MERCIALYS

PRESS RELEASE

Paris, February 14, 2023

2022 full-year results

- **Funds from operations (FFO) are up +3.7% to** Euro 105.5 million, and +3.1% to Euro 1.13 per share, **higher than the target for** earnings per share growth of at least +2%.
- **The +4.1% organic growth in invoiced rents** reflects the positive impact of the various actions carried out on the portfolio, achieving +2.8% average positive reversion in addition to a moderate indexation rate of +1.9%.
- **Tenant retailer sales** are up +1.0% compared with 2019, the last normalized reference year.
- **The EBITDA margin came to a high level of 83.2%**, with the strict control over operating costs helping offset the additional costs temporarily sustained in connection with the finalization of the process to bring functions in-house.
- **The Company's balance sheet and liquidity were further strengthened** by the successful refinancing operation carried out during the first quarter, which made it possible to extend the maturity and improve liquidity. Illustrating this, the Company's next bond maturity will not be until February 2026. Alongside this, Mercialys has continued moving forward with its ongoing divestment strategy, with Euro 87 million (including transfer taxes) of sales completed in 2022. The **loan to value ratio (LTV excluding transfer taxes)** shows a significant decrease to 35.3% at end-2022, compared with 36.7% at end-2021.
- The Company's sound financial structure and positive recurrent cash generation offer **headroom for new investments**, which had been held back to a great extent since 2020. In addition to its priority areas for development over the medium term (service platforms, maximization of spaces), Mercialys aims to accelerate its growth through targeted and accretive acquisitions and the resumption of its project pipeline.
- The portfolio value including transfer taxes is up slightly like-for-like at end-2022 (+0.9%) despite a limited 4bp increase in the average appraisal rate, highlighting the resilience of Mercialys' portfolio. The EPRA NDV came to Euro 20.9 per share, up +19.0% for the full year and +6.6% for the second half of the year.
- **Proposed dividend of Euro 0.96 per share for 2022, offering a 9.8%** yield on the closing share price from end-2022. The dividend represents 85% of (FFO), in line with the objective announced by the Company.
- **2023 objectives:** In an environment in which interest rates and inflation could remain high for some time, the Company is moving forward in 2023 with confidence thanks to the visibility offered by the resilient profile of its assets. The Company will continue to carefully monitor the solvency of its client retailers, while also protecting its balance sheet positions. Mercialys is targeting growth of at least +2.0% in FFO per share, with the dividend to range from 85% to 95% of 2023 FFO.

	Dec 31, 2021	Dec 31, 2022	Change (%)
Organic growth in invoiced rents including indexation	+3.0%	+4.1%	-
EBITDA (€m)	144.7	144.2	-0.3%
EBITDA margin	*84.0%*	*83.2%*	-
Funds from operations, FFO (€m)	**101.8**	**105.5**	**+3.7%**
ICR (EBITDA / net finance costs)	5.1x	5.9x	-
LTV (excluding transfer taxes)	36.7%	35.3%	-
LTV (including transfer taxes)	34.4%	33.0%	-
Portfolio value including transfer taxes (€m)	3,138.2	3,091.2	+0.9% [1]
EPRA NRV (€/share)	20.51	20.54	+0.1%
EPRA NTA (€/share)	18.39	18.42	+0.2%
EPRA NDV (€/share)	17.60	20.94	+19.0%
Dividend (€/share)	**0.92**	**0.96[2]**	**+4.3%**

[1] Like-for-like change
[2] Subject to approval by the General Meeting on April 27, 2023

I. 2022 full-year business and results

The economic context in France was disrupted by the inflationary pressures that began in 2021 and initially concerned energy before spreading in 2022 to all other areas of consumption, and particularly food.
Year-on-year consumer price inflation reached +5.9% at end-December 2022 according to INSEE. Household purchasing power remained virtually stable (-0.1%), supported by the various government assistance measures to cushion the impact of the inflationary shock. Overall, household consumption remained robust throughout 2022, closing out the year up +2.2% compared with 2021.
In this disrupted environment, Mercialys' shopping centers maintained their attractive positioning in 2022, as illustrated by the change in sales recorded by tenant retailers.

The appeal of the locations where Mercialys operates is illustrated by the first out-of-town retail ranking, organized by the regional retail federation (FACT, previously CNCC) and Mytraffic, published in September 2022. This ranking identifies the 15 most attractive retail areas in France. Five Mercialys shopping centers (Marseille, Clermont-Ferrand, Annecy, Agen and Arles) are located in these 15 retail hubs that saw the strongest footfall growth during the 12 months reviewed (July 2021 - June 2022).

The appeal of Mercialys' strategic positioning, which is built around accessibility, client experience, and the functional and service mix in the Company's centers, contributes to the good performance of footfall.

Footfall in the Company's shopping centers reached **88.7%** of the normalized level from 2019, in line with the trend for the national panel (Quantaflow).

Change in shopping center footfall in 2022[3] (source: Mercialys, Quantaflow)

Change over 12 months	**2022 vs. 2019**
Mercialys sites	-11.3%
Quantaflow index	-11.7%

The overall contraction in footfall recorded in 2022 compared with 2019 illustrates a change in the behavior of consumers who are less frequently accompanied by friends and family when they visit centers, prepare their trips beforehand using digital tools and make trips to finalize their purchases in the most efficient way possible.

These "useful" trips are reflected in a higher transformation rate, as shown by retailers' **annual sales**, across Mercialys' portfolio, which grew +1.0% in 2022 compared with the normalized level from 2019. The efficiency and effectiveness of footfall at Mercialys assets are also illustrated by the structurally short transit times in centers (under one hour). This assessment is effectively aligned with the Company's target positioning focused on recurrence and satisfying day-to-day essential needs.

Change in retailer sales for Mercialys' portfolio in 2022 [4]

Change over 12 months[5]	**2022 vs. 2019**
Mercialys' sites	+1.0%
FACT national panel	-2.3%

[3] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing over 80% of the value of the Company's shopping centers
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[5] Scope including 12 months of operations for 2019, 2020 and 2021

The **occupancy cost ratio**[6] was 11.1% in 2022 and remained effectively under control. It came to 10.7% for the first half of 2022 and 10.4% at end-2019 (2020 and 2021 are not representative as a result of the government-ordered store closures). This ratio makes it possible to assess the weighting of real estate costs in retailers' profit and loss, as well as the sustainability of rents. This reasonable real estate occupancy cost, which is combined with a very controlled level of service charges (excluding land tax), with Euro 40 per sq.m billed to retailers on average, is vital in the current inflationary environment.

The **current financial vacancy rate**[7] came to 2.9% at end-December 2022, consistent with end-June 2022 and showing a significant improvement compared with end-December 2021 (3.2%).
At the start of 2023, the financial vacancy level was significantly affected by the retailer Camaïeu going into liquidation, which was followed by the liquidator effectively terminating its leases in January. This retailer operated 16 stores across Mercialys' portfolio, representing 0.9% of its rental base. The process to relet these stores is making progress to date, with new leases signed two stores (representing 17% of the rents concerned), outline agreements signed for two stores (representing 12% of the rents concerned) and a 12-months lease signed on another store (representing 3% of the rents concerned). In addition, one store on Reunion Island is continuing to operate (representing 8% of the rents concerned). Lastly, negotiations are underway for the rest of the scope. Positive reversion of +13.8% was achieved on the leases and outline agreements signed.

Invoiced rents came to Euro 172.6 million, up +1.3% on a current basis and +4.1% like-for-like. These changes reflect the following elements:

	Year to end-December 2021		Year to end-December 2022	
Indexation	+0.3 pp	+€0.4m	+1.9 pp	+€3.3m
Contribution by Casual Leasing	+0.2 pp	+€0.4m	+0.7 pp	+€1.3m
Contribution by variable rents	+0.05 pp	+€0.1m	-0.1 pp	-€0.3m
Actions carried out on the portfolio	-2.1 pp	-€3.7m	+1.0 pp	+€1.7m
Accounting impact of "Covid-19 rent relief" granted to retailers	+4.6 pp	+€8.0m	+0.5 pp	+€0.9m
Like-for-like growth	**+3.0 pp**	**+€5.3m**	**+4.1 pp**	**+€6.9m**
Asset acquisitions and sales	-4.5 pp	-€7.7m	-2.5 pp	-€4.3m
Other effects	-0.1 pp	-€0.1m	-0.2 pp	-€0.4m
Growth on a current basis	**-1.5 pp**	**-€2.6m**	**+1.3 pp**	**+€2.3m**

The +4.1% organic growth in invoiced rents reflects the impact of both indexation and the actions carried out on the portfolio of leases, including the renewals and relettings completed in 2021 and 2022.

The robust lettings performance is illustrated by the 150 leases signed for renewals or relettings. The **reversion** rate associated with these negotiations was +2.8%.

Casual Leasing contributed +0.7% to organic growth, while actively supporting the renewal of the retail selection available at the centers through this concept's attractive features for both independent and major retailers.

On a current basis, invoiced rents are up +1.3%, linked primarily to scope effects (-2.5%). This change reflects the full-year impact of the sales completed at the end of 2021 (Marseille Canebière Monoprix store and Carré Duparc retail park on Reunion Island), the disposals carried out in April 2022 (Géant Casino hypermarkets in Annecy and Saint Etienne) and the isolated units sold during the year.

[6] Ratio between rent, charges (including marketing funds) and invoiced work (including tax) paid by retailers and their sales revenue (including tax), excluding large food stores
[7] The occupancy rate, as with Mercialys' vacancy rate, does not include agreements relating to the Casual Leasing business

The disposal of the two shopping centers in Marseille (Sainte-Anne and Croix-Rouge) on December 19, 2022 did not have any significant impact on 2022.

Rental revenues came to Euro 173.3 million, with a slight increase (+0.6%) versus 2021, reflecting the change in invoiced rents and the drop in lease rights and despecialization indemnities.

Net rental income is up +3.7% from end-2021 to Euro 165.9 million. Two key factors were behind this change.
On the one hand, base effects impacting 2021 relating to (1) reversals of provisions for Euro 9.7 million (collection operations carried out and rent relief granted), (2) an exceptional provision for Euro 7.8 million recorded for rent arrears, and (3) Euro 1.4 million of income relating to the tax credit for landlords that granted rent relief as recommended by the French government in relation to the second lockdown from 2020.
On the other hand, the significant reversals of provisions recorded in 2022 for Euro 9.2 million, following the Company's collection efforts relating to 2020 and 2021.

EBITDA came to Euro 144.2 million, virtually stable compared with 2021 (-0.3%). This key indicator for the efficiency of the Company's operational management benefited from the positive organic rental income growth achieved and was supported by strict control over operating costs. The completion of the process to bring functions that were previously outsourced as services in-house within the Company temporarily resulted in additional costs through the teams covered upstream before the subcontracting fee payments were stopped.
However, the Company maintained a high EBITDA margin of 83.2% (vs. 84.0% in 2021), fully aligned with its historical performance between 83% and 85%.

The **net financial expenses** used to calculate funds from operations (FFO) came to Euro 29.7 million in 2022, significantly lower than 2021 (Euro 32.8 million), reflecting the impact of the major refinancing operation carried out during the first quarter of 2022, as presented below (section III), as well as a limited impact for the increase in interest rates during the second half of 2022.

These two factors also impacted the **real average cost of drawn debt**, which was 2.0%[8] for the full year in 2022, compared with 2.0% in 2021 and 1.7% at end-June 2022.

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro +0.6 million, compared with a Euro -1.4 million expense in 2021, and primarily include the net impacts of provisions, as well as the ramping up of the Le Shop / Ocitô and Cap Cowork activities.

Tax used to calculate FFO represents a Euro -0.5 million expense at end-December 2022, compared with Euro -0.8 million at end-December 2021. This amount corresponds primarily to a CVAE corporate value-added tax expense and the deferred tax income recorded.

The **share of net income from associates and joint ventures** (excluding capital gains, amortization and impairment) came to Euro 3.7 million at December 31, 2022, compared with Euro 3.6 million at December 31, 2021.

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro -10.4 million for 2022, compared with Euro -10.5 million in 2021.

Funds from operations (FFO[9]) are up +3.7% from 2021 to Euro 105.5 million. The Company's resilient operational performance enabled it to record Euro 1.13 of FFO per share[10], up +3.1%, with this performance exceeding the target

[8] This rate does not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding hedging operations in connection with the bond debt
[9] 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
[10] Calculated based on the average undiluted number of shares (basic), i.e. 93,384,221 shares

set for FFO per share growth of at least +2% versus 2021.

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022	Change %
Invoiced rents	**170,352**	**172,602**	**+1.3%**
Lease rights and despecialization indemnities	1,879	674	-64.1%
Rental revenues	**172,232**	**173,277**	**+0.6%**
Non-recovered building service charges and property taxes and other net property operating expenses	-12,188	-7,345	na
Net rental income	**160,043**	**165,932**	**+3.7%**
Management, administrative and other activities income	2,801	2,846	+1.6%
Other income and expenses	-3,394	-5,859	+72.6%
Personnel expenses	-14,763	-18,690	+26.6%
EBITDA	**144,687**	**144,229**	**-0.3%**
EBITDA margin (% of rental revenues)	*84.0%*	*83.2%*	-
Net financial items (excluding non-recurring elements [11])	-32,755	-29,659	-9.5%
Reversals of / (Allowances for) provisions	-997	-2,527	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-1,419	624	na
Tax expense	-848	-463	-45.4%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	3,583	3,680	+2.7%
Non-controlling interests (excluding capital gains, amortization and impairment)	-10,498	-10,360	-1.3%
FFO	**101,754**	**105,524**	**+3.7%**
FFO per share[10] (in euros)	***1.10***	***1.13***	***+3.1%***

II. Supported by a resilient business model, Mercialys aims to accelerate its growth over the medium term.

1. Business model demonstrating its resilience in a disrupted environment

2022 represented a further test for the resilience of Mercialys' business model. Following two years characterized by unprecedented disruption in 2020 and 2021 due to the health crisis and its impacts on economic activity and consumption, 2022 was marked by inflationary pressures which gradually progressed from energy to include all areas of consumption.

Mercialys' business model, based on sustainable rents for retailers and an affordable retail mix focused on clients' essential needs, enables it to ensure a long-term focus for its operational performance through different economic cycles and appears to be particularly relevant faced with the current inflationary environment and pressures over purchasing power and interest rates that could take shape looking beyond 2023.

Accessibility is at the heart of Mercialys' strategic positioning. This is highlighted by its pricing accessibility, through its retail mix, as well as the accessibility of its rents for retailers.

For tenants, this accessibility is notably illustrated by an effectively controlled occupancy cost ratio and a competitive level of service charges per square meter, as presented above.

This accessibility is based on not only the positioning of the retail mix, but also accessibility in terms of mobility, illustrated by easy access to our centers by car, which is still the preferred means of transport for many consumers.

[11] Impact of hedging ineffectiveness, banking default risk, premiums, non-recurring amortization and costs relating to bond redemptions, proceeds and costs from unwinding hedging operations in connection with the bond debt

Satisfying essential everyday needs is the second pillar from the positioning adopted by Mercialys, which has applied a dynamic commercial strategy since it was created, tailoring its retail mix to each catchment area and regular changes in consumers' expectations.
The Company is focused on a central offering and aims to position itself around a Pareto's Law ratio targeting the 20% of products that correspond to 80% of consumers' needs.

These needs, as expressed by consumers, evolve over time. Mercialys has shown its ability to adapt to demand, without impacting its organic rental growth. Compared with end-2014, personal items, with sales declining steadily nationwide since the early 2010s, were significantly lower (-280bps) in Mercialys' rental base at end-2022. Alongside this, the Company has considerably strengthened its rental exposure to health and beauty (+100bps over the period) and culture, gifts and leisure (+350bps), with these segments buoyed by their appeal to consumers.
The rotation between different sectors is illustrated by the operations carried out in 2022. For instance, Mercialys set up new leases with Intersport in Aix-Marseille and Rituals (Health and Beauty) in Lanester to replace two clothing retailers and further strengthen its offering with retailers that are popular with visitors.

2. Mercialys aims to accelerate its growth over the medium term

Mercialys' shopping centers, located primarily in peripheral areas of vibrant mid-size cities, are positioned as leaders or joint-leaders in their catchment areas. To maintain the strong positioning of its sites, Mercialys needs to regularly enhance its client experience, while investing in its retail units, activities and events, as well as the quality of its spaces to continuously renew the appeal of its centers.
The Company's ability to generate growth and therefore extract value from its portfolio is built primarily around the expertise of its operational staff coordinating and managing the centers, as well as its lettings and asset management teams, for negotiating leases on renewals and relettings, and the transformation of existing assets by redeveloping spaces.
In addition to this traditional know-how, Mercialys has been rolling out a strategy for growth since 2019 built around developing service platforms, deploying precision merchandising and maximizing available space. This is combined with potential for growth from the project pipeline, which is subject to regular arbitrage with acquisitions based on their potential opportunities for yields.

- **Development of service platforms**

In 2019, Mercialys started to build its **Le Shop** service (change to the name of the **Ocitô** service, which is now the name of the last-mile delivery service), the Company's proprietary web and mobile marketplace that enables consumers to buy food and non-food products online directly from their center's retailers. The platform also offers access to e-commerce for independent retailers that have not developed this tool by themselves, while offering a channel that will generate additional traffic for retailers that have their own systems in place.
The progress made by e-commerce, with its retail market share climbing from 10% in 2019 to 14.1% in 2021[12], benefited significantly from stores being closed during the health crisis. However, a balance is taking shape between online retail and physical retail, with clients still very attached to physical retail, as shown by the latest Quantaflow survey from September 2022, which found that more than 70% of French people appreciated returning to their stores following the various lockdowns. This balance is also illustrated by the fact that e-commerce market shares have stabilized or declined for household appliances, new physical cultural products, clothing and consumer goods since 2021 compared with 2020, according to FEVAD. In 2022, online product sales fell by -7% vs. 2021, and the market share of online retail in sale of products is estimated at 12.5%, compared with 14.1% in 2021 and 13.4% in 2020.

[12] Fevad: key figures for e-commerce in 2022

Physical retail has a key role to play and an opportunity to capitalize on linked to the necessary combination between physical and digital in order to meet consumers' expectations for practicality and product availability. This accounts for the success of "phygital" retailers: their online sales growth significantly outpaced pure players on average (66% vs 18%) in 2021[13]. The latter are still looking for a profitable and sustainable business model, particularly taking into account the costs for search engine referencing, deliveries and processing product returns.
These developments point to a promising future for hybrid physical retail, while ensuring the sustainability of the shopping center's role in the client journey, capitalizing on their need to see products, benefit from proximity and receive advice.
Mercialys shopping centers need to become, locally, a connection point for physical and digital retail. 28 sites across the portfolio now offer Le Shop to clients, with 190 stores participating. Mercialys will continue to bring more retailers on board in 2023 in order to further strengthen the appeal of the selection available.

The ecosystem also covers all **first and last-mile logistics services** through the Ocitô platform in the medium-sized cities where extensive peripheral urban developments make it complicated to achieve scale effects.
This logistics service aims to offer clients interchangeable options to receive their orders at home or to collect them in-store or with the drive-through service.
Le Shop and Ocitô are therefore designed to meet the need for hybrid retail among shopping center visitors and ramp up the capabilities of these sites, while supporting retailers to develop their offering and optimizing the spaces and their logistics with a view to further strengthening the reversion potential for rents.

The **"Prim-Prim" loyalty program** is another service-focused innovation by Mercialys, launched in 2020. This program makes it possible to support the robust development of sales thanks to the cashback system and loyalty program. It is also a valuable digital tool for accumulating information and targeting visitors' expectations more effectively.

- **Precision merchandising**

Mercialys aims to multiply personalized interactions with retailers and end clients from the Company's proprietary digital and service ecosystem with Le Shop / Ocitô and Prim-Prim.
The client data collected directly by Mercialys, in accordance with GDPR[14], is rich on account of its features (contact data, visits, purchases, etc.) and the levels of analysis that it makes possible (data for Mercialys' entire portfolio, per business sector, per retailer, per shopping center, etc.). This rich data can be "monetized" through:

- ensuring higher levels of visitor satisfaction, by identifying their needs, missing services or offers;
- providing better service for client retailers, which will be able to "profile" their clients and target their communications for more efficiency and performance analysis.

Using this data effectively makes it possible to optimize client transit times in shopping centers and increase the frequency of their visits. This helps increase retailers' sales and rental reversion potential.

- **Capitalizing on all spaces**

Mercialys' **functional and service mix** strategy is focused on the digitalization of the retail offering across its sites, as seen previously, in addition to capitalizing on all of its spaces, representing close to 780,000 sq.m. Efficient and effective use is a major challenge. The "Climate and Resilience Act" of August 22, 2021 aims to combat the proliferation of artificial ground cover and sets a target for "net zero artificialization" over time, which will support growth in the value of existing assets. Only projects with a sales area of less than 10,000 sq.m. will be able to be carried out, subject to certain conditions. Ongoing dialogue with local authorities, including elected officials, is a key factor for ensuring successful integration into the environment. Restrictions concerning the potential for construction over the medium term will help develop the value of existing assets, which will need to offer a wider range of uses for their users, clients and retailers.

[13] Knight Franck
[14] General Data Protection Regulation

Casual Leasing, a service-focused offering developed by Mercialys since 2013, is an outstanding illustration of this approach. The Company has been a pioneer for this form of retail, which has seen rapid growth, through the flexibility that it offers for both local and national retailers. The Casual Leasing business, which is continuously evolving, helps consolidate the positioning of Mercialys' shopping centers at the heart of visitors' day-to-day activities. In 2022, Casual Leasing generated Euro 9.9 million of sales, +15% vs. 2021.

Lastly, Mercialys is continuing to deploy its coworking spaces through its **Cap Cowork** platform. These spaces are being successfully operated in Angers, Grenoble, Toulouse and Nîmes, with a total of around 150 workspaces. In addition to optimizing this activity's like-for-like results, thanks in particular to its pricing policy, Mercialys has further potential for development. For instance, an extension of the existing space in Angers is underway, in addition to the opening of coworking spaces at a further six sites in the medium term.

Out-of-town shopping centers are evolving to become "life hubs", and Mercialys' development pipeline includes seven healthcare centers complementing the pharmacies that are already present at most of its shopping centers.

III. Defensive portfolio and sound financial structure

1 In 2022, Mercialys sold Euro 87 million of assets, based on prices that were at least equivalent to their appraisal values, with arbitrages fueling the Company's investment capacity

In April 2022, Mercialys finalized the sale of the Géant Casino Annecy Seynod and Saint-Etienne Monthieu hypermarkets, for a combined total including transfer taxes of nearly Euro 65 million, in line with their appraisal values. Since being acquired in 2014 and 2015, these large food stores had seen their surface areas scaled back significantly, in coordination with their operator Géant, making it possible to set up units with national retailers that are popular with consumers, such as Action and FNAC, contributing to the shopping centers' appeal and creating value for the Company.
These sales also enabled Mercialys to continue reducing its exposure to its primary tenant, the Casino group (22.4% of Mercialys' total rental income at end-2021 and 21.0% at end-2022).

In December 2022, Mercialys also completed the sale of the Marseille Sainte-Anne and Marseille Croix-Rouge shopping centers for a combined total of Euro 10 million including transfer taxes. The sales prices were aligned with the appraisal values from June 30, 2022. These two centers, which had a limited size (total of 2,700 sq.m and 25 stores) in relation to Mercialys' portfolio and which had been subject to extensive work to extract their rental reversion potential, were no longer aligned with the Company's development strategy.

These divestments are in line with Mercialys' asset rotation strategy and the portfolio's realignment around sites with potential for growth in the medium term. They will enable Mercialys to further consolidate its balance sheet and give it financial headroom for rolling out its strategy for growth, which will be able to be achieved through the development pipeline or through targeted, value-creating acquisitions, with the Company's current indicators not expected to be adversely affected by their financing costs. These would be focused on retail property or related activities, including shopping centers, retail parks and storage centers.
Lastly, Mercialys is capitalizing on its know-how by taking part in calls for tenders for mixed-use development projects organized by cities or local authorities looking to reposition their neighborhoods.

At end-2022, the Company had a project pipeline representing nearly Euro 475 million for the period from 2023 to 2027 and beyond. This pipeline is constantly reviewed in order to ensure the relevance of the projects and their expected profitability. The increase in construction costs may have a negative impact on the target yield and encourage arbitrage operations on part of the portfolio, with a focus on operations outside the development pipeline. In a still unstable environment concerning changes in inflation and interest rates, Mercialys will only launch investments or acquisitions when they offer a positive 250bps spread between the yield on these operations and the refinancing cost.

These projects, which concern 22 sites out of the 48 shopping centers held by Mercialys, include retail space projects (redevelopments, extensions, retail parks), dining and leisure projects, and tertiary activity projects (housing, healthcare, coworking, etc.). This potential reconfiguration of sites will make it possible to ensure their continued appeal looking beyond purely convenience retail aspects, while ensuring the sustainability of their strong positioning in their catchment areas and their cash flow generation profile over the long term.

(In millions of euros)	Total investment	Investment still to be committed	Completion date
COMMITTED PROJECTS[15]	**20.0**	**18.7**	**2023 / 2026**
Tertiary activities	20.0	18.7	2023 / 2026
CONTROLLED PROJECTS	**133.1**	**128.6**	**2024 / 2025**
Retail	115.7	111.4	2024 / 2025
Dining and leisure	3.5	3.4	2025
Tertiary activities	13.9	13.8	2024 / 2025
IDENTIFIED PROJECTS	**322.3**	**322.1**	**2025 / > 2027**
Retail	208.9	208.8	2025 / > 2027
Dining and leisure	81.9	81.9	2025 / 2026
Tertiary activities	31.5	31.5	2025 / 2027
Total	**475.4**	**469.5**	**2023 / > 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*

2 EPRA NDV (Net Disposal Value) up +6.6% over six months and +19.0% over 12 months

Mercialys' **portfolio value** came to Euro 3,091.2 million including transfer taxes, down -1.0% over six months and -1.5% over 12 months. Like-for-like[16], it is down -0.8% over six months, but up +0.9% over 12 months.
Excluding transfer taxes, the portfolio value was Euro 2,896.9 million, down -1.1% over six months and -1.6% over 12 months. Like-for-like[16], it is down -0.9% over six months, but up +0.8% over 12 months.

At end-December 2022, Mercialys' portfolio mainly comprised 48 shopping centers[17], with 25 large regional shopping centers and 23 leading local retail sites.

The **average appraisal yield rate** was 5.75% at December 31, 2022, compared with 5.71% at June 30, 2022 and 5.71% at December 31, 2021. This virtual stability reflects the strong position of the Company's sites, illustrated by a low vacancy rate and the positive indexation, offsetting the increase in the discount rate resulting from the higher risk-free rate.

[15] The investments to be committed for the pipeline correspond to the Saint-Denis mixed-use urban project, north of Paris, with an expected IRR of over 8%, as well as coworking spaces
[16] Sites on a constant scope and a constant surface area basis
[17] Added to these are three geographically dispersed assets with a total appraisal value including transfer taxes of Euro 15.3 million

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

	EPRA NRV			EPRA NTA			EPRA NDV		
	Dec 31, 2021	**Jun 30, 2022**	**Dec 31, 2022**	**Dec 31, 2021**	**Jun 30, 2022**	**Dec 31, 2022**	**Dec 31, 2021**	**Jun 30, 2022**	**Dec 31, 2022**
€ / share	20.51	20.35	20.54	18.39	18.24	18.42	17.60	19.65	20.94
Change over 6 months	+1.0%	-0.8%	+0.9%	+0.7%	-0.8%	+1.0%	+2.5%	+11.6%	+6.6%
Change over 12 months	-3.2%	+0.2%	+0.1%	-3.4%	-0.1%	+0.2%	-4.5%	+14.4%	+19.0%

The **EPRA NDV** came to Euro 20.94 per share, up +6.6% over six months and +19.0% over 12 months. The Euro +3.34 per share change over 12 months takes into account the following impacts:

- Dividend payment: Euro -0.92;
- Funds from operations (FFO): Euro +1.13;
- Change in unrealized capital gains[18]: Euro +0.18, including a yield effect for Euro -0.25, a rent effect for Euro +0.49 and other effects[19] for Euro -0.06;
- Change in fair value of fixed-rate debt: Euro +3.02;
- Change in fair value of derivatives and of other items: Euro -0.07.

3 Mercialys' sound financial profile is enabling it to accelerate its growth by rolling out its development pipeline and capitalizing on opportunities for targeted acquisitions.

Thanks to the actions carried out in 2022 to consolidate its balance sheet, Mercialys has solid fundamentals in place in a market environment that is volatile, but could open up opportunities for acquisitions.

During the first quarter of 2022, Mercialys carried out a major refinancing operation based on:

- a bond issue for a nominal total of Euro 500 million, maturing in February 2029, with a 2.5% coupon;
- the early redemption of Euro 100 million of the bond issue due to mature in July 2027, with a 4.625% coupon;
- the exercising in full of the make-whole early redemption option for the Euro 469.5 million outstanding on the bond issue scheduled to mature in March 2023, with a 1.787% coupon.

This refinancing operation enabled the Company to significantly extend the average maturity of its bond debt from 3.6 years at end-2021 to 4.9 years at end-2022. The Company does not have any bond maturities until February 2026.

Alongside this, Mercialys has continued moving forward with the "greening" of its Euro 385 million of undrawn liquidity facilities, based on five bilateral lines and a syndicated credit line. To date, environmental clauses (based on the carbon roadmap and the portfolio's BREEAM in Use rating) have been incorporated into the five undrawn bilateral lines, representing a combined total of Euro 205 million.

At end-December 2022, **drawn debt** represented Euro 1,262 million. It is made up of three bond issues and a private placement, with a residual nominal amount of Euro 1,150 million, as well as commercial paper, with Euro 112 million outstanding at end-December 2022.

The cash position totaled Euro **216 million** at end-2022.

The **real average cost of drawn debt** was **2.0%**[20] for the full year in 2022, up slightly from end-June 2022 (1.7%) and stable compared with the full-year figure for 2021 (2.0%). This change in 2022 reflects, on the one hand, the full-year

[18] Difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes
[19] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals
[20] This rate does not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding hedging operations in connection with the bond debt

impact of the bond refinancing operation carried out in the first quarter, and on the other hand, the limited impact of the increase in interest rates during the second half of the year.

The **average maturity of drawn debt** was 4.5 years at December 31, 2022, compared with 3.2 years at December 31, 2021 and 4.7 years at end-June 2022.

Mercialys has a healthy financial structure, with an **LTV ratio excluding transfer taxes**[21] of 35.3% at December 31, 2022 (compared with 36.6% at June 30, 2022 and 36.7% at December 31, 2021). The **LTV ratio including transfer taxes** was 33.0% at end-2022, compared with 34.3% at June 30, 2022 and 34.4% at December 31, 2021. The Company has significantly optimized its financial structure thanks to an active divestment policy, implemented under very satisfactory valuation conditions, and the resilience of its appraisal values, highlighting the strong positioning of its sites.

The **ICR**[22] was 5.9x at December 31, 2022, compared with 6.1x at June 30, 2022 and 5.1x at December 31, 2021, reflecting the impacts of the operational performance on EBITDA and the optimization of the financing structure, successfully carried out in 2022.

On June 8, 2022 and October 27, 2022, Standard & Poor's confirmed its **BBB / stable outlook** rating for Mercialys.

Since 2012, Mercialys' financing has been based on fixed rates through bonds and commercial paper. The Company put in place mechanisms to benefit from fixed/floating rate swaps and refix its debt, enabling it to capitalize on a downwards trend for rates. This optimization is illustrated by the significant differential between the average cost of drawn debt and the average coupon on bonds between 2015 and 2022.

In 2022, in a context of interest rates rising sharply, Mercialys considerably strengthened **its debt hedging**. On the one hand, additional hedging positions were set up initially during the first quarter of 2022 in connection with the refinancing operation, and then in the third quarter. On the other hand, Mercialys unwound fixed/floating rate swaps ahead of schedule that had been initially backed against the bond maturing in March 2023, which was subject to an early redemption in 2022.
As a result of these operations, the hedged or fixed-rate debt position (including commercial paper) represented 100% at end-December 2022, compared with 87% at end-June 2022 and 86% at end-December 2021.

Given the hedging positions, with 96% of debt hedged to end-2023, the sensitivity of Mercialys' financial results to changes in interest rates appears to be limited for 2023. A 100bps increase in interest rates would have a Euro 0.2 million impact on the financial results, with all other things being equal.

IV. Outlook and dividend

Outlook for 2023

2022 was a turning point in the history of Mercialys, marked by the full exit from its shareholding structure, 17 years after it listed on the stock market, by both the Casino group and Generali Vie, in addition to the completion of operations to bring in-house the last functions that were still outsourced during the first half of 2022 (accounting, cash management, tax) and the second half of 2022 (rental management and technical and administrative management), as well as the major actions carried out to consolidate its balance sheet.

[21] LTV (Loan To Value): net financial debt / (portfolio market value excluding transfer taxes + market value of investments in associates for Euro 52.7 million in 2022 and Euro 55.8 million in 2021, since the value of the portfolio held by associates is not included in the appraisal value)
[22] ICR (Interest Coverage Ratio): EBITDA / net finance costs

In an environment in which interest rates and inflation could remain high for some time, the Company is moving forward in 2023 with confidence thanks to its sound financial foundations and the visibility provided by indexation, a core pillar supporting a balanced landlord-tenant relationship. The Company will continue to carefully monitor the solvency of its client retailers, while also protecting its balance sheet positions.

Mercialys has set the following objectives for 2023:

- Growth in Funds from operations (FFO) per share to reach at least +2% vs. 2022;
- Dividend to range from 85% to 95% of 2023 FFO.

Dividend for 2022

Mercialys' Board of Directors will submit a proposal at the General Meeting on April 27, 2023 for a dividend of **Euro 0.96 per share**, compared with a dividend of Euro 0.92 per share for 2021. The payout corresponds to 85% of 2022 FFO and offers a yield of 4.6% on the NDV of Euro 20.94 per share at end-2022 and 9.8% on the year's closing price.

This proposed dividend is based on the distribution requirement with the SIIC tax status concerning exempt profits from:

- property rental or sub-letting operations (including dividends paid by the subsidiaries subject to the SIIC system), i.e. Euro 0.71 per share;
- the distribution based on 70% of exempt profits for 2022 from the disposal of properties and investments in real estate companies, i.e. Euro 0.05 per share;
- the distribution of exempt income recorded on the Company's balance sheet for Euro 0.20 per share.

The ex-dividend date is May 2, 2023, with the dividend to be paid on May 4, 2023.

* * *

This press release is available on www.mercialys.com.
A presentation of these results is also available online, in the following section:
Investors / News and press releases / Financial press releases

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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, 2022, Mercialys had a real estate portfolio valued at Euro 3.1 billion (including transfer taxes). Its portfolio of 2,087 leases represents an annualized rental base of Euro 168.1 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 December 31, 2022.

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, 2021 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 report

Financial report

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and applicable at December 31, 2022. These standards are available on the European Commission website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en. The accounting policies set out below were applied consistently to all the periods presented in the consolidated financial statements, after taking into account, or with the exception of, the new standards and interpretations described below.

1. Financial statements

The audit procedures on the consolidated accounts have been completed. The certification report is currently being issued.

1.1. Consolidated income statement

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022
Rental revenues	**172,232**	**173,277**
Service charges and property tax	(45,260)	(45,159)
Charges and taxes billed to tenants	38,476	37,883
Net property operating expenses	(5,403)	(69)
Net rental income	**160,043**	**165,932**
Management, administrative and other activities income	2,801	2,846
Other Income	1,559	424
Other expenses	(4,953)	(6,283)
Personnel expenses	(14,763)	(18,690)
Depreciation and amortization	(39,157)	(37,729)
Reversals of / (Allowances for) provisions	(997)	(2,527)
Other operating income	28,760	88,740
Other operating expenses	(29,810)	(86,486)
Operating income	**103,484**	**106,227**
Income from cash and cash equivalents	177	246
Gross finance costs	(30,842)	(53,480)
(Expenses)/ Income from net financial debt	**(30,665)**	**(53,234)**
Other financial income	296	1,089
Other financial expenses	(3,466)	(3,939)
Net financial items	**(33,835)**	**(56,083)**
Tax expense	(848)	(709)
Share of net income from associates and joint ventures	2,264	2,380
Consolidated net income	**71,065**	**51,814**
Attributable to non-controlling interests	8,882	8,720
Attributable to owners of the parent	62,183	43,094
Earnings per share[23]		
Net income attributable to owners of the parent (in euros)	0.67	0.46
Diluted net income attributable to owners of the parent (in euros)	0.67	0.46

[23] Based on the weighted average number of shares over the period adjusted for treasury shares
Undiluted weighted average number of shares in 2022 = 93,384,221 shares
Fully diluted weighted average number of shares in 2022 = 93,384,221 shares

1.2. Consolidated statement of financial position

ASSETS *(in thousands of euros)*	**Dec 31, 2021**	**Dec 31, 2022**
Intangible assets	5,028	3,381
Property, plant and equipment other than investment property	6,922	4,743
Investment property	1,935,117	1,907,148
Right-of-use assets	8,590	10,184
Investments in associates	37,907	35,203
Other non-current assets	50,733	50,219
Deferred tax assets	1,346	1,601
Non-current assets	**2,045,642**	**2,012,478**
Trade receivables	36,865	28,557
Other current assets	34,595	31,854
Cash and cash equivalents	257,178	216,085
Investment property held for sale	60,086	0
Current assets	**388,724**	**276,496**
Assets	**2,434,366**	**2,288,974**

EQUITY AND LIABILITIES (in thousands of euros)	**Dec 31, 2021**	**Dec 31, 2022**
Share capital	93,887	93,887
Additional paid-in capital, treasury shares and other reserves	649,231	631,246
Equity attributable to owners of the parent	743,118	725,132
Non-controlling interests	202,011	205,294
Shareholders' equity	**945,129**	**930,426**
Non-current provisions	1,008	1,225
Non-current financial liabilities	1,237,101	1,131,974
Deposits and guarantees	23,003	23,622
Non-current lease liabilities	8,353	9,409
Other non-current liabilities	5,716	2,377
Non-current liabilities	**1,275,181**	**1,168,607**
Trade payables	16,477	13,910
Current financial liabilities	150,144	126,353
Current lease liabilities	1,030	1,084
Current provisions	11,443	13,279
Other current liabilities	34,826	35,237
Current tax liabilities	136	78
Current liabilities	**214,056**	**189,941**
Total equity and liabilities	**2,434,366**	**2,288,974**

1.3. Consolidated cash flow statement

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022
Net income attributable to owners of the parent	62,183	43,094
Non-controlling interests	8,882	8,720
Consolidated net income	**71,065**	**51,814**
Depreciation, amortization (1) and provisions, net of reversals	49,249	46,131
Calculated expenses/(income) relating to stock options and similar	(47)	773
Other calculated expenses/(income) (2)	(1,280)	(386)
Share of net income from associates and joint ventures	(2,264)	(2,380)
Dividends received from associates and joint ventures	3,014	3,065
Income from asset disposals	(8,962)	(8,486)
Expenses/(income) from net financial debt	30,665	53,234
Net financial interest in respect of lease agreements	295	321
Tax expense (including deferred tax)	848	709
Cash flow	**142,583**	**144,825**
Taxes received/(paid)	(409)	(1,033)
Change in working capital requirement relating to operations, excluding deposits and guarantees (3)	(7,141)	5,816
Change in deposits and guarantees	708	515
Net cash flow from operating activities	**135,742**	**150,124**
Cash payments on acquisitions of:		
investment properties and other fixed assets	(15,913)	(19,098)
non-current financial assets	(115)	(43)
Cash receipts on disposals of:		
investment properties and other fixed assets	30,746	81,161
non-current financial assets	5	1,274
Investments in associates and joint ventures	-	
Impact of changes in scope with change of control	-	(4,292)
Change in loans and advances granted	-	
Net cash flow from investing activities	**14,724**	**59,002**
Dividends paid to shareholders of the parent company (final)	(22,398)	(86,025)
Dividends paid to shareholders of the parent company (interim)	-	-
Dividends paid to non-controlling interests	(9,063)	(5,437)
Capital increase and reduction	-	-
Other transactions with shareholders	-	-
Changes in treasury shares	264	(439)
Increase in borrowings and financial debt	230,000	754,809
Decrease in borrowings and financial debt	(526,700)	(880,222)
Repayment of lease liabilities	(985)	(1,398)
Interest received (4)	16,359	20,999
Interest paid	(45,474)	(52,484)
Net cash flow from financing activities	**(357,999)**	**(250,198)**
Change in cash position	**(207,529)**	**(41,072)**
Net cash at beginning of year	464,600	257,071
Net cash at end of year	257,071	215,999
of which cash and cash equivalents	257,178	216,085
of which bank overdrafts	(108)	(87)

		2021	2022
(1)	*Depreciation and amortization exclude the impact of impairment on current assets*		
(2)	*Other calculated expenses and income mainly comprise:*		
	- discounting adjustments to construction leases	*(318)*	*(236)*
	- lease rights received from tenants and spread over the firm term of the lease	*(1,848)*	*(662)*
	- deferred financial expenses	*697*	*826*
	- interest on non-cash loans and other financial income and expenses	*54*	*(362)*
(3)	*The change in working capital requirement breaks down as follows:*		
	- trade receivables	*3,375*	*8,392*
	- trade payables	*1,087*	*(2,863)*
	- other receivables and payables	*(11,603)*	*287*
	Total working capital requirement	***(7,141)***	***5,816***
(4)	*Mainly composed of interest received on debt hedging instruments according to IAS 7.16*		

2. Key developments in 2022

Financing

During the first quarter of 2022, Mercialys rolled out a three-pronged refinancing operation. In February 2022, the Company carried out a bond issue for a nominal total of Euro 500 million, with a 7-year maturity and 2.5% coupon. Alongside this, Mercialys completed the early redemption of Euro 100 million of the bond issue due to mature in July 2027, with a 4.625% coupon and an initial nominal total of Euro 300 million. Lastly, in March 2022, the Company fully exercised its make-whole option for the early redemption of its bond maturing in March 2023 with a residual total of Euro 469.5 million. This operation enabled Mercialys to consolidate its balance sheet liquidity and significantly extend the maturity of its debt.

At end-June 2022, Mercialys set up a new credit line for Euro 40 million, maturing in June 2025. This new credit line, which has not been drawn down to date, incorporates ESG criteria and replaces the Euro 25 million line due to mature in June 2023.

Asset rotation

In April 2022, Mercialys finalized the sale of the Géant Casino Annecy Seynod and Saint-Etienne Monthieu hypermarkets, for a combined total including transfer taxes of nearly Euro 65 million, to Inter Gestion REIM, operating on behalf of SCPI Cristal Rente, its specialist retail property company.

In September 2022, Mercialys acquired a 70% interest in SCI Rennes-Anglet, in which it previously held 30%, from Immobilière Groupe Casino for Euro 4.9 million. Following this operation, SCI Rennes-Anglet is fully consolidated in Mercialys' accounts at end-2022.

In December 2022, Mercialys completed the sale of the Marseille Sainte-Anne and Marseille Croix-Rouge shopping centers to a private investor, for a combined total of Euro 10 million including transfer taxes, in line with their June 30, 2022 appraisal values.

Shareholding structure and governance

In February 2022, the Casino group indicated that it had sold 6.5% of Mercialys' capital through a total return swap (TRS), reducing its interest to 10.3%. In April 2022, the Casino group indicated that it had sold its remaining interest in Mercialys' capital through a further TRS, and no longer held any voting rights.

Following these sales, Mr Michel Savart and the company La Forézienne de Participations, a non-independent director, represented by Mr David Lubek, who both represented the Casino group on Mercialys' Board of Directors, resigned from their positions as directors respectively on April 26 and April 28, 2022.

In June 2022, the Board of Directors decided to co-opt Mr Vincent Ravat, Mercialys' Chief Executive Officer, as a director. The ratification of this co-opting will be submitted for approval at the General Meeting to be held on April 27, 2023.

On July 1, 2022, the company Generali Vie, represented by Mr Sébastien Pezet, resigned from its position as a director of Mercialys, with immediate effect.

On September 29, 2022, Mercialys was informed through a statutory disclosure threshold declaration that Crédit Agricole Corporate and Investment Bank (CACIB), a Crédit Agricole S.A. subsidiary, held less than 1% of its capital and voting rights since September 28, 2022. Crédit Agricole Corporate and Investment Bank's residual interest followed the Casino group's sale of its remaining 10.3% interest in Mercialys' capital through a total return swap (TRS) in April 2022 (see above).

In October 2022, as proposed by the Appointments, Compensation and Governance Committee, Mercialys' Board of Directors decided to co-opt Mr Jean-Louis Constanza as an independent director. He was appointed to replace the company Generali Vie, represented by Mr Sébastien Pezet. The ratification of this co-opting will be submitted for approval at the General Meeting to be held on April 27, 2023.

On November 29, 2022, Mercialys was informed through a statutory disclosure threshold declaration that Generali Vie, the Generali group's subsidiary in France, had dropped below the statutory thresholds representing 5%, 4%, 3%, 2% and 1% of the Company's capital and voting rights on November 25, 2022.

General context

While the geopolitical environment linked to the conflict in Ukraine did not directly affect Mercialys' business, it may have weighed on the global economic environment, through its impact on inflation, retailer supply chains and consumption.

3. Summary of the main key indicators for the period

	Dec 31, 2022
Organic growth in invoiced rents	**+4.1%**
EBITDA[24]	**144.2**
EBITDA/rental revenues	*83.2%*
Funds from operations (FFO[25]**)**	**105.5**
Funds from operations[26] **(FFO)** per share	**1.13**
Fair value of the portfolio (including transfer taxes)	**3,091.2**
Change vs. Dec 31, 2021 (current basis)	*-1.5%*
Change vs. Dec 31, 2021 (like-for-like)	*+0.9%*
EPRA NDV per share	**20.94**
Change vs. Dec 31, 2021	*+19.0%*
Loan to value (LTV) – excluding transfer taxes	**35.3%**

[24] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses
[25] 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
[26] Calculated based on the average undiluted number of shares (basic), i.e. 93,384,221 shares

4. Review of activity

4.1. Main management indicators

➢ The following table presents details of the **lease schedule**:

At Dec 31, 2022	Number of leases	Annual MGR* + variable rents (€m)	Share of leases expiring (% annual MGR + variable)
Expired at December 31, 2022	341	20.1	12.0%
2023	123	7.7	4.6%
2024	151	9.2	5.4%
2025	128	7.6	4.5%
2026	173	15.5	9.2%
2027	214	39.2	23.3%
2028	204	14.6	8.7%
2029	181	11.3	6.7%
2030	285	26.4	15.7%
2031	185	10.7	6.3%
2032 and beyond	102	5.9	3.5%
Total	**2,087**	**168.1**	**100%**

** MGR: minimum guaranteed rent*

The stock of expired leases at end-2022 reflects the negotiations underway, refusals to renew leases with the payment of compensation for eviction, global negotiations for each retailer, tactical delays, etc.

➢ The **collection rate**, impacted by the health crisis, has gradually normalized. At December 31, 2022, this rate was 95.1% for 2022 and 96.4% for 2021.

➢ The **current financial vacancy rate** - which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans - came to 2.9%[27] at December 31, 2022, consistent with the level from end-June 2022 and showing a significant improvement compared with December 31, 2021 (3.2%). At the start of 2023, the financial vacancy level was significantly affected by the retailer Camaïeu going into liquidation, following the administrator's announcement in January. This retailer operated 16 stores across Mercialys' portfolio, representing 0.9% of its rental base. The process to relet these stores is making progress to date, with new leases signed for two stores (representing 17% of the rents concerned), outline agreements signed for two stores (representing 12% of the rents concerned) and a 12-months lease signed on another store (representing 3% of the rents concerned). In addition, one store on Reunion Island is continuing to operate (representing 8% of the rents concerned). Lastly, negotiations are underway for the rest of the scope. Positive reversion of +13.8% was achieved on the leases and outline agreements signed.

➢ **The total vacancy rate**[28] was 4.4% at December 31, 2022, compared with 4.4% at end-June 2022 and 4.9% at December 31, 2021.

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

[28] In accordance with the EPRA calculation method: rental value of vacant units / (annualized minimum guaranteed rent on occupied units + rental value of vacant units).

- Mercialys' underlying rental trends improved during the year in 2022. Illustrating this, 150 lease renewals or relettings were completed in 2022, achieving a **reversion** rate of +2.8%, compared with +1.7% at end-June and +2.4% at end-September 2022.

Despite the like-for-like increase in rents, the **occupancy cost ratio**[29] remained at a very moderate level with 11.1% at end-December 2022, compared with 10.7% at end-June 2022. This ratio is very comparable with the 10.4% recorded in 2019, the last comparable year due to the health crisis.

The rents received by Mercialys come from a very diverse range of retailers: with the exception of retailers that are part of the Casino Group (details presented below) and H&M (2.0%), no other tenant represents more than 2% of total rental income.

Casino group retailers accounted for 21.0% of total rental income at December 31, 2022, stable compared with June 30, 2022 (20.9%) and significantly lower than at December 31, 2021 (22.4%). This change benefited from the sale in April 2022 of two hypermarkets operating under the Géant Casino banner, with this impact partially offset by the disposal, in the fourth quarter of 2022, of two shopping centers in Marseille, where the Casino group was not a tenant. This consolidated accounting exposure is calculated factoring in all of the rent paid by Casino group retailers. Adjusted downwards for the 49% minority interest held by BNP Paribas REIM in SAS Hyperthetis Participations and SAS Immosiris, which together own a total of 10 hypermarkets operating under the Géant Casino banner, and adjusted upwards for Mercialys' 25% minority interest in SCI AMR, which holds three Monoprix stores and two hypermarkets operating under the Géant Casino banner, Mercialys' economic exposure to rent from retailers operated by the Casino group is 18.0%.

The lease schedule for these top two Mercialys tenants is presented below:

Schedule for key Casino group leases

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Grenoble	100%	Monoprix	02/2010	02/2022	3 - 6 - 9 - 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Lanester	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Ajaccio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Corte	60%	Supermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Furiani	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Porto-Vecchio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Toga	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

[29] Ratio between rent, charges (including marketing funds) and invoiced work paid by retailers and their sales revenue (excluding large food stores): (rent + charges + reinvoiced work including tax) / sales revenue including tax

H&M group lease schedule

Site	Lease start date	Lease end date	Lease characteristics
Marseille	04/2011	04/2021	3 - 6 - 9 - 10 commercial lease
Mandelieu	01/2016	01/2028	12-year commercial lease, 6-year firm period
Brest	02/2016	02/2028	12-year commercial lease, 6-year firm period
Lanester	07/2016	07/2028	12-year commercial lease, 6-year firm period
Toulouse	07/2016	07/2028	12-year commercial lease, 6-year firm period
Besançon	12/2016	12/2028	12-year commercial lease, 6-year firm period
Quimper	05/2017	05/2029	3 - 6 - 9 - 12 commercial lease
Morlaix	07/2017	07/2029	12-year commercial lease, 6-year firm period
Narbonne	07/2017	07/2029	12-year commercial lease, 6-year firm period
Nîmes	08/2017	07/2029	12-year commercial lease, 6-year firm period
Clermont-Ferrand	07/2021	06/2033	3 - 6 - 9 - 12 commercial lease

Top 10 tenant retailers (excluding Casino group)

H&M
Feu Vert
Armand Thiery
Nocibé
FNAC
Mango
Orange
Jules
Yves Rocher
Sephora
13.3% of contractual rents on an annualized basis

The **breakdown by retailer** (national, local and retailers associated with the Casino Group) of contractual rents on an annualized basis is as follows:

	Number of leases	Annual MGR* + variable rents (€m)	Percentage of rent (%)	
	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022
National and international retailers	1,414	110.0	64.2%	65.5%
Local retailers	626	22.7	13.4%	13.5%
Casino cafeterias / restaurants	2	0.2	0.1%	0.1%
Monoprix	1	1.2	0.7%	0.7%
Géant Casino and other entities	44	34.0	21.6%	20.2%
Total	**2,087**	**168.1**	**100.0%**	**100.0%**

** MGR: minimum guaranteed rent*

The **breakdown by business sector** (including large food stores) of Mercialys' rents is still highly diversified. Through its various divestment operations, especially concerning certain food retailers, and its relettings, the Company has further strengthened its strategy for balanced retail mixes, while continuing to scale back its exposure to textiles in favor of sectors such as health and beauty, culture, gifts and sport, as well as more innovative activities:

	Percentage of rent (%)	
	Dec 31, 2021	Dec 31, 2022
Restaurants and catering	8.4%	8.3%
Health and beauty	12.6%	12.7%
Culture, gifts and sports	16.3%	17.5%
Personal items	30.5%	30.0%
Household equipment	7.2%	7.7%
Food-anchored tenants	21.8%	20.5%
Services	3.2%	3.2%
Total	**100.0%**	**100.0%**

The **rental income structure** at December 31, 2022 shows that the majority of leases, in terms of overall rental income, include a variable clause. However, the vast majority of leases include a minimum guaranteed rent or do not have a variable clause (98.3% in terms of overall rents):

	Number of leases	Annual MGR + variable rents (€m)	Percentage of rent (%)	
	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022
Leases with variable clause	1,291	98.2	58%	58%
- of which MGR		*95.3*	*56%*	*57%*
- of which variable rent with MGR		*0.4*	*0%*	*0%*
- of which variable rent without MGR		*2.5*	*2%*	*2%*
Leases without variable clause	796	69.9	42%	42%
Total	**2,087**	**168.1**	**100%**	**100%**

The rental income structure at December 31, 2022 shows a predominant share of leases indexed against the French commercial rent index (ILC). In 2023, as a result of the lease anniversary dates, the indexation of Mercialys' rents will be linked for 14% to the index published in the first quarter of 2022 (+3.32%), with 24% for the index published in the second quarter of 2022 (+4.43%), 46% for the index published in the third quarter of 2022 (+5.37%), and 9% for the index published in the fourth quarter of 2022, while the other indexes represent a residual balance of 7%.

	Number of leases	Annual MGR + variable rents (€m)	Percentage of rent (%)	
	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022
Leases index-linked to the commercial rent index (ILC)	1,789	157.6	95%	95%
Leases index-linked to the commercial rent index (ICC)	101	5.6	4%	3%
Leases index-linked to the tertiary activities rent index (ILAT) and non-adjustable leases	178	2.0	2%	1%
Total	**2,068**	**165.2**	**100%**	**100%**

5. Review of consolidated results

5.1. Invoiced rents, rental revenues and net rental income

Rental revenues mainly comprise **rents invoiced** by the Company plus a smaller element of lease rights and despecialization indemnities paid by tenants and spread over the firm period of the lease (usually 36 months).

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022	Change (%)
Invoiced rents	170,352	172,602	+1.3%
Lease rights and despecialization indemnities	1,879	674	-64.1%
Rental revenues	**172,232**	**173,277**	**+0.6%**
Property taxes	-13,570	-13,948	+2.8%
Rebilling to tenants	11,606	11,701	+0.8%
Non-recovered property taxes	**-1,964**	**-2,247**	**+14.4%**
Service charges	-31,690	-31,211	-1.5%
Rebilling to tenants	26,870	26,182	-2.6%
Non-recovered service charges	**-4,821**	**-5,029**	**+4.3%**
Management fees	-6,306	-7,073	+12.2%
Rebilling to tenants	4,183	4,113	-1.7%
Losses on and impairment of receivables	-2,205	3,263	na
Other expenses	-1,076	-372	-65.4%
Net property operating expenses	**-5,403**	**-69**	**-98.7%**
Net rental income	**160,043**	**165,932**	**+3.7%**

The **+1.3 points** change in invoiced rents primarily reflects the following factors:
- the impact of indexation for **+1.9 points**, representing Euro +3.3 million;
- the higher contribution by Casual Leasing for **+0.7 points**, representing Euro +1.3 million;
- the virtually stable level of variable rents for **-0.1 points**, representing Euro -0.3 million;
- the actions carried out on the portfolio for **+1.0 points**, representing Euro +1.7 million;
- the accounting impact of the rent relief granted to retailers in connection with the health crisis for **+0.5 points**, representing Euro +0.9 million;
- the asset acquisitions and sales completed in 2021 and 2022 for **-2.5 points**, representing Euro -4.3 million;
- other effects primarily including strategic vacancies linked to current redevelopment programs for **-0.2 points**, representing Euro -0.4 million.

Taking into account the first five effects presented above, organic growth in invoiced rents shows an increase of **+4.1 points**.

Operating trends improved during the year. While the impact of indexation remained at +1.9% during the four quarters, the deferred impact of the rent relief granted for the lockdown during the first half of 2020 decreased significantly during the year, from +2.4% at end-March 2022 to +0.5% at end-December. Alongside this, the impact of the actions carried out on the portfolio, resulting directly from the Company's lettings activity, climbed from -1.1% at end-March 2022 to +1.0% at end-December.

Lease rights and despecialization indemnities[30] billed over the period came to Euro 0.2 million (vs. Euro 0.7 million at December 31, 2021).

[30] Compensation paid by a tenant to modify the purpose of their lease and be able to perform an activity other than that originally specified in the lease agreement.

After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for 2022 totaled Euro 0.7 million, compared with Euro 1.9 million for 2021.

Rental revenues therefore came to Euro 173.3 million at December 31, 2022, up +0.6% from end-2021.

Net rental income corresponds to the difference between rental revenues and the costs that are directly allocated to the sites. These costs include property taxes and service charges that are not billed back to tenants, as well as net property operating expenses (primarily fees paid to the property manager that are not re-invoiced and various charges relating directly to site operations).

The costs included in the calculation of net rental income represent Euro 7.3 million for 2022, compared with Euro 12.2 million in 2021. A significant upturn in management fee-related costs was recorded in 2022 factoring in the catch-up achieved on collection levels for 2020 and 2021, as well as the normalization of collection during 2022. This catch-up also had an impact during 2022 in terms of the provisions recorded for the previous two years.

Net rental income is up +3.7% from 2021 to Euro 165.9 million.

5.2. Management income, operating costs and EBITDA

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022	Change (%)
Net rental income	**160,043**	**165,932**	**+3.7%**
Management, administrative and other activities income	2,801	2,846	+1.6%
Other income and expenses	-3,395	-5,859	+72.6%
Personnel expenses	-14,763	-18,690	+26.6%
EBITDA	**144,687**	**144,229**	**-0.3%**
% rental revenues	***84.0%***	***83.2%***	**-**

Management, administrative and other activities income primarily comprises fees charged for services provided by certain Mercialys teams – in connection with advisory services provided by the asset management team, or shopping center management services provided by the teams on site – as well as letting, asset management and advisory fees relating to partnerships formed.

Fees charged in 2022 totaled Euro 2.8 million, stable compared with 2021.

No **property development margin** was recorded in 2022.

The Euro 0.4 million of **other current income** recognized in 2022 (Euro 1.6 million in 2021) mainly includes dividends received from the OPCI fund created in partnership with Union Investment in 2011. Ownership of this OPCI real estate investment fund is split between Union Investment (80%) and Mercialys (20%), and it is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates this fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating income. Note that the asset held by the OPCI fund UIR 2 was sold during the first half of 2022.

Other current expenses mainly comprise overheads. Overheads primarily include financial communications costs, directors' fees, corporate communications costs, shopping center communications costs, marketing research costs, fees paid to the Casino Group for services under the Services Agreement (back-office support), professional fees (statutory auditors, consulting, research) and real estate portfolio appraisal costs.

For 2022, these expenses totaled Euro 6.3 million, compared with Euro 5.0 million in 2021. This change takes into account the increase in certain operating costs, partially offset by the changes in the services covered by the Services Agreement, some of which ended in 2022, as well as the Company's committed efforts to moderating its operating costs in an inflationary context.

Personnel expenses totaled Euro 18.7 million in 2022, compared with Euro 14.8 million in 2021. For reference, Mercialys finalized the process to gradually bring back in-house support activities that were previously outsourced under the Services Agreement signed with the Casino group. In 2022, personnel expenses include the staff recruited for the latest activities to be brought in-house, i.e. accounting, consolidation, cash management and tax. Lastly, the Company completed various recruitments prior to bringing back in-house the rental management and technical and administrative management activities, with the corresponding mandates, signed with Sudeco, a Casino group subsidiary, ending on December 31, 2022. Under these mandates, Mercialys paid Euro 6.6 million of fees in 2022.

A portion of the personnel expenses may be charged back as fees, in connection with advisory services provided by the asset management team or shopping center management services provided by Mercialys' teams (see paragraph above concerning management, administrative and other activities income).

As a result, **EBITDA**[31] came to Euro 144.2 million in 2022, compared with Euro 144.7 million in 2021. The EBITDA margin came to 83.2% (vs. 84.0% at December 31, 2021).

5.3. Net financial items

The **net financial items** taken into account to calculate funds from operations (FFO) came to Euro 29.7 million at December 31, 2022, compared with Euro 32.8 million at December 31, 2021.

This amount does not take into account non-recurring items, such as hedging ineffectiveness, the banking default risk, bond redemption premiums and costs, proceeds from unwinding hedging products and exceptional amortization relating to the bond redemptions.

In February 2022, the Company carried out a bond issue for a nominal total of Euro 500 million, with a 7-year maturity and 2.5% coupon. Alongside this, Mercialys completed the early redemption of Euro 100 million of the bond issue due to mature in July 2027, with a 4.625% coupon and an initial nominal total of Euro 300 million. The Company also fully exercised its make-whole option for the early redemption of its bond maturing in March 2023 with a residual total of Euro 469.5 million.

In connection with this operation, premiums and additional amortization were recorded in the accounts at end-December 2022 as a result of the two bond redemptions. These impacts are presented in the detailed breakdown of net financial items below:

[31] Earnings before interest, tax, depreciation and amortization

The following table presents a breakdown of net financial items:

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022	Change (%)
Income from cash and cash equivalents *(a)*	**177**	**246**	+39.3%
Cost of debt taken out *(b)*	-36,872	-29,926	-18.8%
Impact of hedging instruments *(c)*	9,023	9,456	+4.8%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**-27,849**	**-20,471**	**-26.5%**
Exceptional amortization of costs relating to the early repayment of financial debt *(e)*	-759	-4,282	na
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**-28,607**	**-24,753**	**-13.5%**
Net finance costs *(g) = (a)+(f)* [32]	**-28,431**	**-24,507**	**-13.8%**
Cost of revolving credit facility and bilateral loans (undrawn) *(h)*	-3,165	-2,987	-5.6%
Other financial expenses *(i)*	-300	-327	+9.0%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-3,465**	**-3,314**	**-4.4%**
Costs on redemption operations and restructuring of debt and hedging instruments *(k)*	-2,788	-29,578	na
Other financial expenses *(l) = (j)+(k)*	**-6,253**	**-32,892**	**na**
Total financial expenses *(m) = (f)+(l)*	**-34,860**	**-57,645**	**na**
Income from associates	296	232	-21.6%
Other financial income	553	1,086	+96.3%
Other financial income *(n)*	**849**	**1,318**	**+55.2%**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**1,026**	**1,564**	**+52.5%**
NET FINANCIAL ITEMS = *(m)+(o)*	**-33,835**	**-56,083**	**+65.8%**

5.4. Funds from operations (FFO) and net income attributable to owners of the parent

5.4.1. Funds from operations (FFO)

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022	Change (%)
EBITDA	**144,687**	**144,229**	**-0.3%**
Net financial income (excluding non-recurring items [33])	-32,755	-29,659	-9.5%
Reversals of / (Allowance for) provisions	-997	-2,527	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-1,419	624	na
Tax expense	-848	-463	-45.4%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	3,583	3,680	+2.7%
Non-controlling interests (excluding capital gains, amortization and impairment)	-10,498	-10,360	-1.3%
FFO	**101,754**	**105,524**	**+3.7%**
FFO per share [34]	***1.10***	***1.13***	***+3.1%***

[32] In accordance with the conditions for calculation set by the covenants for the Company's bank lines, net finance costs do not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding hedging operations in connection with the bond debt

[33] Impact of hedging ineffectiveness, banking default risk, premiums, non-recurring amortization and costs relating to bond redemptions, proceeds and costs from unwinding hedging operations in connection with the bond debt

[34] Calculated based on the average undiluted number of shares (basic), i.e. 93,384,221 shares

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro +0.6 million (Euro -1.4 million at end-2021) and primarily include the impact of the ramping up of activities for Ocitô and Cap Cowork, as well as the reversals or allowances for provisions recorded.

The tax regime for French real estate investment trusts (SIIC) exempts them from paying tax on their income from real estate activities, provided that at least 95% of income from rental activities and 70% of gains on the disposal of real estate assets are distributed to shareholders. The tax expenses recorded by Mercialys therefore concern the corporate value-added tax (CVAE), corporate income tax on activities that do not fall under the SIIC regime and deferred taxes.

2022 recorded a **tax expense** taken into account to calculate funds from operations (FFO) of Euro -0.5 million, primarily comprising the CVAE corporate value-added tax and the deferred tax income recorded. At end-2021, the tax expense was Euro -0.8 million.

The **share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)** came to Euro 3.7 million at December 31, 2022, compared with Euro 3.6 million at December 31, 2021. The companies consolidated under the equity method in Mercialys' consolidated financial statements are SCI AMR (created in partnership with Amundi Immobilier in 2013 and in which Mercialys has a 25% stake), SNC Aix2 (in which Mercialys acquired a 50% stake in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (in which Mercialys has a 40% stake), and SAS Saint-Denis Génin (in which Mercialys has a 30% stake).

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro -10.4 million at December 31, 2022, compared with Euro -10.5 million at December 31, 2021. They are linked to the 49% stake held by BNP Paribas REIM France in the companies Hyperthetis Participations and Immosiris. As Mercialys retains exclusive control, these subsidiaries are fully consolidated.

In view of these items, **funds from operations (FFO)**[35] came to Euro 105.5 million (compared with Euro 101.8 million for 2021), up +3.7%. Considering the average number of shares (basic) at end-December, FFO represents Euro 1.13 per share at December 31, 2022, compared with Euro 1.10 per share at December 31, 2021, up +3.1%.

5.4.2. Net income attributable to owners of the parent

(In thousands of euros)	Dec 31, 2021	Dec 31, 2022	Change (%)
FFO	101,754	105,524	+3.7%
Depreciation and amortization	-39,157	-37,729	-3.6%
Other operating income and expenses	369	1,630	na
Hedging ineffectiveness, banking default risk and net impact of bond redemptions	-1,080	-26,671	na
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	296	339	+14.5%
Net income attributable to owners of the parent	**62,183**	**43,094**	**-30.7%**

Depreciation and amortization came to Euro -37.7 million in 2022, down -3.6% from 2021, linked primarily to the asset divestments completed over the period.

Other operating income and expenses not included in funds from operations (FFO) correspond notably to the net amount of capital gains on property disposals and provisions for impairment of assets.

[35] Funds from operations (FFO) correspond to net income before amortization, gains or losses on disposals net of associated fees, potential asset impairments and other non-recurring effects.

Other operating income came to Euro 87.7 million at December 31, 2022, compared with Euro 28.6 million at December 31, 2021. This amount mainly includes:

- income from the sale of the Annecy Seynod and Saint Etienne Monthieu hypermarkets for Euro 64.5 million and the Marseille Sainte-Anne and Marseille Croix-Rouge sites (Euro 9.9 million);
- income from the sale of geographically dispersed sites (Euro 12.2 million);
- reversals of impairments for investment properties (Euro 1.0 million).

Other operating expenses totaled Euro -86.1 million at December 31, 2022, compared with Euro -28.2 million at December 31, 2021. They correspond primarily to:

- the net book value of the assets sold (Euro -72.6 million);
- costs on asset disposals (Euro -5.7 million);
- provisions recorded for the impairment of investment properties (Euro -7.6 million).

On this basis, the amount of net capital gains recorded in the consolidated financial statements at December 31, 2022 for asset disposals came to Euro 8.3 million (vs. Euro 9.0 million for 2021). Capital gains from asset disposals completed in 2022 and available for distribution at 70% with the SIIC status totaled Euro 6.3 million.

Lastly, in 2022, Mercialys recorded various impacts for the refinancing operations presented in section 5.3 of this press release, including the redemption premiums for the bond issues due to mature in March 2023 and July 2027 and the exceptional amortization also resulting from these redemptions. These amounts, combined with the impact of the ineffectiveness of swaps, the banking default risk and the net proceeds and costs linked to unwinding hedging operations in connection with the bond debt, represent a total of Euro 26.7 million.

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 43.1 million for 2022, compared with Euro 62.2 million for 2021.

5.5. Financial structure

5.5.1. Debt cost and structure

At December 31, 2022, Mercialys' **drawn debt** totaled Euro 1,262 million, with the following breakdown:

- a bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- a bond issue for an outstanding nominal amount of Euro 200 million, with a fixed coupon of 4.625%, maturing in July 2027;
- a private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.00%, maturing in November 2027;
- a bond issue for a nominal amount of Euro 500 million, with a fixed coupon of 2.50%, maturing in February 2029;
- Euro 112 million of outstanding commercial paper, with a slightly negative average rate.

Cash and cash equivalents came to Euro 216.1 million at December 31, 2022, compared with Euro 257.1 million at December 31, 2021. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- net cash flow from operating activities during the period: Euro +150.1 million;
- cash receipts / payments related to disposals / acquisitions of assets completed in 2022: Euro +59.0 million;
- dividend payments to parent company shareholders and non-controlling interests: Euro -91.5 million;

- issues and repayment of borrowings net of the change in outstanding commercial paper: Euro -125.4 million;
- net interest paid: Euro -31.5 million.

Net financial debt came to Euro 1,040.2 million at December 31, 2022, compared with Euro 1,101.5 million at December 31, 2021.

The **real average cost of drawn debt** at December 31, 2022 was 2.0%[36], compared with 1.7% at end-June 2022 and 2.0% at end-December 2021. This change in 2022 primarily reflects the impact of the refinancing operation carried out in the first quarter, and the limited impact of the increase in interest rates during the second half of the year (see section 5.3).

In 2022, in a context of interest rates rising sharply, Mercialys considerably strengthened **its debt hedging**. On the one hand, additional hedging positions were set up initially during the first quarter of 2022 in connection with the refinancing operation, and then in the third quarter. On the other hand, Mercialys unwound fixed/floating rate swaps ahead of schedule that had been initially backed against the bond maturing in March 2023, which was subject to an early redemption in 2022.
As a result of these operations, the hedged or fixed-rate debt position (including commercial paper) represented 100% at end-December 2022, compared with 87% at end-June 2022 and 86% at end-December 2021. At end-2023, the debt hedging rate is projected at 96%.

5.5.2. Debt maturity and liquidity

Through the refinancing operation carried out during the first quarter of 2022 (see section 5.3), the **average maturity of drawn debt**, including commercial paper, was significantly extended, up to 4.5 years at end-December 2022, compared with 3.2 years at December 31, 2021.

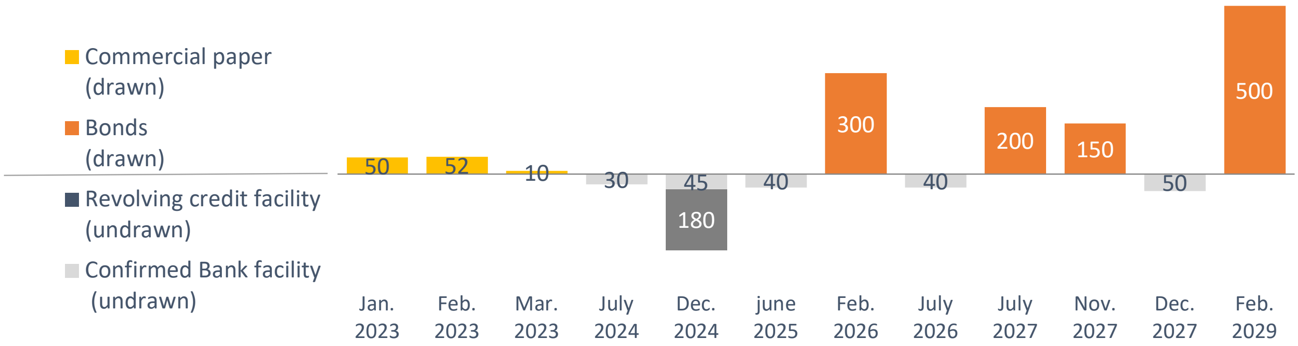
Mercialys also has Euro 385 million of **undrawn financial resources**, enabling it to benefit from a satisfactory level of liquidity:

- a Euro 180 million revolving bank credit facility, due in December 2024. The Euribor margin is 125 basis points (for a BBB rating); if undrawn, this facility is subject to payment of a non-use fee representing 40% of the margin;
- five bilateral confirmed bank facilities for a total of Euro 205 million, maturing between July 2024 and December 2027. The Euribor margins are 150 basis points or lower (for a BBB rating) or fixed rate; if undrawn, these facilities are subject to payment of a non-use fee representing up to 40% of the margins;

Lastly, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012, with Euro 112 million used (outstanding at December 31, 2022).

The following chart presents Mercialys' **drawn and undrawn debt maturity schedule** (in millions of euros) at December 31, 2022:

[36] This rate does not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding hedging operations in connection with the bond debt



5.5.3. Bank covenants and credit rating

Mercialys' financial position at December 31, 2022 satisfied all the various covenants included in the different credit agreements.

The **loan to value (LTV) ratio excluding transfer taxes** came to 35.3% at end-December 2022, compared with 36.7% at end-December 2021 and 36.6% at end-June 2022, well below the contractual covenants. An LTV covenant of less than 55% applies to 71% of the confirmed bank lines, with an LTV covenant of less than 50% for the other 29% of these facilities. The Company has once again strengthened its financial structure.

The LTV including transfer taxes was 33.0% at end-December 2022, compared with 34.3% at June 30, 2022 and 34.4% at end-December 2021.

	Dec 31, 2021	Dec 31, 2022
Net financial debt (in millions of euros)	1,101.5	1,040.2
Appraisal value excluding transfer taxes (in millions of euros)[37]	3,000.9	2,949.6
Loan to value (LTV) - excluding transfer taxes	**36.7%**	**35.3%**

Similarly, the interest coverage ratio (ICR) was 5.9x at end-December 2022, significantly higher than the contractual covenant (ICR > 2x), compared with 5.1x at end-December 2021 and 6.1x at end-June 2022.

	Dec 31, 2021	Dec 31, 2022
EBITDA (in millions of euros)	144.7	144.2
Net finance costs (in millions of euros)[38]	-28.2	-24.5
Interest coverage ratio (ICR)	**5.1x**	**5.9x**

The two other contractual covenants are also met:

- the **fair value of assets excluding transfer taxes** at December 31, 2022 was Euro 2.9 billion, above the contractual covenant minimum, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion;
- zero **pledged debt** at December 31, 2022, below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%.

[37] Including the market value of investments in associates for Euro 52.7 million for 2022 and Euro 55.8 million for 2021, since the value of the portfolio held by associates is not included in the appraisal value

[38] In accordance with the conditions for calculation set by the covenants for the Company's bank lines, net finance costs do not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding hedging operations in connection with the bond debt

On June 8, 2022 and October 27, 2022, Standard & Poor's confirmed its **BBB / stable outlook rating** for Mercialys.

5.6. Equity and ownership structure

Consolidated equity totaled Euro 930.4 million at December 31, 2022, compared with Euro 945.1 million at December 31, 2021.

The main changes that affected consolidated equity during the year were as follows:

- net income for 2022: Euro +51.8 million;
- payment of the 2021 dividend of Euro 0.92 per share and dividends paid to non-controlling interests: Euro -91.5 million;
- transactions on treasury shares: Euro +0.3 million;
- change in fair value of financial assets and derivatives: Euro +24.7 million.

The **number of outstanding shares** at December 31, 2022 was 93,886,501, unchanged since December 31, 2021.

	2020	2021	2022
Number of shares outstanding			
- At start of period	92,049,169	92,049,169	93,886,501
- At end of period	92,049,169	93,886,501	93,886,501
Average number of shares outstanding	92,049,169	93,179,835	93,886,501
Average number of shares (basic)	**91,532,357**	**92,839,729**	**93,384 221**
Average number of shares (diluted)	**91,532,357**	**92,839,729**	**93,384 221**

At December 31, 2022, Mercialys' shareholding structure had the following breakdown: treasury stock (0.68%), other shareholders (99.32%).
No shareholder has declared to the AMF a stake exceeding 5% in terms of capital or voting rights. However, Cohen & Steers group with parent Cohen & Steers, Inc. held 5,715,094 shares (including a stake as third-party asset manager) at December 31, 2022, i.e. 6.1% of the capital, and 3,404,145 voting rights under the specific stake of Cohen & Steers group with parent Cohen & Steers, Inc.

5.7. Dividends

Mercialys' Board of Directors will submit a proposal at the General Meeting on April 27, 2023 for a dividend of **Euro 0.96 per share**, compared with Euro 0.92 per share for 2021. The payout corresponds to 85% of 2022 FFO and offers a yield of 4.6% on the NDV of Euro 20.94 per share at end-2022 and 9.8% on the year's closing price.

This proposed dividend is based on the distribution requirement with the SIIC tax status concerning exempt profits from:

- property rental or sub-letting operations (including dividends paid by the subsidiaries subject to the SIIC system), i.e. Euro 0.71 per share;
- the distribution based on 70% of exempt profits for 2022 from the disposal of properties and investments in real estate companies, i.e. Euro 0.05 per share;
- the distribution of exempt income recorded on the Company's balance sheet for Euro 0.20 per share.

The ex-dividend date is May 2, 2023, with the dividend to be paid on May 4, 2023.

6. Changes in scope and valuation of the asset portfolio

6.1. Asset acquisitions

Acquisitions are presented in section III (page 8 and following) of this press release.

6.2. Completion of extension or requalification projects

Project completions are presented in section III (page 8 and following) of this press release.

6.3. Asset disposals

Disposals are presented in section III (page 8 and following) of this press release.

6.4. Appraisal valuations and changes in scope

Mercialys' property portfolio is appraised twice yearly by independent experts.

At December 31, 2022, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 35 sites at December 31, 2022, based on an *on-site* inspection of 12 sites during the second half of 2022 and an update of the June 30, 2022 appraisals for the other sites;
- Catella Valuation conducted the appraisal of 13 sites at December 31, 2022, based on an update of the appraisals carried out at June 30, 2022;
- Cushman & Wakefield conducted the appraisal of nine sites at December 31, 2022, based on an update of the appraisals carried out at June 30, 2022. Nine on-site inspections were carried out during the first half of 2022;
- CBRE conducted the appraisal of one site at December 31, 2022, based on an update of the appraisal carried out at June 30, 2022. One on-site inspection was carried out during the first half of 2022;
- Galtier performed the appraisal for Mercialys' remaining sites, i.e. two sites, at December 31, 2022, based on an update of the appraisals carried out at June 30, 2022.

On this basis, the **portfolio value** was Euro 3,091.2 million including transfer taxes at December 31, 2022, compared with Euro 3,138.2 million at December 31, 2021. Excluding transfer taxes, this value was Euro 2,896.9 million at end-2022, compared with Euro 2,945.1 million at end-2021.

The portfolio value including transfer taxes is therefore down -1.5% over 12 months (+0.9% like-for-like[39]) and -1.0% over six months (-0.8% like-for-like). The change in the portfolio value excluding transfer taxes is consistent with the same proportions (-0.9% over 6 months and +0.8% over 12 months like-for-like).

[39] Sites on a constant scope and a constant surface area basis

The **average appraisal yield rate** was 5.75% at December 31, 2022, compared with 5.71% at June 30, 2022 and 5.71% at December 31, 2021.

Type of property	Average yield rate Dec 31, 2021	Average yield rate Jun 30, 2022	Average yield rate Dec 31, 2022
Regional and large shopping centers	5.43%	5.43%	5.46%
Neighborhood shopping centers	7.33%	7.30%	7.36%
Total portfolio [40]	**5.71%**	**5.71%**	**5.75%**

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at December 31, 2022, as well as the corresponding appraised rental income:

Type of property	Number of assets Dec 31, 2022	Appraisal value (excl. transfer taxes) Dec 31, 2022		Appraisal value (incl. transfer taxes) Dec 31, 2022		Gross leasable area Dec 31, 2022		Appraised potential net rental income	
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,450.7	84.6%	2,613.6	84.6%	604,891	77.8%	142.8	80.4%
Neighborhood shopping centers	23	432.0	14.9%	462.3	15.0%	167,445	21.5%	34.0	19.2%
Subtotal	**48**	**2,882.6**	**99.5%**	**3,075.9**	**99.5%**	**772,336**	**99.4%**	**176.8**	**99.6%**
Other sites[40]	3	14.3	0.5%	15.3	0.5%	4,918	0.6%	0.8	0.4%
Total	**51**	**2,896.9**	**100%**	**3,091.2**	**100%**	**777,254**	**100%**	**177.6**	**100%**

7. Outlook

Mercialys has set the following objectives for 2023:

- Growth in funds from operations (FFO) per share to reach at least +2% vs. 2022;
- Dividend to range from 85% to 95% of 2023 FFO.

8. Subsequent events

There are no significant post-balance sheet events to report.

[40] Including other assets (independent cafeterias and other standalone units).

9. EPRA performance measurements

Mercialys applies the EPRA[41] recommendations for the indicators provided below. EPRA is the representative organization for listed real estate companies in Europe and issues recommendations on performance indicators to improve the comparability of financial statements published by the various companies.
In its half-year financial report and its Universal Registration Document, Mercialys publishes all the EPRA indicators defined by the Best Practices Recommendations, which can be found on EPRA's website. The following table summarizes the EPRA indicators at end-December 2022, end-June 2022 and end-December 2021:

	Dec 31, 2021	Jun 30, 2022	Dec 31, 2022
EPRA earnings (€ per share)	1.10	0.61	1.13
EPRA NRV (€ per share)	20.51	20.35	20.54
EPRA NTA (€ per share)	18.39	18.24	18.42
EPRA NDV (€ per share)	17.60	19.65	20.94
EPRA net initial yield (%)	5.24%	5.26%	5.29%
EPRA topped-up net initial yield (%)	5.32%	5.34%	5.38%
EPRA vacancy rate (%)	4.9%	4.4%	4.4%
EPRA cost ratio - including direct vacancy costs (%)	18.5%	14.8%	18.7%
EPRA cost ratio - excluding direct vacancy costs (%)	16.6%	13.0%	16.7%
EPRA capital expenditure (€m)	15.9	8.8	24.0
EPRA LTV excluding transfer taxes (%)	na	na	37.3%
EPRA LTV including transfer taxes (%)	na	na	35.0%

9.1. EPRA earnings and earnings per share

The following table shows the relationship between net income attributable to owners of the parent and earnings per share as defined by EPRA:

(In millions of euros)	**Dec 31, 2021**	**Jun 30, 2022**	**Dec 31, 2022**
Net income attributable to owners of the parent	**62.2**	**12.6**	**43.1**
Share of net income from associates and joint ventures and non-controlling interests (amortization, depreciation and capital gains)	-0.3	-0.1	-0.3
Hedging ineffectiveness, banking default risk and net impact of bond redemptions	1.1	26.0	26.7
Other operating income and expenses	-0.4	0.4	-1.6
Depreciation and amortization	39.2	18.6	37.7
EPRA earnings	**101.8**	**57.5**	**105.5**
Average number of shares (basic)	92,839,729	93,570,578	93,384 221
EPRA earnings per share (€)	**1.10**	**0.61**	**1.13**

The calculation of the funds from operations (FFO) reported by Mercialys is identical to that for the EPRA earnings. There are no adjustments to be made between these two indicators.

[41] European Public Real Estate Association

9.2. EPRA net asset value (NRV, NTA, NDV)

(In millions of euros)	Dec 31, 2021 EPRA NRV	 EPRA NTA	 EPRA NDV
IFRS equity attributable to shareholders	**743.1**	**743.1**	**743.1**
Includes [42] / Excludes [43]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**743.1**	**743.1**	**743.1**
Includes[42]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	957.5	957.5	957.5
ii.b) Revaluation of IPUC [44] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [45]	17.9	17.9	17.9
iii) Revaluation of tenant leases held as finance leases [46]	0.0	0.0	0.0
iv) Revaluation of trading properties [47]	2.1	2.1	2.1
EPRA diluted NAV at fair value	**1,720.6**	**1,720.6**	**1,720.6**
Excludes[43]:			
v) Deferred tax in relation to fair value gains of IP [48]	0.0	0.0	
vi) Fair value of financial instruments	2.2	2.2	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-5.0	
Includes[42]:			
ix) Fair value of fixed interest rate debt			-76.5
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [49]	193.1	0.0	
NAV	**1,916.0**	**1,717.8**	**1,644.1**
Fully diluted number of shares at end of period	93,394,908	93,394,908	93,394,908
NAV per share (in euros)	**20.51**	**18.39**	**17.60**

[42] "Include" indicates that an asset (whether on or off-balance sheet) should be added to shareholders' equity, whereas a liability should be deducted
[43] "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back
[44] Difference between development property held on the balance sheet at cost and fair value of that development property
[45] Revaluation of intangibles to be presented under adjustment (x) Revaluation of intangibles to fair value and not under this line
[46] Difference between finance lease receivables held on the balance sheet at amortized cost and the fair value of those finance lease receivables
[47] Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties
[48] Deferred tax adjustments are presented on page 15 of the EPRA Best Practices Recommendations Guidelines
[49] Real estate transfer tax adjustments are presented on page 17 of the EPRA Best Practices Recommendations Guidelines

(In millions of euros)	Jun 30, 2022 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**685.7**	**685.7**	**685.7**
Includes[50] / Excludes[51]:			
i) Hybrid instruments	0	0	0
Diluted EPRA NAV	**685.7**	**685.7**	**685.7**
Includes [44]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,017.2	1,017.2	1,017.2
ii.b) Revaluation of IPUC[52] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [53]	19.1	19.1	19.1
iii) Revaluation of tenant leases held as finance leases [54]	0.0	0.0	0.0
iv) Revaluation of trading properties [55]	0.2	0.2	0.2
EPRA diluted NAV at fair value	**1,722.3**	**1,722.3**	**1,722.3**
Excludes [45]:			
v) Deferred tax in relation to fair value gains of IP [56]	0.0	0.0	
vi) Fair value of financial instruments	-14.6	-14.6	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-4.2	
Includes [44]:			
ix) Fair value of fixed interest rate debt			112.3
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [57]	192.6	0.0	
NAV	**1,900.2**	**1,703.2**	**1,834.6**
Fully diluted number of shares at end of period	93,369,700	93,369,700	93,369,700
NAV per share (in euros)	**20.35**	**18.24**	**19.65**

50 "Include" indicates that an asset (whether on or off-balance sheet) should be added to shareholders' equity, whereas a liability should be deducted
51 "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back
52 Difference between development property held on the balance sheet at cost and fair value of that development property
53 Revaluation of intangibles to be presented under adjustment (x) Revaluation of intangibles to fair value and not under this line
54 Difference between finance lease receivables held on the balance sheet at amortized cost and the fair value of those finance lease receivables
55 Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties
56 Deferred tax adjustments are presented on page 15 of the EPRA Best Practices Recommendations Guidelines
57 Real estate transfer tax adjustments are presented on page 17 of the EPRA Best Practices Recommendations Guidelines

(In millions of euros)	Dec 31, 2022 EPRA NRV	 EPRA NTA	 EPRA NDV
IFRS equity attributable to shareholders	**725.1**	**725.1**	**725.1**
Includes[58] / Excludes[59]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**725.1**	**725.1**	**725.1**
Includes[42]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,005.6	1,005.6	1,005.6
ii.b) Revaluation of IPUC [60] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [61]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases [62]	0.0	0.0	0.0
iv) Revaluation of trading properties [63]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,748.2**	**1,748.2**	**1,748.2**
Excludes[43]:			
v) Deferred tax in relation to fair value gains of IP [64]	0.0	0.0	
vi) Fair value of financial instruments	-26.1	-26.1	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-3.4	
Includes[42]:			
ix) Fair value of fixed interest rate debt			205.2
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [65]	194.2	0,0	
NAV	**1,916.4**	**1,718.7**	**1,953.4**
Fully diluted number of shares at end of period	93,286,271	93,286,271	93,286,271
NAV per share (in euros)	**20.54**	**18.42**	**20.94**

[58] "Include" indicates that an asset (whether on or off-balance sheet) should be added to shareholders' equity, whereas a liability should be deducted
[59] "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back
[60] Difference between development property held on the balance sheet at cost and fair value of that development property
[61] Revaluation of intangibles to be presented under adjustment (x) Revaluation of intangibles to fair value and not under this line
[62] Difference between finance lease receivables held on the balance sheet at amortized cost and the fair value of those finance lease receivables
[63] Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties
[64] Deferred tax adjustments are presented on page 15 of the EPRA Best Practices Recommendations Guidelines
[65] Real estate transfer tax adjustments are presented on page 17 of the EPRA Best Practices Recommendations Guidelines

9.3. EPRA Net Initial Yield and EPRA "topped-up" Net Initial Yield

The following table presents the transition between the yield rate reported by Mercialys and the yield rates defined by EPRA:

(In millions of euros)	Dec 31, 2021	Jun 30, 2022	Dec 31, 2022
Investment property – wholly owned	2,945.1	2,930.2	2,896.9
Assets under development (-)	0.0	0.0	0.0
Completed property portfolio excluding transfer taxes	**2,945.1**	**2,930.2**	**2,896.9**
Transfer taxes	193.1	192.6	194.2
Completed property portfolio including transfer taxes	**3,138.2**	**3,122.8**	**3,091.2**
Annualized rental revenues [66]	171.2	171.2	170.9
Non-recoverable expenses (-)	-6.8	-6.8	-7.3
Annualized net rents	**164.4**	**164.4**	**163.6**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	2.5	2.5	2.7
Topped-up net annualized rent	**166.9**	**166.9**	**166.4**
EPRA Net Initial Yield	**5.24%**	**5.26%**	**5.29%**
EPRA "Topped-up" Net Initial Yield	**5.32%**	**5.34%**	**5.38%**

9.4. EPRA vacancy rate

The vacancy rate is calculated based on: rental value of vacant units / (annualized minimum guaranteed rent on occupied units + rental value of vacant units).

The EPRA vacancy rate was 4.4% at end-December 2022, which is stable compared with the level from end-June 2022 and shows an improvement compared with end-December 2021 (4.9%). "Strategic" vacancies following decisions to facilitate extension or redevelopment plans represent 150bps within this vacancy rate.

(In millions of euros)	Dec 31, 2021	Jun 30, 2022	Dec 31, 2022
Rental value of vacant units	8.7	7.8	7.9
Rental value of the entire portfolio	178.6	176.7	177.3
EPRA vacancy rate	**4.9%**	**4.4%**	**4.4%**

[66] In 2021, annualized rental revenues included a normalized view of the Casual Leasing business, as observed in 2019, with this business exceptionally affected by the health crisis.

9.5. EPRA cost ratios

(In millions of euros)	Dec 31, 2021	Jun 30, 2022	Dec 31, 2022	Comments
Administrative and operating expense line per IFRS income statement	-19.7	-11.4	-25.0	Personnel expenses and other costs
Net service charge costs / fees	-6.8	-4.4	-7.3	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	-2.1	-1.6	-3.0	Rental management fees
Other income and expenses	-3.3	4.5	2.9	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	0.0	
Total	**-31.9**	**-12.8**	**-32.3**	
Adjustments to calculate the EPRA cost ratio exclude (if included above):				
- Depreciation and amortization	0.0	0.0	0.0	Depreciation and provisions for fixed assets
- Ground rent costs	0.0	0.0	0.0	Non-group rents paid
- Service charges recovered through comprehensive invoicing (with rent)	0.0	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-31.9**	**-12.8**	**-32.3**	**A**
Direct vacancy costs [67]	**3.3**	**1.6**	**3.4**	
EPRA costs (excluding vacancy costs) (B)	**-28.6**	**-11.2**	**-28.9**	**B**
Gross rental revenues less ground rent costs [68]	172.2	86.5	173.3	Less costs relating to construction leases and long-term ground leases
Less: service fee and service charge cost components of gross rental revenues	0.0	0.0	0.0	
Plus: share of joint ventures' gross rental revenues (less ground rent costs)	0.0	0.0	0.0	
Rental revenues (C)	**172.2**	**86.5**	**173.3**	**C**
EPRA cost ratio including direct vacancy costs	**-18.5%**	**-14.8%**	**-18.7%**	**A / C**
EPRA cost ratio excluding direct vacancy costs	**-16.6%**	**-13.0%**	**-16.7%**	**B / C**

[67] The EPRA cost ratio deducts all vacancy costs for assets undergoing development / refurbishment if they have been expensed. The costs that can be excluded are property taxes, service charges, contributions to marketing costs, insurance premiums, carbon tax, and any other costs directly related to the property.
[68] Gross rental revenues should be calculated after deducting any ground rent payable. All service charges, management fees and other income in respect of property expenses must be added and not deducted. If the rent includes service charges, these should be restated to exclude them. Tenant incentives may be deducted from rental income, whereas any other costs should be recognized in line with IFRS requirements.

9.6. EPRA capital expenditure

The following table presents the property-related capital expenditure for the period:

(In millions of euros)	Dec 31, 2021			Jun 30, 2022			Dec 31, 2022		
	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total
Acquisitions	1.5	0	1.5	3.2	0	3.2	9.4	0	9.4
Developments	2.8	0	2.8	0.2	0	0.2	0.4	0	0.4
Investment property	9.4	0	9.4	4.3	0	4.3	12.3	0	12.3
Incremental lettable space	*2.0*	*0*	*2.0*	*0.7*	*0*	*0.7*	*5.2*	*0*	*5.2*
No incremental lettable space	*4.1*	*0*	*4.1*	*2.5*	*0*	*2.5*	*5.1*	*0*	*5.1*
Tenant incentives	*1.2*	*0*	*1.2*	*0.1*	*0*	*0.1*	*1.6*	*0*	*1.6*
Other material non-allocated types of expenditure	*2.0*	*0*	*2.0*	*0.9*	*0*	*0.9*	*0.5*	*0*	*0.5*
Capitalized interest (if applicable)	1.8	0	1.8	0.8	0	0.8	0.9	0	0.9
Total Capex	**15.5**	**0**	**15.5**	**8.5**	**0**	**8.5**	**23.0**	**0**	**23.0**
Conversion from accrual to cash basis	0.4	0	0.4	0.3	0	0.3	1.0	0	1.0
Total Capex on cash basis	**15.9**	**0**	**15.9**	**8.8**	**0**	**8.8**	**24.0**	**0**	**24.0**

The **acquisitions** include the acquisition of a 70% interest in SCI Rennes-Anglet for Euro 4.9 million including transfer taxes. Mercialys previously held 30% of this company's capital.

Capital expenditure relating to **investment property** includes:

- under "incremental lettable space", primarily work relating to the traditional project portfolio (shopping center transformations, mixed-use urban projects);
- under "no incremental lettable space", primarily maintenance capex;
- under "other material non-allocated types of expenditure", expenditure relating to the Company's IT, its marketing and digital ecosystem, and its CSR approach.

9.7. EPRA LTV

The following table details the loan-to-value (LTV) ratio, as determined by EPRA. This ndicator differs from the calculation established by the Company, as presented above, which also represents the reference of the different bank covenants.

(In millions of euros)		Group	Share of joint-ventures	Non-controlling interests	Total
Include	Borrowing from financial institutions	-	40.7	0.6	41.2
	Commercial paper	112.0	-		112.0
	Hybrids	-	-		-
	Bond loans	1,144.2	-		1,144.2
	Foreign currency derivatives (futures, swaps, options and forwards)	-21.0	-		-21.0
	Net payables				-
	Owner-occupied property (debt)				-
	Current accounts (equity characteristic)				-
Exclude	Cash and cash equivalent	-216.0	-4.2	11.3	-208.9
Total net debt (a)					**1,067.6**
Include	Owner-occupied property	-	-		-
	Investment properties at fair value	2,896.9	95.0	-173.0	2,818.9
	Properties held for sale				-
	Properties under development	-	-		-
	Intangibles	3.4			3.4
	Net receivables	18.7	-0.0	-1.6	17.1
	Financial assets	26.1	-4.6		21.4
Total property value (b)					**2,860.8**
	LTV excluding transfert taxes (a) / (b)				**37.3%**
	Transfer taxes (c)	194.2	6.7	-12.0	189.0
	LTV including transfer taxes (a) / (b) + (c)				**35.0%**