered closures on business in 2021. Funds from operations are down -11.6% to Euro 55.7 million, including the full-year impact of the July 2020 refinancing and the asset sales finalized in December 2020
- **2021 objectives:** excluding the impacts of a further deterioration in the health situation, including the potential impacts of the measures relating to the "health pass" (reduced footfall, further weakening of retailers, likely drop in variable rents and the contribution from Casual Leasing, and increase in additional operating expenses), Mercialys expects its funds from operations (FFO) per share to be at least stable in 2021 compared with 2020

	Jun 30, 2020	Jun 30, 2021	Change %
Organic growth in invoiced rents including indexation and Covid-19 impacts	-0.8%	-4.0%	-
Spread between the year-on-year change in footfall[2] for Mercialys centers vs. the CNCC index[3] (year to end-June)	+640bp	+60bp	-
Year-on-year change in sales[2] for Mercialys retailers (month of June)	+0.6%	+5.6%	-
Funds from operations, FFO (€m)	63.0	55.7	-11.6%
ICR (EBITDA / net finance costs)	10.6x	5.6x	-
LTV (excluding transfer taxes)	41.1%	38.3%	-
LTV (including transfer taxes)	38.6%	36.0%	-
Portfolio value including transfer taxes (€m)	3,522.6	3,185.6	-9.6%
EPRA NDV (€ per share)	19.90	17.17	-13.7%

[1] Collection rate calculated based on the full amount of rent and charges excluding tax invoiced by Mercialys to its tenants
[2] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing over 85% of the value of the Company's shopping centers
[3] CNCC index - all centers, comparable scope

I. Shopping centers significantly impacted by measures to tackle the health crisis during the first half of 2021, but operations have bounced back strongly since reopening

The first half of 2021 continued to be widely marked by the effects of the health crisis linked to Covid-19, impacting the activity of Mercialys' shopping centers due to the measures set out by the public authorities as part of efforts to tackle the epidemic.

These measures were stricter for the shopping centers than those in force during the first lockdown in 2020.

On the one hand, due to the very long period of government-ordered closures affecting the centers, from January 31 to May 19, 2021, i.e. 3.5 months (compared with less than two months during the first half of 2020). This closure period was preceded by curfews, which had already had a major impact on store footfall levels from January 2, 2021.

On the other hand, due to its scale, with stronger restrictions than in 2020 concerning the scope of stores authorized to open and the gradual ban on click and collect activities between January 31 and May 19, 2021. Only 36% of Mercialys' rental base was able to continue trading during the strict lockdown period in 2021 (i.e. from April 3 to May 19), compared with 40% and 50% respectively during the first and second lockdowns in 2020.

On May 19, 2021, the French government authorized the reopening of "non-essential" stores. Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding indoor sit-down dining), in accordance with strict health protocols and restrictions on minimum space ratios. Indoor restaurants have been able to reopen since June 9, 2021, subject to various health measures and minimum space ratios. These restrictions on minimum space ratios were lifted on June 30, 2021 for venues open to the public, and France has not been subject to any curfew measures since June 20, 2021.

As in 2020, a significant upturn was seen when "non-essential" stores reopened, reflecting French consumers' strong expectations for a return to physical consumption at sites offering, through this relationship's inherent human contact, a wide selection of products that are available immediately.

Mercialys' very strong performance at this time also reflects its commercial expertise, and notably illustrates its understanding of the stakes involved with providing reassurance, visibility and a welcoming environment for these reopening phases.

From May 19, 2021, the Company rolled out an extensive communications plan in order to support a preferential return for its end customers within its centers. In addition to communicating on the high level of standards applied regarding health aspects, Mercialys has shared a clear, identifiable message about opening up, as well as the retail selection, the services available and the human relationship provided by its sites.

Supporting this dynamic approach, the Company has also rolled out a major operation through Prim'Prim', its proprietary and 100% digital loyalty program. Built around a drive-to-store approach from May 19 to June 22, 2021, and a stronger volume of loyalty cashbacks, adapted vouchers and a retailer challenge, this operation has directly benefited the transformation rate and sales for the 920 retailers in the 24 centers that are part of the loyalty program. Mercialys has observed that, on average, more than Euro 8 of sales are generated for each euro of vouchers spent at its centers. The digitalization of the loyalty program also enables the Company to collect and analyze transaction details, with Euro 2.5 million of sales generated for its retailers by Prim'Prim' customers through this operation. Combined with the ramping up of recruitment for loyalty program members during this period (+30% more qualified contacts recorded since reopening), it is further strengthening the increasingly fine-grained understanding of end customers' specific needs and habits, supporting the performance of both Mercialys and its tenants.

II. The accounts at end-June 2021 reflect the impact of the support measures for 2020 and the closures in 2021

Impacts of the support measures granted to tenants for the two lockdowns from 2020 on the accounts at end-June 2021

The continued health crisis linked to Covid-19 in 2021 impacted the operational indicators for the first half of 2021, as detailed in Point III of this press release.

The retailer support measures put in place by Mercialys in connection with the two lockdown phases in 2020 also had impacts on the accounts at June 30, 2021.

On the one hand, Mercialys had set a maximum support budget of **Euro 13.5 million** to help its tenants faced with the economic impacts of the **first lockdown in 2020** (March 15 - May 11). Euro 9.4 million had been agreed by end-2020, with the remaining Euro 4.1 million corresponding to negotiations that had not been completed by the end of the year. The accounts at end-June 2021 reflect the progress made with these negotiations as follows:

- **Euro 1.7 million** of new relief granted and to be awarded, with 100% recognized in the accounts at June 30, 2021 under invoiced rents. As these relief measures relate to doubtful receivables covered by provisions in Mercialys' accounts at end-December 2020, they have resulted in reversals of provisions for doubtful receivables for the corresponding amounts. As a result, these rent relief measures are neutral in terms of the Company's results. The balance of the Euro 13.5 million support budget for the first lockdown, representing Euro 2.4 million, will be subject to the same treatment if negotiations with the remaining retailers are finalized;
- **Euro 0.7 million** impact for items being spread in the accounts, recognized under invoiced rents, in connection with the negotiations completed in 2020. For reference, Euro 6.4 million of negotiations from 2020 were spread in the accounts over the remaining term of the leases, with Euro 1.1 million already recognized in the accounts at end-December 2020. The recognition of the remaining Euro 4.5 million will be spread over the second half of 2021 and then 2022 to 2026, with Euro 0.7 million, Euro 1.4 million, Euro 1.3 million, Euro 0.6 million, Euro 0.3 million and Euro 0.1 million respectively.

On the other hand, negotiations have continued moving forward with retailers in connection with the **second lockdown in 2020** (October 30 - November 28):

- In line with the French government's recommendations, Mercialys had offered to waive part of their 2020 fourth-quarter rent for the retailers affected by the second lockdown in 2020. The impact of this measure was estimated at **Euro 6.3 million** and recognized in full in the accounts at end-December 2020 under invoiced rents as provisions for relief to be granted. During the first half of 2021, the negotiations with retailers resulted in an effective amount of relief granted or to be awarded of Euro 5.4 million, lower than initially estimated by Mercialys. The reversal of provisions for relief to be granted therefore led to **Euro 0.9 million** of net income under invoiced rents at end-June 2021 for the section of these provisions that were no longer applicable;

- As it was not in a position to quantify the specific support measures for sit-down restaurants, Mercialys' end-December 2020 accounts also included **Euro 0.5 million** of provisions for the impairment of doubtful receivables associated with this segment's arrears for the month of November 2020. The total amount of support granted within this framework during the first half of 2021 came to Euro 0.4 million, once again resulting in net income for the amount of the **Euro 0.2 million** differential that was no longer applicable, when reversing the provisions for the impairment of doubtful receivables;
- Lastly, a tax credit mechanism was introduced by the French government in 2020 for the relief granted by landlords in connection with the second lockdown, with various restrictions for each type of tenant and requirements for tenants to provide specific information. Mercialys had not recognized any impact for this mechanism in its accounts at December 31, 2020. In view of the aforementioned support measures put in place during the first half of 2021 for the second lockdown in 2020, the Company recorded **Euro 0.5 million** of income reflecting this tax credit under net rental income in its accounts at June 30, 2021. Further income is expected to be recorded over the coming months as applications are received from tenants and rent relief is awarded.

As the effects of the health crisis spread to 2021, they are reflected in a slowdown in the normalization of the collection rate for FY 2020. For reference, the residual risk concerning the previous year was covered in the accounts at December 31, 2020 with Euro 13.2 million of exceptional provisions recorded for arrears relating to rent and charges from the second and third quarters of 2020 (therefore including the Euro 4.1 million balance from the support budget not yet awarded at the time in connection with the first lockdown).

During the first half of 2021, Mercialys continued moving forward with negotiations with its retailers and its collection actions for rent and charges billed in 2020, with retailers paying **Euro 4.1 million** of rent and charges from the second and third quarters of 2020. The resolution of these arrears made it possible to generate income linked to the reversal of provisions for the impairment of doubtful receivables concerning the Euro 13.2 million of exceptional provisions recorded at end-December 2020, with **Euro 3.7 million** in the accounts at end-June 2021. This amount is in addition to the accounting impacts mentioned previously, reducing the remaining amount of the exceptional provisions to Euro 7.8 million in the accounts at end-June 2021.

The collection rate for 2020 is broken down for each quarter in the following table. It is presented based on the full amount of rent and charges excluding tax billed to tenants ("gross" rate), while also taking into account the amounts of rent relief already granted or still to be awarded to retailers, in addition to provisions for the impairment of doubtful receivables.

	Gross collection rate		Collection rate including the rent relief already granted or still to be awarded	Collection rate including the rent relief already granted or still to be awarded and the provisions for impairment of doubtful receivables
	At Dec 31, 2020	At Jun 30, 2021	At Jun 30, 2021	At Jun 30, 2021
1st quarter of 2020	97.4%	97.8%	97.8%	99.0%
2nd quarter of 2020	63.9%	69.4%	84.0%	100.0%
3rd quarter of 2020	93.4%	95.5%	95.5%	100.0%
4th quarter of 2020	86.2%	90.1%	97.5%	98.9%
2020 full year	**85.3%**	**88.3%**	**94.2%**	**99.5%**

Since June 30, 2021, the closing date for these half-year accounts, an additional Euro 0.6 million of rent and charges have been collected, taking the total gross collection rate for 2020 up to 88.6%.

No arrangements for landlords to provide rent relief in connection with the government-ordered closures in 2021, as the French government has made a commitment to support retailers to cover their rent and charges

As mentioned above, the shopping center sector in France has been significantly affected, since January 2021, by the government measures relating to the health crisis. Meanwhile, the French government has made a commitment to put in place support packages, in addition to the solidarity fund and the mechanism covering fixed costs, which should notably enable tenants that were ordered to close to honor their rent payments. However, there have been delays with rolling out these support measures, impacting the collection rates for rent and charges for the first half of 2021. Considering the public commitments made by the French government, Mercialys has not determined any additional support measures relating to the government-ordered closures for the first half of 2021.

The collection rate for the first half of 2021 is presented in detail for each quarter in the following table. As Mercialys has not granted any rent relief to its tenants for this period, this represents a “gross” collection rate, as defined previously.

	Gross collection rate	Residual arrears for rent and charges excluding tax (€m)
	At Jun 30, 2021	At Jun 30, 2021
1st quarter of 2021	81.0%	10.3
2nd quarter of 2021	68.6%	16.3
1st half of 2021	**75.0%**	**26.6**

Since June 30, 2021, the closing date for these half-year accounts, an additional Euro 2.3 million of rent and charges have been collected, taking the total collection rate for the first half of 2021 up to 76.9%.

The overall impacts of the health crisis presented above can be broken down as follows:

Impacts	Corresponding 2020 lockdown	Profit and loss heading	Jun 30, 2020		Dec 31, 2020		Jun 30, 2021	
			Amount before potential deferral (€m)	Treatment in profit and loss (€m)	Amount before potential deferral (€m)	Treatment in profit and loss (€m)	Amount before potential deferral (€m)	Treatment in profit and loss (€m)
Negotiations finalized	1st	Invoiced rents / Provisions for relief to be granted	-4.7	-1.2	-9.4	-4.1	-1.7	-2.4(1)
Negotiations finalized associated with the documentation to be received from tenants	2nd	Invoiced rents / Provisions for relief to be granted	na	na	-6.3	-6.3	+0.5	+0.5(2)
Subtotal			**-4.7**	**-1.2**	**-15.7**	**-10.4**	**-1.2**	**-2.0**
Arrears relating to the 2nd and 3rd quarters of 2020	1st	Provisions for doubtful receivables	0.0	0.0	-13.2	-13.2	+5.4	+5.4(3)
Arrears for November 2020 relating to sit-down restaurants	2nd	Provisions for doubtful receivables	na	na	-0.5	-0.5	+0.5	+0.5(4)
Subtotal			**0.0**	**0.0**	**-13.7**	**-13.7**	**+5.9**	**+5.9**
Tax credit	2nd	Net rental income	2nd lockdown not yet occurred		Positive impact not determined on the reporting date		+0.5	+0.5(5)
TOTAL			**-4.7**	**-1.2**	**-29.4**	**-24.1**	**+5.2**	**+4.5**

(1) Euro -2.4 million comprising Euro -1.7 million for new relief granted for the first lockdown from 2020, with 100% recognized in the accounts at June 30, 2021 and Euro -0.7 million for amounts spread in the accounts for the 2020 negotiations relating to the same lockdown;
(2) Euro +0.5 million comprising Euro -5.4 million for relief granted for the negotiations concerning the second lockdown, Euro +6.3 million for the reversal of provisions for relief to be granted as a result of this (therefore generating Euro +0.9 million of net income for the section that was no longer applicable) and Euro -0.4 million for the relief granted and to be awarded for the month of November 2020 for sit-down restaurants;
(3) Euro +5.4 million comprising Euro +1.7 million for the reversal of provisions for doubtful receivables resulting from the new relief granted for the first lockdown in 2020, and Euro +3.7 million for the reversal of provisions for doubtful receivables relating to the additional collection for 2020;
(4) Euro +0.5 million comprising Euro +0.5 million for the reversal of provisions for doubtful receivables relating to rent for the month of November 2020 for sit-down restaurants (therefore generating Euro +0.2 million of net income for the section that was no longer applicable);
(5) Euro +0.5 million comprising Euro +0.5 million for the tax credit recognized to date in connection with the documentation to be provided by retailers that have benefited from rent relief for the second lockdown in 2020.

III. 2021 first-half business and results

Footfall at Mercialys' sites[4] has bounced back very strongly since the centers reopened on May 19, 2021, highlighting French consumers' attachment to their retailers and more generally the appeal of physical retail. The number of visits recorded between May 19 and June 30, 2021 at Mercialys centers reached 91% of the pre-crisis level from 2019. During the first half of the year, footfall contracted by -12.2% compared with the first half of 2020, outperforming the CNCC national index by 60bp, despite this index benefiting from a favorable base effect as very large shopping centers were closed during the first half of 2020 until the start of July, whereas they were able to reopen on May 19 in 2021, at the same time as the other retail formats.

As a result of the many months when stores were closed, the assessment of the change in **retail sales** over the first half of 2021 is not relevant. Nevertheless, Mercialys has observed a very good performance by retailers in its centers since stores were able to reopen, with May 2021 showing average growth of +8.4% compared with May 2020, even though stores remained closed for an additional eight days in May 2021 versus May 2020. Compared with June 2020, retailer sales for the month of June 2021 are up +5.6%. For reference, retailer sales following the first lockdown in 2020 were already up +0.6% in June 2020 versus June 2019.

The analysis of the **occupancy cost ratio**[5] is subject to the same limitations as the sales analysis due to the periods when stores were ordered to close. For reference, this ratio showed a very moderate level of 10.4% at December 31, 2019.

The **current financial vacancy rate**[6] was 4.0% for the first half of 2021, slightly higher than the 3.8% recorded at end-2020. The tenants who left sites during the first half of 2021 account for 100bp, while more than half of the units are already at an advanced stage for reletting. Nevertheless, these departures impacted organic growth during the first half of 2021 and are presented under "Actions carried out on the portfolio" in the table on page 8.

The health crisis has occurred in a context in which the retail industry had already been weakened by the social protest movements and reduced consumer interest in certain retailers, particularly in the textiles sector. While this environment has led to pressure on Mercialys' rents, this has remained limited in relation to the extreme nature of the economic and social situation faced, and does not reflect any fundamental paradigm shift in the relationship between retailers and landlords.

Mercialys recorded limited negative reversion of -6.5% on the leases that were subject to renewals or relettings during the first half of 2021, with a contraction of around Euro -0.7 million in the Euro 8.6 million rental base represented by the 149 leases signed (equivalent to 5% of the Company's total rental base). These results include the specific negotiations with the retailer Camaïeu, which is one of the few chains in Mercialys' portfolio to have been subject to liquidation proceedings and a takeover by a new investor. Excluding this specific situation, the reversion generated during the first half of 2021 came to -5.4%.

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[4] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing over 85% of the value of the Company's shopping centers

[5] 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

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

Negotiations with the retailers are continuing to move forward with a view to securing Mercialys' rental flows, and cover a total of 12.4% of the rental base to date. Taking into account all of the lease renewals and relettings since January 1, 2021 to date, as well as the advanced negotiations (approvals), Mercialys would record a limited adjustment of Euro -1.2 million in its total rental base, representing -0.7%.

Since the start of the health crisis, 669 lease amendments have been signed, covering the relief measures granted in connection with the two lockdowns in 2020. Around 5% of them resulted in a negative impact on headline rent, showing that the vast majority of retailers have not opened fundamental negotiations concerning rent levels.

Moreover, in exchange for the relief granted in connection with the two lockdowns in 2020, Mercialys has achieved an average extension of 8.8 months for the firm term of leases across its portfolio, helping secure its rent profile. This initiative to ensure the sustainability of retailers within the centers, and therefore the corresponding rental flows, has been able to move forward by setting up early renewals, deferring three-year breaks, or waiving the next three-year break.

As a result of these encouraging commercial trends, whereas at the end of 2020 the leases expired or due to expire at December 31, 2021 represented 20.9% of the Group's rental base, they are down to just 10.9% of the Company's total rental base to date, taking into account all of the leases and the negotiations at an advanced stage.

Invoiced rents came to Euro 83.4 million, down -8.1% on a current basis and -4.0% like-for-like. These changes reflect the following elements:

	Year to end-June 2020		Year to end-June 2021	
Indexation	+1.6 pp	Euro +1.5 million	+0.3 pp	Euro +0.2 million
Contribution by Casual Leasing	-0.8 pp	Euro -0.8 million	-0.4 pp	Euro -0.4 million
Contribution by variable rents	-0.1 pp	Euro -0.1 million	-0.8 pp	Euro -0.8 million
Actions carried out on the portfolio	-0.2 pp	Euro -0.2 million	-2.3 pp	Euro -2.1 million
Accounting impact of "Covid-19 rent relief" granted to retailers for the 2020 lockdowns	-1.3 pp	Euro -1.2 million	-0.8 pp	Euro -0.7 million
Like-for-like growth	**-0.8 pp**	**Euro -0.8 million**	**-4.0 pp**	**Euro -3.7 million**
Asset acquisitions and sales	-2.3 pp	Euro -2.2 million	-4.0 pp	Euro -3.6 million
Other effects	-0.2 pp	Euro -0.2 million	-0.1 pp	Euro 0.0 million
Growth on a current basis	**-3.3 pp**	**Euro -3.1 million**	**-8.1 pp**	**Euro -7.3 million**

Rental revenues came to Euro 84.7 million, down -8.0% from the first half of 2020, reflecting the contraction in invoiced rents and the slight drop in lease rights and despecialization indemnities.

Net rental income is down -1.9% to Euro 84.0 million. This includes Euro +0.9 million and Euro +0.2 million of net income linked to the reversal of provisions that were no longer applicable following the negotiations completed in connection with the second 2020 lockdown, as well as Euro +0.5 million of income linked to the tax credit recognized to date for these same negotiations. Further income relating to the tax credit is expected to be recorded over the coming months as applications are received from tenants and rent relief is awarded.

EBITDA totaled Euro 76.3 million, down -2.3% compared with June 30, 2020. The EBITDA margin came to 90.1% (vs. 74.8% at December 31, 2020 and 84.9% at June 30, 2020).

The **net financial expenses** used to calculate FFO[7] represent Euro 16.1 million, versus Euro 10.1 million at end-June 2020, reflecting the full-year impact of the bond issue carried out in July 2020. This same impact is reflected in the **real average cost of drawn debt** of 1.9%, compared with the 1.4% recorded for the full year in 2020.

Other operating income and expenses (excluding capital gains on disposals and impairments) came to Euro -0.2 million and primarily include the impact of the ramping up of activities for Ocitô and Cap Cowork.

Tax represents a Euro 0.4 million expense at end-June 2021 (Euro 1.2 million for the first half of 2020). This amount corresponds primarily to a CVAE corporate value-added tax expense.

The **share of net income from equity associates and joint ventures (excluding capital gains, amortization and impairments)** came to Euro 1.7 million at June 30, 2021, compared with Euro 1.4 million at June 30, 2020. The change in this share over the period reflects the assets sold and acquired by SCI AMR at end-December 2020, and the dilution of Mercialys' interest in this company (from 39.9% to 25.0%), as well as the impact of rent relief granted by associates in connection with the health crisis.

Non-controlling interests (excluding capital gains, amortization and impairments) came to Euro 5.3 million at June 30, 2021, virtually stable compared with the first half of 2020 (Euro 5.2 million).

Funds from operations (FFO[7]) are down -11.6% from June 30, 2020 to Euro 55.7 million, with Euro 0.60 per share[8].

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[7] 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

[8] Calculated based on the undiluted average number of shares (basic), i.e. 92,136,487 shares

(In thousands of euros)	Jun 30, 2020	Jun 30, 2021	Change (%)
Invoiced rents	**90,732**	**83,419**	**-8.1%**
Lease rights and despecialization indemnities	1,271	1,246	-2.0%
Rental revenues	**92,003**	**84,665**	**-8.0%**
Non-recovered service charges and property tax and other net property expenses	(6,378)	(699)[9]	-89.0%
Net rental income	**85,626**	**83,966**	**-1.9%**
Management, administrative and other activities income	1,698	1,292	-23.9%
Other income and expenses	(2,384)	(2,042)	-14.4%
Personnel expenses	(6,860)	(6,900)	+0.6%
EBITDA	**78,079**	**76,317**	**-2.3%**
EBITDA margin (% of rental revenues)	*84.9%*	*90.1%*	-
Net financial income (excluding non-recurring items[10])	(10,087)	(16,101)	+59.6%
Reversals of / (Allowances for) provisions	1,272	(346)	na
Other operating income and expenses (excluding capital gains on disposals and impairments)	(1,268)	(199)	-84.3%
Tax expenses	(1,215)	(423)	-65.2%
Share of net income from equity associates and joint ventures (excluding capital gains, amortization and impairments)	1,402	1,745	+24.5%
Non-controlling interests (excluding capital gains, amortization and impairments)	(5,188)	(5,300)	+2.1%
FFO (Funds from operations)	**62,993**	**55,694**	**-11.6%**
FFO per share[8] (Funds from operations per share) - in euros	***0.69***	***0.60***	***-12.1%***

IV. Continuous improvement dynamics supporting the digital ecosystem and site usage

Mercialys has always developed an agile approach to real estate and retail, through its proven capacity to innovate and anticipate trends, as well as a test and learn approach.

Ocito.net, its proprietary marketplace enabling consumers to buy products online directly from their center's retailers, is an outstanding example of this approach. Launched in 2019 at a pilot site, then extended nationwide in 2020, it has now been rolled out across 30 centers and offers more than 40,000 products from 250 retailers.

By accelerating the diversification of the ways people consume and proving the relevance of a unified retail vision, the health crisis has contributed to the rapid change of scale achieved with Ocitô. The intrinsic multimodal features of this service, characterized by the in-store collection, drive-through, postal or home delivery options available to end customers for their products, have offered retailers an opportunity to adapt to a context in which their activities have faced significant disruption, helping them to generate sales and maintain links with their customers.

In addition to its accelerated rollout, the gradual strengthening of services (including express evening and weekend deliveries), the technical and ergonomic changes made to enhance the platform, and the various promotional and communication operations aimed at end customers have been a valuable source of information for Mercialys, supporting the volume of sales achieved through the platform.

[9] Of which, allocation and reversal of provisions for the impairment of doubtful receivables linked in particular to the health crisis

[10] Impact of hedging ineffectiveness, banking default risk, bond redemption price, bond redemption costs, proceeds from unwinding swaps and exceptional amortization relating to the partial redemption of the 2023 issue

Capitalizing on this feedback, Mercialys has notably chosen to focus its operational, human and promotional resources on the centers with the highest volume of orders and therefore the best potential for creating value. Moreover, the concentration of sales on the retailers that are most involved in researching complementary features to dovetail with their physical offering highlights the importance of close collaboration between Mercialys and its retailers using this service.

The Company is prioritizing close synergies with the retailers that are most interested in Ocitô through specific support for ad hoc requirements, such as the outlet operation carried out in June 2021, offering exclusive access through the platform to sales of stock clearance items offered by seven stores from the Toulouse shopping center. Generating an average spend of over Euro 30, these fundamentally omnichannel commercial operations are proving to be particularly relevant, supporting sales of stock that has become counter-productive in store by occupying sales space at the expense of new collections. This type of ad hoc campaign, aligned with the needs of the retailers present in the centers, also helps them to stand out within their catchment area.

This agile innovation approach is also illustrated by the deployment of Mercialys' multifunctionality strategy. The success of the first two Cap Cowork spaces in particular, at the Grenoble and Angers sites, with an average occupancy rate of 90% for their closed offices, has provided strong insights into the coworking market in regions where the structuring of these services is relatively limited.

The typical Cap Cowork customer profile of professionals, very small businesses and startups that can opt for the business address service shows a clear preference for fixed, closed, individual offices, rented for several months. In addition to contributing to this service's resilience despite the restrictive health context over the first half of 2021, these features have been rapidly incorporated into the projects for 2021. The solution's adaptability also benefits from work being carried out in just six to eight weeks, and moderate investment levels of around Euro 0.7 million per site.

The extension of the Cap Cowork site in Angers, which opened in July 2021, increased its total space by more than 200 sq.m. The site can now welcome 54 customers, compared with 31 previously, and offers considerably more individual closed office spaces than open spaces compared with the initial design. The second project for 2021, which opened at the Toulouse shopping center, also in July, offers 45 spaces spread over nearly 450 sq.m, with 90% closed offices, and a large terrace with over 250 sq.m of space, further strengthening this site's appeal. Lastly, in the third quarter of 2021, Mercialys will inaugurate a new Cap Cowork space in Nîmes, generating potential additional rental income over 260 sq.m of space that was not initially intended for letting (previous center management offices).

V. Project portfolio focused on creating value and reconfiguring sites

In addition to the developments underway, Mercialys is looking into a number of mixed-use reconfiguration projects for its sites, aiming to build local service hubs that bring together diverse sectors within which the Company has shown its expertise for several years (coworking, healthcare centers, food courts, last-mile logistics, leisure and education spaces, etc.). Part of a far-reaching urban review, liaising with regional stakeholders, these projects aim to further strengthen the sites' anchoring within their communities, while continuing to consolidate their leading positions, transforming Mercialys' centers into outstanding living and socializing spaces.

At end-June 2021, Mercialys' project portfolio represented Euro 474.6 million through to 2027, with Euro 32.1 million of additional rental potential and an average target yield rate of 7.0%. This portfolio, which concerns 31 sites out of the 51 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	**27.0**	**24.9**	**0.8**[11]	**na**[11]	**2021/2026**
Dining and leisure	5.3	4.2	0.1[11]	na[11]	2021/2022
Tertiary activities	21.7	20.7	0.7[11]	na[11]	2021/2026
CONTROLLED PROJECTS	**131.7**	**127.3**	**9.2**	**7.0%**	**2022/2024**
Retail	86.9	82.7	6.1	7.0%	2022/2024
Tertiary activities	44.8	44.7	3.1	7.0%	2022/2023
IDENTIFIED PROJECTS	**315.9**	**315.9**	**22.1**	**7.0%**	**2023/2027**
Retail	88.5	88.5	6.2	7.0%	2023/2025
Dining and leisure	79.0	79.0	5.5	7.0%	2024
Tertiary activities	148.5	148.4	10.4	7.0%	2023/2027
TOTAL PROJECTS	**474.6**	**468.1**	**32.1**[12]	**7.0%**[12]	**2021/2027**

- *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*

VI. Portfolio and financial structure

EPRA Net Disposal Value (NDV) down -6.8% over six months and -13.7% over 12 months

Mercialys' **portfolio value** came to Euro 3,185.6 million including transfer taxes, down -2.2% over six months and -9.6% over 12 months. Like-for-like[13], it is down -2.2% over six months and -4.5% over 12 months.
Excluding transfer taxes, the portfolio value came to Euro 2,996.6 million, down -2.3% over six months and -9.6% over 12 months. Like-for-like[13], it is down -2.3% over six months and -4.5% over 12 months.

At end-June 2021, Mercialys' portfolio mainly comprised 51 shopping centers and high-street sites[14], with 25 large regional shopping centers and 26 leading local retail sites (neighborhood shopping centers and city-center assets).

[11] In the 2021 pipeline, the investments to be committed, for the dining and leisure section, correspond to an advance for work by Mercialys at the Annecy site, which will be reimbursed to it in full, as well as the creation of two restaurants in the parking area at the Angers site and a food court at the Sainte-Marie site on Reunion Island. The tertiary activities primarily include the Saint-Denis mixed-use urban project, north of Paris, with an expected IRR of over 8%, as well as coworking spaces
[12] Excluding the impact of mixed-use high-street projects, which could also generate property development margins
[13] Sites on a constant scope and a constant surface area basis
[14] Added to these are four geographically dispersed assets with a total appraisal value including transfer taxes of Euro 10.4 million

The average size of the 49 shopping centers (excluding the two high-street retail assets) was nearly 16,600 sq.m at end-June 2021, compared with 7,400 sq.m at end-2010. Their average value was Euro 64.4 million including transfer taxes in the first half of 2021, compared with Euro 26.9 million in 2010.

The **average appraisal yield rate** was 5.74% at June 30, 2021, compared with 5.72% at December 31, 2020 and 5.49% at June 30, 2020.

The **EPRA net asset value** indicators are as follows:

	EPRA NRV			EPRA NTA			EPRA NDV		
	Jun 30, 2021	**Dec 31, 2020**	**Jun 30, 2020**	**Jun 30, 2021**	**Dec 31, 2020**	**Jun 30, 2020**	**Jun 30, 2021**	**Dec 31, 2020**	**Jun 30, 2020**
€/share	20.32	21.18	22.00	18.26	19.04	19.68[15]	17.17	18.42	19.90
	-4.1% over six months -7,6% over 12 months			-4.1% over six months -7.2% over 12 months			-6.8% over six months -13.7% over 12 months		

The **EPRA Net Disposal Value (NDV)** came to Euro 1,608.1 million at end-June 2021 vs. Euro 1,823.3 million at end-June 2020. Per share, it represents Euro 17.17[16], down -6.8% over six months and -13.7% over 12 months, with this change taking into account the May 2021 capital increase carried out in connection with the partial payment of the dividend in shares.
The Euro -1.25 per share change[16] for the first half of this year takes into account the following impacts:
- dividend payment: Euro -0.42;
- funds from operations (FFO): Euro +0.59[17];
- 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 -0.71, including a yield effect for Euro -0.12, a rent effect for Euro -0.62 and other effects[18] for Euro +0.03;
- change in fair value of fixed-rate debt: Euro -0.49;
- change in fair value of other items: Euro +0.01;
- the capital increase in connection with the option for the 2020 dividend to be paid in shares, as well as the change in treasury shares: Euro -0.23.

Particularly solid financial structure despite the economic and health crisis context

At end-June 2021, **drawn debt** represented Euro 1,449.5 million, made up of three bond issues and a private placement, with a residual nominal amount of Euro 1,299.5 million, as well as commercial paper, with Euro 150 million outstanding at end-June 2021.

At June 30, 2021, Mercialys had Euro 405 million of **undrawn financial resources**, unchanged compared with December 31, 2020. Mercialys also has a Euro 500 million commercial paper program, with further issuing capacity of Euro 350 million, taking into account the outstanding amount at June 30, 2021.

[15] Value adjusted from Euro 19.72 per share, as published in the 2020 Half-Year Financial Report, to Euro 19.68 per share, in order to more accurately reflect the new methodology for calculating EPRA NTA
[16] Calculation based on the diluted number of shares at the end of the period, in accordance with the EPRA methodology regarding NDV
[17] Calculation based on the diluted number of shares at the end of the period, as this concerns the impact of FFO on the change in NDV per share
[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 2021 was 1.9%, up from the 2020 full-year figure of 1.4%, mainly reflecting the impact of the bond refinancing operation carried out in July 2020.

The **average maturity of drawn debt** was 3.6 years at end-June 2021, compared with 3.5 years at end-December 2020 and 3.2 years at end-June 2020.

Mercialys has a healthy financial structure, with an **LTV ratio excluding transfer taxes**[19] of 38.3% at June 30, 2021 (compared with 38.1% at December 31, 2020 and 41.1% at June 30, 2020) and an **LTV ratio including transfer taxes** of 36.0% on the same date (versus 35.8% at December 31, 2020 and 38.6% at June 30, 2020). The Company has maintained a very balanced financial profile despite the effects of the economic and health crisis, reflected in pressure on rent collection for 2020 and the first half of 2021.

The **ICR** was 5.6x[20] at June 30, 2021, compared with 5.0x at December 31, 2020 and 10.6x at June 30, 2020, reflecting the impacts of the health crisis on EBITDA and the impacts of the July 2020 bond refinancing on financial expenses.

On May 19, 2021, Standard & Poor's confirmed its **BBB / negative outlook** rating for Mercialys.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**, with a hedged or fixed-rate debt position (including commercial paper) of 87% at end-June 2021, compared with 92% at end-December 2020 and 82% at end-June 2020.

VII. 2021 outlook

The first half of 2021 was marked by a particularly long period of government-ordered closures affecting shopping centers for more than 3.5 months. However, the Company maintained its strong letting trends, securing a sustained balance between providing support for retailers, ensuring the sustainability of its rental flows and moving forward with its collection efforts.

The context accompanying the reopening of stores since May 19, 2021 seems encouraging, and the forced savings built up by French people during this health crisis period could be gradually freed up to benefit consumption.

Nevertheless, there is still significant uncertainty surrounding the coming months due to changes in the health situation, as well as the potential enforcement of the "health pass" in shopping centers. This decision to require visitors to show proof of full vaccination, a negative PCR test or a recent Covid-19 infection certificate at the entrance to sites will be entrusted by the government from August 5, 2021 to prefects in the various French departments, which may therefore lead to local applications of the "health pass" on a case-by-case basis.

In this context, excluding the impacts of a further deterioration in the health situation, including the potential impacts of the measures relating to the "health pass" (reduced footfall, further weakening of retailers, likely drop in variable rents and the contribution from Casual Leasing, and increase in additional

[19] LTV (Loan To Value): Net financial debt / (portfolio market value excluding transfer taxes + market value of investments in associates for Euro 55.9 million at June 30, 2021 and Euro 56.3 million at June 30, 2020, 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

operating expenses), Mercialys expects its **funds from operations (FFO) per share to be at least stable in 2021 compared with 2020**.

* * *

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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 June 30, 2021, Mercialys had a real estate portfolio valued at Euro 3.2 billion (including transfer taxes). Its portfolio of 2,102 leases represents an annualized rental base of Euro 169.8 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 93,886,501 shares outstanding at June 30, 2021.

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.

APPENDIX TO THE PRESS RELEASE FINANCIAL STATEMENTS

Consolidated income statement

(In thousands of euros)	Jun 30, 2020	Jun 30, 2021
Rental revenues	**92,003**	**84,665**
Service charges and property tax	(30,429)	(30,148)
Service charges and tax reinvoiced to tenants	26,953	25,929
Net property expenses	(2,901)	3,520
Net rental income	**85,626**	**83,966**
Management, administrative and other activities income	1,698	1,292
Other income	53	221
Other expenses	(2,438)	(2,263)
Personnel expenses	(6,860)	(6,900)
Depreciation and amortization	(20,236)	(19,557)
Reversals of / (Allowances for) provisions	1,272	(346)
Other operating income	3,541	790
Other operating expenses	(15,922)	(6,568)
Operating income	**46,734**	**50,637**
Income from cash and cash equivalents	46	162
Expenses from gross financial debt	(7,401)	(14,115)
(Expenses) / Income from net financial debt	**(7,355)**	**(13,953)**
Other financial income	124	153
Other financial expenses	(1,463)	(1,619)
Net financial income	**(8,693)**	**(15,419)**
Tax expenses	(1,215)	(423)
Share of net income from equity associates and joint ventures	775	1,091
Consolidated net income	**37,599**	**35,886**
attributable to non-controlling interests	4,384	4,498
attributable to owners of the parent	33,215	31,388
Earnings per share[21]		
Net income, attributable to owners of the parent (in euro)	0.36	0.34
Diluted net income, attributable to owners of the parent (in euro)	0.36	0.34

[21] Based on the weighted average number of shares over the period adjusted for treasury shares:
- Undiluted weighted average number of shares for the first half of 2021 = 92,136,487 shares
- Fully diluted weighted average number of shares for the first half of 2021 = 92,136,487 shares

Consolidated statement of financial position

ASSETS ***(in thousands of euros)***	**Dec 31, 2020**	**Jun 30, 2021**
Intangible assets	4,052	3,968
Property, plant and equipment other than investment property	1,605	2,465
Investment property	2,050,907	2,031,973
Right-of-use assets	8,902	8,392
Investments in equity associates	38,918	38,412
Other non-current assets	73,865	61,796
Deferred tax assets	1,728	1,517
Non-current assets	**2,179,976**	**2,148,523**
Trade receivables	38,217	55,825
Other current assets	40,660	30,638
Cash and cash equivalents	464,611	287,958
Investment property held for sale	111	111
Current assets	**543,599**	**374,533**
Total assets	**2,723,575**	**2,523,056**

EQUITY AND LIABILITIES ***(in thousands of euros)***	**Dec 31, 2020**	**Jun 30, 2021**
Share capital	92,049	93,887
Additional paid-in capital, treasury shares and other reserves	600,875	614,520
Equity, attributable to owners of the parent	692,925	708,407
Non-controlling interests	202,193	201,266
Equity	**895,118**	**909,673**
Non-current provisions	1,207	1,224
Non-current financial liabilities	1,355,914	1,326,618
Deposits and guarantees	22,295	22,705
Non-current lease liabilities	8,655	8,071
Other non-current liabilities	15,311	10,404
Non-current liabilities	**1,403,381**	**1,369,022**
Trade payables	15,394	20,660
Current financial liabilities	348,553	166,677
Current lease liabilities	985	1,080
Current provisions	9,942	10,018
Other current liabilities	50,193	45,820
Current tax liabilities	9	106
Current liabilities	**425,076**	**244,361**
Total equity and liabilities	**2,723,575**	**2,523,056**