MERCIALYS

PRESS RELEASE
Paris, July 26, 2023

2023 first-half results

- In a particularly challenging environment, Mercialys once again showed the resilience of its business model and is reporting results that are in line with its full-year objectives.
- Household consumption remained positive during the first half of the year (+0.2%) despite the gradual phasing out of the government measures to support purchasing power and a certain number of adverse events which weighed on retail trends in France (demonstrations against the proposed pension reforms, temporary blockade of certain fuel depots, inflation peak, particularly for food products, riots, deferral of the summer sales period).
- **Retailer sales** for the first half of the year came to +3.5% compared with the first half of 2022. Shopping center **footfall** is up +2.3% from end-June 2022. These optimized trips by consumers are reflected in a regular increase in the average basket (+5.8% per year on average between 2018 and 2022).
- The average **occupancy cost ratio** for tenant retailers was 10.9% for the first half of 2023, down slightly from the end of 2022 (11.1%) factoring in the change in the retail mix. This level illustrates the sustainability of rents for retailers and the attractive positioning of Mercialys' sites despite an indexation effect of +3.8% and a rental reversion rate of +1.1%.
- The increase in the current **financial vacancy rate** remained effectively under control, up from 2.9% at end-2022 to 3.3% at end-June 2023, linked primarily to the retailer Camaïeu going into liquidation. To date, nearly 60% of the rents corresponding to this brand have been relet. Excluding the impact linked to Camaïeu, the current financial vacancy rate would be virtually stable for the first half of the year.
- **Invoiced rents** are up +2.1%, with **+4.2% like-for-like**.
- **Recurrent earnings (FFO)** at end-June 2023 **are stable compared with the first half of 2022 at Euro 57.5 million.** The basis for comparison at June 30, 2022 incorporated various elements relating to the health crisis representing Euro +5.7 million of net income. FFO at end-June 2023 includes a non-significant amount of net income in relation to this for Euro +0.4 million. On a basis restated for the non-recurring impacts linked to the health crisis, with these impacts to fade in 2023, **FFO at end-June 2023 shows an increase of +10.3%**.
- The increase in appraisal yield rates to 6.21% (vs. 5.75% at end-December 2022) resulted in a contraction in the portfolio value to Euro 2,987 billion including transfer taxes, down -3.4% like-for-like versus December 31, 2022. The average appraisal yield rate shows a significant spread of nearly 330bp above the risk-free rate (10-year OAT) at end-June.
- The **LTV ratio** came to 36.1%, reflecting a solid balance sheet structure and enabling the Company to capitalize on opportunities for growth.
- **2023 objectives:** Following the solid performance levels achieved over the first half of the year, Mercialys is able to confirm its objectives for recurrent earnings (FFO) per share growth of at least +2.0% versus 2022 and a dividend ranging from 85% to 95% of 2023 FFO.

	June 30, 2022	June 30, 2023	Change (%)
Organic growth in invoiced rents including indexation	+5.3%	+4.2%	-
EBITDA (€m)	75.3	72.3	-3.9%
EBITDA margin	87.0%	82.0%	-
Recurrent earnings, FFO (€m)	**57.5**	**57.5**	**+0.0%**
ICR (EBITDA / net finance costs)	6.1x	5.2x	-
LTV (excluding transfer taxes)	36.6%	38.6%	-
LTV (including transfer taxes)	34.3%	36.1%	-
Portfolio value including transfer taxes (€m)	3,122.8	2,987.0	-4.2% [1]
EPRA NRV (€/share)	20.35	19.03	-6.5%
EPRA NDV (€/share)	19.65	18.80	-4.3%

[1] Like-for-like change

I. Solid results, built around a resilient asset portfolio

The first half of 2023 was widely marked by various elements linked to the macroeconomic environment. Inflation began to cool in May (+5.1%) and June (+4.5%), down from a high of +6.3% in February[2]. However, food inflation continues to be high (+13.7% at end-June), weighing on household purchasing power in the short term and indirectly affecting their plans to make purchases.
According to an Odoxa survey from April 2023, the index for confidence in the future is down to an all-time low, reflected in consumers making tradeoffs at the expense of discretionary spending, as well as switches within categories to cheaper products.

In this environment, Mercialys' positioning is even more relevant, built around the accessibility of its offering, with a retail mix that is designed to satisfy consumers' day-to-day needs.

These changes can be seen in retail trends in France during the first half of the year, particularly with contrasting changes in household consumption (-0.8% in March and April and +0.5% in May) according to INSEE. Nevertheless, it is expected to remain stable over the full year in 2023 according to Banque de France. Specifically, French households are benefiting from resources derived from the surplus savings built up during the health crisis in 2020-2021 and are not being affected by the increase in interest rates in terms of their mortgages as the vast majority are based on fixed rates.

In this context, shopping center footfall levels and retailer sales[3] performed well, highlighting the resilience of Mercialys' model focused on satisfying essential needs at affordable prices for as many people as possible.

Total footfall across Mercialys' sites for the first half of 2023 is down -2.0% versus the same period in 2022, compared with a +3.7% increase for the Quantaflow national index.
This performance masks a significant differential between the footfall in Mercialys' shopping centers, which recorded growth of +2.3%, and the performance by the hypermarkets anchoring these sites, where footfall contracted sharply by -8.9%.
This marked decorrelation illustrates clients' different retail journeys, with the centers benefiting from their specific attractive features (diverse selection of retailers, number, price positioning, etc.).

The robust trend - excluding hypermarkets - is also reflected in the **sales** recorded by tenant retailers, up +3.5% for the first half of 2023. At end-May 2023, retailer sales growth came to +3.4%, while the national panel (FACT) increased by +5.2%.

The differential in favor of the national panel is linked primarily to a stronger upturn, within the national panel, for large shopping centers, which had been affected by the requirement for vaccine passes in restaurants through to the end of the first quarter of 2022.

Over the last five years, the average basket for clients across Mercialys' scope increased by nearly +25% (+5.8% per year on average), illustrating the attractive retail mix offered on the one hand and, on the other hand, the more efficient shopping trips made, which are prepared beforehand, and lastly, following a more recent development, the impact of inflation.

---

[2] INSEE
[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.

Based on these resilient foundations, which highlight the deep anchoring of physical retail in day-to-day life for French consumers, Mercialys achieved solid results.

The **occupancy cost ratio**[4] remained at a very sustainable level of 10.9% at end-June 2023, compared with 10.7% at June 30, 2022 and 11.1% at December 31, 2022. The slight drop in this indicator compared with end-2022 factors in the change in the retail mix, reflecting the Company's rental policy aimed at maintaining its sites' leading positions through an adapted offering, while ensuring the continued accessibility and sustainability of rents.

The **current financial vacancy rate**[5] - which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans – was 3.3% for the first half of 2023, up from the 2.9% recorded at end-June 2022 and December 31, 2022 in line with the expectations published in February 2023, after the retailer Camaïeu went into liquidation.
This retailer represented 0.9% of Mercialys rental base. At end-June, seven stores had been relet, representing more than 45% of the rents concerned, alongside outline agreements signed on two stores (i.e. 15% of the rents). Positive reversion of +9% was achieved on this combined scope.
Excluding the vacancies linked to Camaïeu, with their impact representing 30bp, the current financial vacancy rate would be virtually stable at end-June 2023.

The robust letting performance is illustrated by the 65 leases signed for renewals or relettings during the first half of 2023. The reversion rate associated with these negotiations was +1.1%.

Mercialys' strategy to further strengthen the affordable retail mix for visitors was illustrated for instance by the leases signed during the first half of the year with Rituals (health/beauty) in the Brest, Nîmes and Angers shopping centers, as well as Primaprix (clearance) at Paris Massena, Comptoir de Mathilde (delicatessen) in Quimper and Annecy, Darty in Angers and several local retailers in Nîmes and Montpellier.

Invoiced rents came to Euro 87.9 million, up +2.1% on a current basis and +4.2% like-for-like. These changes reflect the following elements:

	Year to end-June 2022		Year to end-June 2023	
Indexation	+1.9 pp	+€1.6m	+3.8 pp	+€3.2m
Contribution by Casual Leasing	+1.6 pp	+€1.3m	-0.2 pp	-€0.2m
Contribution by variable rents	+0.1 pp	+€0.1m	+1.7 pp	+€1.4m
Actions carried out on the portfolio	+0.3 pp	+€0.2m	-1.5 pp	-€1.3m
Accounting impact of "Covid-19 rent relief" granted to retailers	+1.4 pp	+€1.1m	+0.5 pp	+€0.4m
Like-for-like growth	**+5.3 pp**	**+€4.4m**	**+4.2 pp**	**+€3.6m**
Asset acquisition and sales	-2.0 pp	-€1.6m	-2.0 pp	-€1.7m
Other effects	-0.1 pp	-€0.1m	-0.1 pp	-€0.1m
Growth (current basis)	**+3.2 pp**	**+€2.7m**	**+2.1 pp**	**+€1.8m**

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

Organic growth[6] in rental income for the first half of 2023 came to **+4.2%**, including an indexation effect of +3.8%.
Faced with the context of persistent inflation, the capping of indexation for SMEs set by a law adopted in August 2022 was extended through to March 31, 2024 by a new law introduced in June 2023. This measure is expected to concern around 25% of Mercialys' rental base. Taking into account the requests from the tenants concerned, the impact of this cap reduced the indexation effect published by around -10bp for the first half of 2023.

The actions carried out on the portfolio had a Euro -1.3 million impact on organic growth, linked in particular to the impact of financial vacancies. However, the good performance levels achieved with lettings are expected to support organic growth over the medium term. Similarly, the contribution by variable rents is up Euro +1.4 million, contributing +1.7 points to organic growth over the period, which also reflects the good level of business for tenants.

The scope effects had a Euro -1.7 million impact on first-half rental income, linked primarily to the impact of the sales completed in April 2022 (Géant Casino hypermarkets in Annecy Seynod and Saint-Etienne Monthieu) and December 2022 (Marseille Sainte-Anne and Marseille Croix-Rouge centers).

Rental revenues totaled Euro 88.2 million, up +2.0% from the first half of 2022, reflecting the growth in invoiced rents.

Net rental income is down -2.9% to Euro 82.6 million. The first half of 2022 benefited from Euro +5.7 million of net income for various impacts relating to the health crisis: a non-recurring positive effect linked to reversals of provisions for arrears recorded for 2020-2021 for a total of Euro +6.6 million and, alongside this, a Euro -0.8 million expense resulting from rent relief. However, at end-June 2023, the impact relating to this exceptional situation was very limited, representing Euro +0.4 million, split between a Euro -0.4 million expense relating to relief on the rent billed and a reversal of provisions relating to the arrears resulting directly from the health crisis for Euro +0.8 million. Excluding these non-recurring items intended to spread the impacts associated with the health crisis, net rental income would be up +3.6%.

Factoring in this high base effect, **EBITDA** totaled Euro 72.3 million, down -3.9% compared with June 30, 2022. The EBITDA margin represents 82.0% (vs. 83.2% at December 31, 2022 and 87.0% at June 30, 2022).

The **net financial expenses** used to calculate recurrent earnings (FFO)[7] came to Euro -13.7 million at June 30, 2023, compared with Euro -14.2 million at end-June 2022, benefiting from the financial restructuring operations carried out during the first quarter of 2022. Alongside this, the **real average cost of drawn debt** increased slightly compared with end-June 2022 (1.7%) and end-December 2022 (2.0%) to 2.1%. This change is linked mainly to the fixed/floating rate products extinguished, helping further strengthen debt hedging, up from 87% at end-June 2022 to 96%.

Other operating income and expenses (excluding capital gains on disposals and impairment) represent Euro 3.4 million of income (versus Euro 0.8 million of net income for the first half of 2022), linked primarily to the impact of the net reversals of provisions. Specifically, a Euro 2.1 million provision for a dispute concerning a site on Reunion Island, relating to an issue with the road network, was reversed at the end of June 2023.

[6] Assets enter the like-for-like scope used to calculate organic growth after being held for 12 months
[7] FFO: Funds From Operations = Net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects

Taxes represented a Euro -0.3 million expense at end-June 2023, stable compared with the first half of 2022. This amount corresponds primarily to a CVAE corporate value-added tax expense.

The **share of net income from associates and joint ventures** (excluding capital gains, amortization and impairment) came to Euro 1.8 million at June 30, 2023, also stable compared with June 30, 2022.

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro -5.4 million at June 30, 2023, in line with the first half of 2022.

In view of these elements, **recurrent earnings (FFO[7])** are stable compared with June 30, 2022 at Euro 57.5 million, with Euro 0.62 per share[8], up +0.3%. As indicated above, the basis for comparison at June 30, 2022 benefited from Euro +5.7 million of net income for various impacts relating to the health crisis, compared with Euro +0.4 million of net income in the accounts at end-June 2023. FFO restated for these non-recurring items would be up +10.3%.

(In thousands of euros)	June 30, 2022	June 30, 2023	Change (%)
Invoiced rents	**86,087**	**87,910**	**+2.1%**
Lease rights and despecialization indemnities	364	254	-30.1%
Rental revenues	**86,450**	**88,164**	**+2.0%**
Non-recovered building service charges and property taxes and other net property operating expenses	(1,441)	(5,599)	-
Net rental income	**85,009**	**82,564**	**-2.9%**
Management, administrative and other activities income	1,208	1,412	+17.0%
Other income and expenses	(1,620)	(1,904)	+17.5%
Personnel expenses	(9,346)	(9,789)	+4.7%
EBITDA	**75,251**	**72,284**	**-3.9%**
EBITDA margin (% of rental revenues)	*87.0%*	*82.0%*	-
Net financial items (excluding non-recurring items [9])	(14,162)	(13,698)	-3.3%
Reversals of / (Allowances for) provisions	(522)	(658)	+25.9%
Other operating income and expenses (excluding capital gains on disposals and impairment)	766	3,396	-
Tax expense	(339)	(265)	-21.9%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	1,836	1,799	-2.0%
Non-controlling interests (excluding capital gains, amortization and impairment)	(5,367)	(5,404)	+0.7%
Recurrent earnings (FFO)	**57,461**	**57,453**	**+0.0%**
Recurrent earnings (FFO) per share[8] (in euros)	***0.61***	***0.62***	***+0.3%***

II. Food anchoring to diversify the rental risk represents a strong conviction for Mercialys

Mercialys' portfolio has been structured around recurrent consumption, for which the essential features of the products offered and their accessibility are decisive factors. Food retail, through the ownership of hypermarkets that are, to date, operated exclusively by the Casino group, which represents 21.4% of Mercialys' rental base, is perfectly aligned with this approach.

[8] Calculated based on the average undiluted number of shares (basic), i.e. 93,252,895 shares

[9] Impact of hedging ineffectiveness, banking default risk, prices, non-recurring amortization and costs relating to bond redemptions, proceeds and costs from unwinding hedging operations

Mercialys' rental exposure to large food stores is split between:

- five food stores (including one Monoprix store) operated by Casino and fully owned by Mercialys
- five food stores operated by Casino and 60% owned by Mercialys
- 10 food stores operated by Casino and 51% owned by Mercialys

Taking into account the share of rental income depending on how assets are held through these various entities, and reintegrating a 25% share of rental income for the five food stores (three Monoprix stores and two Géant Casino hypermarkets) held by SCI AMR (in which Amundi has a 75% stake), Mercialys' economic exposure to rent from retailers operated by the Casino Group comes to 18.3%.

Exposure to large food stores represents a strong conviction at the heart of Mercialys' retail mix strategy. The recurrence of visits to hypermarkets and this activity's essential positioning in the day-to-day lives of households are important factors for ensuring the sustainability of the rents associated with this type of real estate. This conviction is one of the reasons why Mercialys stands out in the retail property company landscape in Europe.
In addition, consumption habits have changed, moving towards an increased specialization of retailers, often making hypermarkets' non-food lines less relevant. The spaces are becoming too big, opening up opportunities for restructuring operations to benefit the shopping centers by creating new spaces for stores or mid-size units and further strengthening the sites' leading positions. This transformation and reletting work is one of the Company's longstanding areas of expertise and offers potential for positive reversion over time. As the current average size of the hypermarkets owned by Mercialys is over 12,000 sq.m, their restructuring to move towards a more optimized size of 9,000 sq.m would result in the transformation of around 90,000 sq.m of shopping center space.

At the same time, Mercialys is gradually, but regularly, scaling back its exposure to Casino as its primary tenant, thanks in particular to the asset rotations carried out since 2018, illustrated most recently by the sale of two Géant Casino stores in April 2022 (see section I of this press release).

On May 26, 2023, the Casino group announced that it was opening conciliation proceedings with its financial creditors. Mercialys is not in any way concerned by these proceedings and confirms that, to date, the Casino group is paying its rents in accordance with its contractual commitments.

On May 26, 2023, Casino also announced that it had signed a memorandum of understanding with Groupement Les Mousquetaires to extend their partnerships and optimize their respective networks. This agreement provides for Casino to sell Groupement Les Mousquetaires (Intermarché banner) a number of sales outlets from the Casino France scope. The list of Géant stores to be transferred to Intermarché over the next three years, resulting in a change of retailer, has been published in the press. The Mercialys sites concerned by this takeover are as follows: Vals-près-le-Puy, Tours-La Riche, Besançon, Albertville, Montpellier, Millau and Valence. Mercialys owns 51% of the Le Puy hypermarket (BNP Real Estate has a 49% stake) and 25% of the Besançon hypermarket (75% owned by Amundi). These banner transfers will contribute to the diversification of both Mercialys' rental base and the food anchoring of sites within its portfolio.

III. Capacity to position itself on operations for growth

One of the major operational challenges for Mercialys, in an uncertain consumption environment, is to develop the attractiveness of its sites with a view to extracting their value and facilitating their rotation over time.

Mercialys did not carry out any sales operations during the first half of 2023. Building on its very solid financial structure, the Company will maintain its highly opportunistic approach to potential sales, which would primarily concern assets that have reached their maturity or would help reduce the rental portfolio's exposure to the Casino group.

Mercialys also has headroom in place enabling it to position itself on new investments. These investments may concern the Euro 471 million pipeline of projects already identified (see below), as well as acquisitions of assets or developments incorporating property development margins. Mercialys will continue to focus its development on the retail sector, while capitalizing on its various areas of real estate expertise, enabling it to take part in mixed-use operations.
The increase in borrowing rates implies a highly selective approach for projects or acquisitions, which must meet a demanding criterion for a yield of 250bp above the refinancing cost. Investments will also need to meet strict quality criteria in terms of rental exposure (resilient sectors such as food) and geographic location.

To further strengthen its expertise relating to consumer trends, Mercialys took part in the round of fundraising carried out by the DEPUR group in July 2023, which is specialized in the design and execution of major Food & Beverage & Entertainment (F&B&E) projects. Mercialys acquired a major stake through this round of fundraising, alongside Bouygues Immobilier and the BPI's tourism/leisure fund, and will become a leading shareholder in the DEPUR group, with just below 23% of its capital for an investment of €1.1m.
DEPUR's approach involves structuring in one place a range of food and beverage and entertainment services combined with a customer experience that extends well beyond culinary know-how.
Thanks to the funds raised with this operation, DEPUR will have resources to accelerate its development and further strengthen its expertise, with its ambition to establish itself as the first vertically integrated operator specialized in the F&B&E sector, from conceptualization through to operations.

(In millions of euros)	Total investment	Investment still to be committed	Completion date
COMMITTED PROJECTS[10]	**20.2**	**18.8**	**2023 / 2026**
Tertiary activities	20.2	18.8	2023 / 2026
CONTROLLED PROJECTS	**148.4**	**143.3**	**2024 / 2025**
Retail	129.9	125.0	2024 / 2025
Dining and leisure	3.5	3.4	2025
Tertiary activities	15.0	14.9	2024 / 2025
IDENTIFIED PROJECTS	**302.1**	**301.9**	**2024 / 2028**
Retail	172.3	172.2	2024 / 2028
Dining and leisure	100.9	100.9	2026 / 2028
Tertiary activities	28.9	28.9	2025 / 2027
TOTAL PROJECTS	**470.6**	**464.1**	**2023 / 2028**

- *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*

[10] 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

Around 35% of the investment projects concern dining, leisure and tertiary activities, illustrating the diversification around projects connected to the retail sector.

IV. Portfolio and financial structure

The EPRA Net Disposal Value (NDV) shows a limited contraction of -4.3% over 12 months, reflecting the impact of the interest rate environment on the portfolio's value.

Mercialys' **portfolio value** came to Euro 2,987.0 million including transfer taxes, down -3.4% over six months and -4.4% over 12 months. Like-for-like[11], it is down -3.4% over six months and -4.2% over 12 months.
Excluding transfer taxes, the portfolio value came to Euro 2,799.8 million, down -3.4% over six months and -4.5% over 12 months. Like-for-like [11], it is down -3.4% over six months and -4.3% over 12 months.

At end-June 2023, Mercialys' portfolio mainly comprised 48 shopping centers[12], with an average size of 16,100 sq.m and average value of Euro 61.9 million.

The economic and financial assumptions retained by the appraisers have not fundamentally changed from one half-year period to another with regard to the long-term growth rate for rents or the ratio for rents per square meter. However, the appraisers have incorporated the impact of the increase in interest rates into their appraisal rate, or have adjusted the risk premiums in order to take into account a risk that is considered to be higher for the rental income linked to the Casino group.

After taking into account these factors, the **average appraisal yield rate** was 6.21% at June 30, 2023, up +46bp from end-December 2022 (5.75%) and +50bp versus June 30, 2022 (5.71%), and shows a positive yield spread of nearly 330bp compared with the risk-free rate (10-year OAT) at end-June.

Looking beyond the changes resulting from the interest rate context, the changes in the regulations include various elements supporting the value of retail real estate in France. The French "Climate and Resilience" Act, which was adopted in 2021 and includes the target for "net zero artificialization", is expected to make the construction of new capacity considerably less frequent from 2023.

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

	EPRA NRV			EPRA NTA			EPRA NDV		
	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
€/share	20.35	20.54	19.03	18.24	18.42	16.99	19.65	20.94	18.80
Change over 6 months	-0.8%	+0.9%	-7.4%	-0.8%	+1.0%	-7.8%	+11.6%	+6.6%	-10.2%
Change over 12 months	+0.2%	+0.1%	-6.5%	-0.1%	+0.2%	-6.9%	+14.4%	+19.0%	-4.3%

The **EPRA Net Disposal Value (NDV)** came to Euro 1,751.5 million at end-June 2023 vs. Euro 1,834.6 million at end-June 2022. Per share, it represents Euro 18.80 [13], down -10.2% over six months and -4.3% over 12 months. This indicator was positively impacted during the second half of 2022 by the change in the fair value of fixed-rate debt.

[11] Sites on a constant scope and a constant surface area basis
[12] Added to these are three geographically dispersed assets with a total appraisal value including transfer taxes of Euro 15.0 million.
[13] Calculation based on the diluted number of shares at the end of the period, in accordance with the EPRA methodology regarding the NDV

The Euro -2.14 per share change[14] for the first half of this year takes into account the following impacts:

- Dividend payment: Euro -0.96;
- Recurrent earnings (FFO): Euro +0.62 [15];
- Change in unrealized capital gains (i.e. difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes): Euro -0.89, including a yield effect for Euro -2.30, a rent effect for Euro +1.24 and other effects[16] for Euro +0.16;
- Change in fair value of fixed-rate debt: Euro -0.63;
- Change in fair value of derivatives and other items: Euro -0.27.

Alongside this, Mercialys continues to benefit from a particularly solid financial profile, with a loan to value (LTV) ratio of 36.1% for the first half of 2023 and an ICR of 5.2x.

The **real average cost of drawn debt** [17] for the first half of 2023 came to 2.1%, virtually stable compared with the 2.0% recorded for the full year in 2022. In a context of significant increases in interest rates from the first half of 2022, Mercialys has further strengthened its **hedging rate for its fixed-rate debt**, up to 96% for 2023 and 100% for 2024, compared with 87% at end-June 2022. The fixing instruments set up and the fixed/floating rate financial instruments extinguished will result in an increase in the average cost of drawn debt, which will be close to the average cost of bond debt (i.e. 2.6%) by the end of 2023.

Mercialys continues to benefit from a very healthy financial structure, with an **LTV ratio excluding transfer taxes**[18] of 38.6% at June 30, 2023 (compared with 35.3% at December 31, 2022 and 36.6% at June 30, 2022) and an **LTV ratio including transfer taxes** of 36.1% on the same date (versus 33.0% at December 31, 2022 and 34.3% at June 30, 2022).

The **ICR** was 5.2x [19] at June 30, 2023, compared with 5.9x at December 31, 2022 and 6.1x at June 30, 2022, significantly higher than the minimum level of at least 2x set by the bank covenants.

The Company's debt refinancing operations carried out during the first quarter of 2022 enabled Mercialys to record a satisfactory maturity of 4.2 years at end-June 2023, with no bond issues due to mature before February 2026.

Mercialys also has Euro 385 million of undrawn financing resources, stable compared with end-December 2022, with the maturity of 69% of them extended during the first half of 2023. The average maturity of undrawn bank resources came to 3.0 years at end-June 2023, representing an optimization of +0.9 years. In addition, at end-June 2023, 100% of the undrawn bank lines included ESG criteria, compared with just over 53% at end-2022.

Mercialys' **financial rating of BBB / outlook stable** was confirmed by Standard & Poor's on February 24, 2023.

---

[14] Calculation based on the diluted number of shares at the end of the period
[15] Calculation based on the diluted number of shares at the end of the period, as this concerns the impact of FFO on the change in NDV per share
[16] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals
[17] 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
[18] LTV (Loan To Value): Net financial debt / (market value of the portfolio excluding transfer taxes + market value of investments in associates for Euro 48.3 million at June 30, 2023 and Euro 56.5 million at June 30, 2022, since the value of the portfolio held by associates is not included in the appraisal value)
[19] ICR (Interest Coverage Ratio): EBITDA / net finance costs

V. Outlook for 2023 confirmed

Considering the satisfactory performance levels achieved over the first half of the year, Mercialys is able to **confirm its objectives for 2023**:

- Growth in recurrent earnings (FFO) per share to reach at least +2.0% vs. 2022;
- Dividend to range from 85% to 95% of 2023 FFO.

* * *

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 / Presentations and Investor Days

Analysts / investors / media contact:
Olivier Pouteau
Tel: +33 (0)6 30 13 27 31
Email: opouteau@mercialys.com

About Mercialys
Mercialys is one of France's leading real estate companies. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends, on its own behalf and for third parties. At June 30, 2023, Mercialys had a real estate portfolio valued at Euro 3.0 billion (including transfer taxes). Its portfolio of 2,054 leases represents an annualized rental base of Euro 172.8 million. Mercialys has been listed on the stock market since October 12, 2005 (ticker: MERY) and has "SIIC" real estate investment trust (REIT) tax status. Part of the SBF 120 and Euronext Paris Compartment B, it had 93,886,501 shares outstanding at June 30, 2023.

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, 2022 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business. Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstances that might cause these statements to be revised.

APPENDIX TO THE PRESS RELEASE FINANCIAL STATEMENTS

Consolidated income statement

(In thousands of euros)	Jun 30, 2022	Jun 30, 2023
Rental revenues	**86,450**	**88,164**
Service charges and property tax	(29,765)	(33,471)
Charges and taxes billed to tenants	25,389	28,418
Net property operating expenses	2,935	(546)
Net rental income	**85,009**	**82,564**
Management, administrative and other activities income	1,208	1,412
Other income	424	0
Other expenses	(2,044)	(1,904)
Personnel expenses	(9,346)	(9,789)
Depreciation and amortization	(18,622)	(18,926)
Reversals of / (Allowances for) provisions	(522)	(658)
Other operating income	74,212	5,399
Other operating expenses	(73,878)	(20,219)
Operating income	**56,440**	**37,879**
Income from cash and cash equivalents	19	1,296
Gross finance costs	(38,644)	(17,846)
(Expenses) / Income from net financial debt	**(38,625)**	**(16,550)**
Other financial income	132	382
Other financial expenses	(1,628)	(4,252)
Net financial items	**(40,121)**	**(20,420)**
Tax expense	(339)	(196)
Share of net income from associates and joint ventures	1,185	1,040
Consolidated net income	**17,165**	**18,304**
Attributable to non-controlling interests	4,570	(12,137)
Attributable to owners of the parent	12,595	30,441
Earnings per share [20]		
Net income attributable to owners of the parent (in euros)	0.13	0.33
Diluted net income attributable to owners of the parent (in euros)	0.13	0.33

[20] Based on the weighted average number of shares over the period adjusted for treasury shares:
- Undiluted weighted average number of shares for the first half of 2023 = 93,252,895 shares
- Fully diluted weighted average number of shares for the first half of 2023 = 93,252,895 shares

Consolidated statement of financial position

ASSETS *(in thousands of euros)*	**Jun 30, 2023**	**Dec 31, 2022**
Intangible assets	3,102	3,381
Property, plant and equipment other than investment property	4,265	4,743
Investment property	1,880,215	1,907,148
Right-of-use assets	11,297	10,184
Investments in associates	35,268	35,203
Other non-current assets	46,964	50,219
Deferred tax assets	1,571	1,601
Non-current assets	**1,982,683**	**2,012,478**
Trade receivables	27,850	28,557
Other current assets	29,397	31,854
Cash and cash equivalents	91,724	216,085
Investment property held for sale	2,636	0
Current assets	**151,606**	**276,496**
Total assets	**2,134,289**	**2,288,974**

EQUITY AND LIABILITIES (in thousands of euros)	**Jun 30, 2023**	**Dec 31, 2022**
Share capital	93,887	93,887
Additional paid-in capital, treasury shares and other reserves	569,333	631,246
Equity attributable to owners of the parent	**663,219**	**725,132**
Non-controlling interests	184,332	205,294
Shareholders' equity	**847,551**	**930,426**
Non-current provisions	1,381	1,225
Non-current financial liabilities	1,130,373	1,131,974
Deposits and guarantees	24,513	23,622
Non-current lease liabilities	10,486	9,409
Other non-current liabilities	4,103	2,377
Non-current liabilities	**1,170,856**	**1,168,607**
Trade payables	16,327	13,910
Current financial liabilities	60,968	126,353
Current lease liabilities	1,221	1,084
Current provisions	10,467	13,279
Other current liabilities	26,899	35,237
Current tax liabilities	0	78
Current liabilities	**115,882**	**189,941**
Total equity and liabilities	**2,134,289**	**2,288,974**