MERCIALYS

BOARD OF DIRECTORS'

HALF-YEAR FINANCIAL REPORT

First half of 2021

CONTENTS

KEY FIGURES

In millions of euros	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Invoiced rents	83.4	172.9	90.7
EBITDA	76.3	131.2	78.1
Funds From Operations (FFO)	55.7	95.5	63.0

Operating performance	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Organic growth in invoiced rents including indexation[1]	-4.0%	-7.0%	-0.8%
Current financial vacancy rate	4.0%	3.8%	2.5%
Occupancy cost ratio[2]	na	na	na

Per share data (in euros)	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Funds from operations (FFO), average basic number of shares	0.60	1.04	0.69
EPRA NDV (in millions of euros)	1,608.1	1,686.4	1,823.3
EPRA NDV per share[3], end of period diluted number of shares	17.17	18.42	19.90

Portfolio value and debt	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Fair value of portfolio including transfer taxes (in millions of euros)	3,185.6	3,258.3	3,522.6
Fair value of portfolio excluding transfer taxes (in millions of euros)	2,996.6	3,065.6	3,314.6
Average appraisal yield rate	5.74%	5.72%	5.49%
LTV (excluding transfer taxes)	38.3%	38.1%	41.1%
ICR (EBITDA / net finance costs)	5.6x	5.0x	10.6x

[1] Including the negative impacts linked to the Covid-19 epidemic
[2] Ratio not relevant as stores were ordered to close for a large part of 2020 and the first half of 2021
[3] NDV: Net Disposal Value. Calculated based on the diluted number of shares at the end of the period, in accordance with European Public Real Estate Association (EPRA) guidelines

1. ACTIVITY REPORT

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

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

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

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

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

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

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

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

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

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

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

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

The continued health crisis linked to Covid-19 in 2021 impacted the operational indicators for the first half of 2021, as detailed in point 1.4 of this half-year financial report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Euro -2.4 million comprising Euro -1.7 million for new relief granted for the first lockdown from 2020, with 100% recognized in the accounts at June 30, 2021, and Euro -0.7 million for amounts spread in the accounts for the 2020 negotiations relating to the same lockdown;

(2) Euro +0.5 million comprising Euro -5.4 million for relief granted for the negotiations concerning the second lockdown, Euro +6.3 million for the reversal of provisions for relief to be granted as a result of this (therefore generating Euro +0.9 million of net income for the section that was no longer applicable) and Euro -0.4 million for the relief granted and to be awarded for the month of November 2020 for sit-down restaurants;

(3) Euro +5.4 million comprising Euro +1.7 million for the reversal of provisions for doubtful receivables resulting from the new relief granted for the first lockdown in 2020, and Euro +3.7 million for the reversal of provisions for doubtful receivables relating to the additional collection for 2020;

(4) Euro +0.5 million comprising Euro +0.5 million for the reversal of provisions for doubtful receivables relating to rent for the month of November 2020 for sit-down restaurants (therefore generating Euro +0.2 million of net income for the section that was no longer applicable);

(5) Euro +0.5 million comprising Euro +0.5 million for the tax credit recognized to date in connection with the documentation to be provided by retailers that have benefited from rent relief for the second lockdown in 2020.

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

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

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

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

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

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

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

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

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

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

1.4. Detailed analysis of results

1.4.1. Business still affected by the health crisis

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

(In thousands of euros)	Jun 30, 2021	Jun 30, 2020	Change (%)
Invoiced rents	83,419	90,732	-8.1%
Lease rights and despecialization indemnities	1,246	1,271	-2.0%
Rental revenues	**84,665**	**92,003**	**-8.0%**
Property tax	-13,775	-14,327	-3.8%
Reinvoiced to tenants	12,170	13,004	-6.4%
Non-recovered property tax	**-1,606**	**-1,323**	**+21.4%**
Service charges	-16,373	-16,103	+1.7%
Reinvoiced to tenants	13,760	13,949	-1.4%
Non-recovered service charges	**-2,613**	**-2,153**	**+21.3%**
Management fees	-2,646	-2,261	+17.0%
Reinvoiced to tenants	2,103	2,237	-6.0%
Losses on and impairments of receivables	4,216	-2,467	na
Other expenses	-153	-410	-62.7%
Net property expenses	**3,520**	**-2,901**	**na**
Net rental income	**83,966**	**85,626**	**-1.9%**

The **-8.1 points** change in invoiced rents primarily reflects the following factors:

- the impact of indexation for **+0.3 point**, representing Euro +0.2 million;
- the lower contribution by Casual Leasing, due to the opening restrictions, for **-0.4 point**, representing Euro -0.4 million;
- the contraction in variable rents, due to the opening restrictions, for **-0.8 point**, representing Euro -0.8 million;
- the actions carried out on the portfolio, including the slight increase in the vacancy rate and the deferral of rental measures due to the lockdown, for **-2.3 points**, representing Euro -2.1 million;
- the accounting impact of the rent relief granted to retailers in connection with the health crisis for **-0.8 point**, representing Euro -0.7 million;
- the asset acquisitions and sales completed in the fourth quarter of 2020 for **-4.0 points**, representing Euro -3.6 million;
- other effects primarily including strategic vacancies linked to current redevelopment programs for **-0.1 point**.

Taking into account the first five effects presented above, **organic growth in invoiced rents** is down **-4.0 points**, linked primarily to the consequences of the health crisis.

Lease rights and despecialization indemnities[4] received over the period came to Euro 0.5 million, compared with Euro 0.2 million for the first half of 2020, with the following breakdown:

- Euro 0.5 million of lease rights linked to reletting activities (vs. Euro 0.2 million for the first half of 2020);
- A non-significant amount of despecialization indemnities, as in the first half of 2020.

After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for the first half of 2021 totaled Euro 1.2 million, compared with Euro 1.3 million for the first half of 2020.

Rental revenues therefore came to Euro 84.7 million at June 30, 2021, down -8.0% from the first half of 2020, reflecting the contraction in invoiced rents and the slight drop in lease rights and despecialization indemnities.

Net rental income 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 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 0.7 million for the first half of 2021, significantly lower than the first half of 2020 (Euro 6.4 million), linked in particular to the impact of the reversal of provisions, resulting from relief measures granted to tenants as part of the Covid negotiations for 2020 that were finalized during the first half of 2021, as well as the reversal of provisions that were no longer applicable (see § 1.2).

Following this pivot within profit and loss, the ratio of non-recovered property operating charges to invoiced rents came to 0.8% for the first half of 2021, compared with 7.0% for the first half of 2020.

Net rental income is down -1.9% to Euro 84.0 million at June 30, 2021, compared with Euro 85.6 million at June 30, 2020. This includes Euro +0.9 million and Euro +0.2 million of net income linked to the reversal of provisions that were no longer applicable following the negotiations completed in connection with the second 2020 lockdown, as well as Euro +0.5 million of income linked to the tax credit recognized to date for these same negotiations. Further income is expected to be recorded over the coming months as applications are received from tenants and rent relief is awarded.

1.4.2. Encouraging operational indicators, including an improvement in collection for 2020

Footfall at Mercialys' sites[5] has bounced back very strongly since the centers reopened on May 19, 2021, highlighting French consumers' attachment to their retailers and more generally the appeal of physical retail. The number of visits recorded between May 19 and June 30, 2021 at Mercialys centers reached 91% of the pre-crisis level from 2019. During the first half of the year, footfall contracted by -12.2% compared with the first half of 2020, outperforming the CNCC national index by 60bp, despite this index benefiting from a favorable base

[4] 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

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

effect as very large shopping centers were closed during the first half of 2020 until the start of July, whereas they were able to reopen on May 19 in 2021, at the same time as the other retail formats.

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

The analysis of the **occupancy cost ratio**[6] is subject to the same limitations as the sales analysis due to the periods when stores were ordered to close. For reference, this ratio showed a very moderate level of 10.4% at December 31, 2019.

The **current financial vacancy rate**[7] – which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans – was 4.0% for the first half of 2021, slightly higher than the 3.8% recorded at end-2020. The tenants who left sites during the first half of 2021 account for 100bp, while more than half of the units are already at an advanced stage for reletting. Nevertheless, these departures impacted organic growth during the first half of 2021 and are presented under "Actions carried out on the portfolio" in the effects covered on page 11. The total vacancy rate[8] was 5.7% at June 30, 2021, reflecting the slight increase in the number of units deliberately left vacant to facilitate the restructuring of the centers concerned and the implementation of strategic opportunities.

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

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

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

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

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[6] 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

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

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

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

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

The **collection rate** is still impacted by the health crisis. For all the rent and charges (excluding tax) billed by Mercialys, this rate was 75.0% for the first half of 2021. On a quarterly basis, it came to 81.0% for the first quarter and 68.6% for the second quarter. These "gross" collection rates are calculated on the full amount of rent and charges excluding tax invoiced by Mercialys to its tenants. This billing is therefore not restated for the amounts relating to the rent relief already granted and to be awarded to retailers or provisions for the impairment of receivables recognized due to certain tenants' payment arrears or legal situations (safeguard, receivership, liquidation). The gross collection rate for FY 2020 was 88.3% at end-June 2021, compared with 85.3% at end-December 2020.

1.4.3. Changes in the lease structure

The rents received by Mercialys come from a very diverse range of retailers: with the exception of the Casino Group (details presented below) and H&M (2.5%), no other tenant represents more than 2% of total rental income.

Casino Group retailers accounted for 22.6% of total rental income at June 30, 2021, virtually stable compared with December 31, 2020 (22.7%) and significantly lower than at June 30, 2020 (27.5%). This year-on-year change benefited from the asset sales completed by Mercialys at end-December 2020, and particularly the sale of four Monoprix stores and two hypermarkets operating under the Géant Casino banner.

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 19.9%.

The lease schedule for these top two Mercialys tenants, excluding associates, 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
Saint-Étienne	100%	Hypermarket	07/2014	06/2026	3 - 6 - 9 - 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Annecy	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
Marseille Canebière	100%	Monoprix	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

H&M Group lease schedule

Site	Lease start date	Lease end date	Lease characteristics
Grenoble	05/2010	05/2020	3 - 6 - 9 - 10
Marseille	04/2011	04/2021	3 - 6 - 9 - 10
Angers	07/2011	07/2021	3 - 6 - 9 - 10
Clermont-Ferrand	08/2013	08/2023	3 - 6 - 9 - 10
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
Aix-en-Provence	08/2016	08/2028	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
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

Top 10 tenant retailers (excluding Casino Group)

H&M
Armand Thiery
Feu Vert
Nocibé
Fnac
Jules
Orange
Mango
Micromania
Sephora
13.4% 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)	Jun 30, 2021 (%)	Jun 30, 2020 (%)
National and international retailers	1,435	109.3	64.4%	60.9%
Local retailers	615	22.1	13.0%	11.6%
Monoprix	2	1.8	1.0%	4.4%
Géant Casino and other entities	50	36.6	21.6%	23.1%
Total	**2,102**	**169.8**	**100.0%**	**100.0%**

** MGR: minimum guaranteed rent*

The **breakdown by business sector** (including large food stores) of Mercialys' rents is also still highly diversified, despite the recent significant sales of food assets. The Company will maintain its strategy to build balanced retail mixes, while continuing to scale back its exposure to textiles in favor of sectors such as health and beauty, culture, gifts and sports, as well as more innovative activities:

	Jun 30, 2021	Jun 30, 2020
Restaurants and catering	8.2%	8.1%
Health and beauty	12.4%	11.4%
Culture, gifts and sports	16.4%	14.5%
Personal items	30.4%	30.6%
Household equipment	7.3%	6.4%
Food-anchored tenants	22.1%	26.2%
Services	3.1%	2.9%
Total	**100.0%**	**100.0%**

The **rental income structure** at June 30, 2021 shows that the majority of leases, in terms of overall rental income, include a variable clause. However, the vast majority of leases include a guaranteed minimum rent or do not have a variable clause (97.8% in terms of overall rents):

	Number of leases	(€m)	Jun 30, 2021 (%)	Jun 30, 2020 (%)
Leases with variable component	1,258	95.7	56%	56%
- of which MGR		*92.0*	*54%*	*53%*
- of which variable rent with MGR		*0.9*	*1%*	*1%*
- of which variable rent without MGR		*2.8*	*2%*	*2%*
Leases without variable clause	844	74.1	44%	44%
Total	**2,102**	**169.8**	**100.0%**	**100.0%**

The rental income structure at June 30, 2021 shows a predominant share of leases indexed against the French retail rent index (ILC). For the vast majority of Mercialys' leases, indexation corresponds to the change in this index between the second quarters of N-2 and N-1 and the third quarters of N-2 and N-1.

	Number of leases	MGR (€m)	Jun 30, 2021 (%)	Jun 30, 2020 (%)
Leases index-linked to the retail rent index (ILC)	1,733	156.8	94%	94%
Leases index-linked to the construction cost index (ICC)	140	7.1	4%	4%
Leases index-linked to the tertiary activities rent index (ILAT) or non-adjustable leases	209	2.2	1%	1%
Total	**2,082**	**166.1**	**100.0%**	**100%**

Lastly, the following table presents details of the lease schedule:

	Number of leases	Annual MGR + variable (in millions of euros)	Share of leases expiring (% annual MGR + variable)
Expired at Dec 31, 2020	346	20.5	12.1%
2021	131	7.1	4.2%
2022	153	8.8	5.2%
2023	108	8.4	4.9%
2024	143	9.4	5.6%
2025	137	8.2	4.8%
2026	203	21.5	12.6%
2027	226	39.7	23.4%
2028	210	14.1	8.3%
2029	176	10.7	6.3%
2030 and beyond	269	21.3	12.6%
Total	**2,102**	**169.8**	**100.0%**

The number of expired leases at end-2020 is due to ongoing negotiations, non-renewal of leases with payment of eviction compensation, comprehensive negotiations by retailers, tactical delays, etc.

Negotiations with the retailers are continuing to move forward with a view to securing Mercialys' rental flows. Taking into account all of the lease renewals and relettings since January 1, 2021, as well as the advanced negotiations (approvals), whereas at the end of 2020 the leases expired or due to expire at December 31, 2021 represented 20.9% of the Company's total rental base, they are down to just 10.9% on the publication date.

As part of the negotiations with retailers concerning the store closures and lockdown phases in 2020, in exchange for the rent relief granted, Mercialys was often able to obtain extensions of the firm term of leases (tenants waiving or deferring their next three-year break, renewing their lease early or signing a new lease), achieving an extension of the average firm term of leases across its portfolio of 8.8 months at June 30, 2021, ensuring the sustainability of its rental flows.

1.4.4. Management income, overheads and EBITDA

(In thousands of euros)	Jun 30, 2021	Jun 30, 2020	Change (%)
Net rental income	**83,966**	**85,626**	**-1.9%**
Management, administrative and other activities income	1,292	1,698	-23.9%
Other income and expenses	-2,042	-2,384	-14.4%
Personnel expenses	-6,900	-6,860	+0.6%
EBITDA	**76,317**	**78,079**	**-2.3%**
% rental revenues	90.1%	84.9%	-

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 at June 30, 2021 totaled Euro 1.3 million, compared with Euro 1.7 million at June 30, 2020.

No **property development margin** was recorded during the first half of 2021 or in 2020.

Other current income came to Euro 0.2 million for the first half of 2021 (Euro 0.1 million for the first half of 2020), including 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.

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.

During the first half of 2021, these costs totaled Euro 2.3 million, compared with Euro 2.4 million for the first half of 2020, reflecting Mercialys' disciplined approach to its overheads.

Personnel expenses came to Euro 6.9 million for the first half of 2021, stable compared with the first half of 2020. For reference, Mercialys is continuing to gradually bring back in-house support activities that were previously outsourced under the Services Agreement signed with the Casino Group. In 2020, the IT support, HR support and real estate management control activities were brought back in-house, leading to an increase in Mercialys' payroll, alongside a reduction in billing under the Agreement for other current expenses.

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 on site (see paragraph above concerning management, administrative and other activities income).

As a result, **EBITDA**[9] totaled Euro 76.3 million, down -2.3% compared with June 30, 2020. The EBITDA margin represents 90.1% (vs. 74.8% at December 31, 2020 and 84.9% at June 30, 2020).

1.4.5. Net financial income

Net financial income totaled Euro 15.4 million at June 30, 2021, compared with Euro 8.7 million at June 30, 2020. Restated for the impact of non-recurring items (hedging ineffectiveness, banking default risk, bond redemption price, bond redemption costs, proceeds from the unwinding of swaps and exceptional amortization relating to the partial redemption of the 2023 issue), which represented Euro 0.7 million of net income at end-June 2021 vs. Euro 1.4 million at end-June 2020, the net financial items taken into account to calculate funds from operations (FFO) came to Euro 16.1 million at June 30, 2021, compared with Euro 10.1 million at June 30, 2020. This change primarily reflects the impact of the bond refinancing operation carried out at the start of July 2020.

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

The **real average cost of drawn debt** at June 30, 2021 was 1.9%, up from the 2020 full-year figure of 1.4%, also reflecting the impact of the bond refinancing operation carried out in July 2020.

The following table presents a breakdown of net financial items:

(In thousands of euros)	Jun 30, 2021	Jun 30, 2020	Change (%)
Income from cash and cash equivalents *(a)*	**162**	**46**	**+247.8%**
Cost of debt taken out *(b)*	-18,397	-12,437	+47.9%
Impact of hedging instruments *(c)*	4,833	5,036	-4.0%
Cost of property finance leases *(d)*	0	0	na
Expenses from gross financial debt excluding exceptional items	**-13,565**	**-7,401**	**+83.3%**
Exceptional depreciation of costs relating to the early repayment of financial debt *(e)*	-188	0	na
Expenses from gross financial debt *(f) = (b)+(c)+(d)+(e)*	**-13,752**	**-7,401**	**+85.8%**
Expenses from net financial debt *(g) = (a)+(f)*	**-13,591**	**-7,355**	**+84.8%**
Cost of Revolving Credit Facility and bilateral loans (undrawn) *(h)*	-1,469	-1,282	+14.6%
Other financial expenses *(i)*	-221	-181	+21.8%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-1,690**	**-1,463**	**+15.5%**
Exceptional depreciation in relation to refinancing of the RCF *(k)*	0	0	na
Other financial expenses *(l) = (j)+(k)*	**-1,690**	**-1,463**	**+15.5%**
TOTAL FINANCIAL EXPENSES *(m) = (f)+(l)*	**-15,442**	**-8,864**	**+74.2%**
Income from associates	153	124	+22.9%
Other financial income and expenses	-291	0	na
Other financial income *(n)*	**-138**	**124**	**na**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**23**	**171**	**-86.3%**
NET FINANCIAL INCOME = *(m)+(o)*	**-15,419**	**-8,693**	**+77.4%**

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

1.4.6.1. Funds from operations (FFO)

(In thousands of euros)	Jun 30, 2021	Jun 30, 2020	Change (%)
EBITDA	**76,317**	**78,079**	**-2.3%**
Net financial income (excluding non-recurring items[10])	-16,101	-10,087	+59.6%
Reversals of / (Allowances for) provisions	-346	1,272	na
Other operating income and expenses (excluding capital gains on disposals and impairments)	-199	-1,268	-84.3%
Tax expenses	-423	-1,215	-65.2%
Share of net income from equity associates and joint ventures (excluding capital gains, amortization and impairments)	1,745	1,402	+24.5%
Non-controlling interests (excluding capital gains, amortization and impairments)	-5,300	-5,188	+2.1%
FFO	**55,694**	**62,993**	**-11.6%**
FFO per share[11]	***0.60***	***0.69***	***-12.1%***

Other operating income and expenses (excluding capital gains on disposals and impairments) came to Euro -0.2 million and primarily include the impact of the ramping up of activities for Ocitô and Cap Cowork. They represented Euro -1.3 million at June 30, 2020, primarily including allocations to provisions.

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.

The **tax expenses** for the first half of 2021 were Euro 0.4 million, made up primarily of the CVAE corporate value-added tax, compared with a Euro 1.2 million tax expense for the first half of 2020.

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

Non-controlling interests (excluding capital gains, amortization and impairments) came to Euro 5.3 million at June 30, 2021, virtually stable compared with June 30, 2020 (Euro 5.2 million). They are linked to BNP Paribas REIM France's 49% stake in Hyperthetis Participations and Immosiris. As Mercialys retains exclusive control, these subsidiaries are fully consolidated.

[10] Impact of hedging ineffectiveness, banking default risk, bond redemption price, bond redemption costs, proceeds from unwinding swaps and exceptional amortization relating to the partial redemption of the 2023 issue
[11] Calculated based on the average undiluted number of shares (basic), i.e. 92,136,487 shares.

In view of these items, **funds from operations (FFO)**, which correspond to net income before amortization, capital gains or losses on disposals net of associated costs, potential asset impairments and other non-recurring effects, came to Euro 55.7 million at June 30, 2021, down -11.6% compared with June 30, 2020 (Euro 63.0 million). Considering the average number of shares (basic) of 92,136,487, FFO represents Euro 0.60 per share at June 30, 2021.

1.4.6.2. Net income attributable to owners of the parent

(In thousands of euros)	Jun 30, 2021	Jun 30, 2020	Change (%)
FFO (funds from operations)	55,694	62,993	-11.6%
Depreciation and amortization	-19,557	-20,236	-3.4%
Other operating income and expenses	-5,579	-11,112	-49.8%
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	683	1,394	-51.0%
Equity associates, joint ventures and non-controlling interests (amortization, impairments and capital gains)	148	177	-16.5%
Net income attributable to owners of the parent	**31,388**	**33,215**	**-5.5%**

Depreciation and amortization came to Euro 19.6 million at June 30, 2021, down -3.4% from June 30, 2020 (Euro 20.2 million).

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

Other operating income came to Euro 0.5 million at June 30, 2021, compared with Euro 0.1 million at June 30, 2020. This amount mainly includes:

- reversals of provisions on assets sold previously

Other operating expenses totaled Euro 6.1 million at June 30, 2021, compared with Euro 11.2 million at June 30, 2020. They correspond primarily to:

- provisions recorded for the impairment of investment properties

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 31.4 million at June 30, 2021, compared with Euro 33.2 million at June 30, 2020.

1.5. Deliveries and investments

1.5.1. Project portfolio focused on creating value and reconfiguring sites

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

At end-June 2021, Mercialys' project portfolio represented Euro 474.6 million through to 2027, with Euro 32.1 million of additional rental potential and an average target yield rate of 7.0%. This portfolio, which concerns 31 sites out of the 51 shopping centers and high-street assets owned by the Company, includes retail space projects (redevelopments, extensions, retail parks), dining and leisure projects, and tertiary activity projects (housing, healthcare, coworking, etc.).

(In millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost (%)	Completion date
COMMITTED PROJECTS	**27.0**	**24.9**	**0.8**[12]	**na**[12]	**2021/2026**
Dining and leisure	5.3	4.2	0.1[12]	na[12]	2021/2022
Tertiary activities	21.7	20.7	0.7[12]	na[12]	2021/2026
CONTROLLED PROJECTS	**131.7**	**127.3**	**9.2**	**7.0%**	**2022/2024**
Retail	86.9	82.7	6.1	7.0%	2022/2024
Tertiary activities	44.8	44.7	3.1	7.0%	2022/2023
IDENTIFIED PROJECTS	**315.9**	**315.9**	**22.1**	**7.0%**	**2023/2027**
Retail	88.5	88.5	6.2	7.0%	2023/2025
Dining and leisure	79.0	79.0	5.5	7.0%	2024
Tertiary activities	148.5	148.4	10.4	7.0%	2023/2027
TOTAL PROJECTS	**474.6**	**468.1**	**32.1**[13]	**7.0%**[13]	**2021/2027**

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

1.6. Portfolio appraisal and net asset value

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

At June 30, 2021, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE Valuation and Galtier Valuation updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation valued 36 sites at June 30, 2021 with on-site visits of 11 sites during the first half of 2021, and updated the appraisals from December 31, 2020 for the other sites;

- Catella Valuation valued 13 sites at June 30, 2021 based on updating their appraisals from December 31, 2020;

- Cushman & Wakefield valued nine sites at June 30, 2021 with on-site visits during the first half of 2021;

- CBRE Valuation valued one site at June 30, 2021 based on updating its appraisal from December 31, 2020;

- Galtier Valuation valued Mercialys' remaining assets, i.e. two sites at June 30, 2021, based on updating their appraisals from December 31, 2020;

- An internal appraisal was carried out for the three assets acquired during the second half of 2020.

[12] In the 2021 pipeline, the investments to be committed, for the dining and leisure section, correspond to an advance for work by Mercialys at the Annecy site, which will be reimbursed to it in full, as well as the creation of two restaurants in the parking area at the Angers site and a food court at the Sainte-Marie site on Reunion Island. The tertiary activities primarily include the Saint-Denis mixed-use urban project, north of Paris, with an expected IRR of over 8%, as well as coworking spaces

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

On this basis, the **portfolio value** was Euro 3,185.6 million including transfer taxes at June 30, 2021, compared with Euro 3,258.3 million at December 31, 2020. Excluding transfer taxes, it was Euro 2,996.6 million at end-June 2021, compared with Euro 3,065.6 million at end-December 2020.

The portfolio value including transfer taxes is therefore down -2.2% over six months (also -2.2% like-for-like[14]) and -9.6% over 12 months (-4.5% like-for-like[14]). The portfolio value excluding transfer taxes shows a change of -2.3% over six months (also -2.3% like-for-like[14]) and -9.6% over 12 months (-4.5% like-for-like[14]).

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

Type of property	Average yield rate Jun 30, 2021	Average yield rate Dec 31, 2020	Average yield rate Jun 30, 2020
Regional and large shopping centers	5.44%	5.44%	5.32%
Neighborhood shopping centers and city-center assets	7.45%	7.31%	6.25%
Total portfolio[15]	5.74%	5.72%	5.49%

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2021, as well as the corresponding appraised rental income:

Type of property	Number of assets at Jun 30, 2021	Appraisal value (excluding transfer taxes) at Jun 30, 2021 (€m)	(%)	Appraisal value (including transfer taxes) at Jun 30, 2021 (€m)	(%)	Gross leasable area at Jun 30, 2021 (sq.m)	(%)	Appraised potential net rental income (€m)	(%)
Regional and large shopping centers	25	2,540.6	84.8%	2,698.4	84.7%	643,691	78.3%	146.9	80.3%
Neighborhood shopping centers and city-center assets	26	446.3	14.9%	476.9	15.0%	176,691	21.5%	35.5	19.4%
Subtotal	**51**	**2,986.9**	**99.7%**	**3,175.2**	**99.7%**	**820,382**	**99.8%**	**182.4**	**99.8%**
Other sites[15]	4	9.7	0.3%	10.4	0.3%	1,954	0.2%	0.4	0.2%
Total	**55**	**2,996.6**	**100.0%**	**3,185.6**	**100.0%**	**822,336**	**100.0%**	**182.8**	**100.0%**

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

	EPRA NRV			EPRA NTA			EPRA NDV		
	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
€/share	20.32	21.18	22.00	18.26	19.04	19.68[16]	17.17	18.42	19.90
	-4.1% over six months -7.6% over 12 months			-4.1% over six months -7.2% over 12 months			-6.8% over six months -13.7% over 12 months		

The **EPRA Net Disposal Value (NDV)** came to Euro 1,608.1 million at end-June 2021 vs. Euro 1,823.3 million at end-June 2020. Per share, it represents Euro 17.17[17], down -6.8% over six months and -13.7% over 12 months, with this change taking into account the May 2021 capital increase carried out in connection with the partial payment of the dividend in shares.

[14] Sites on a constant scope and a constant surface area basis
[15] Including other assets (independent cafeterias and other standalone sites)
[16] Value adjusted from Euro 19.72 per share, as published in the 2020 Half-Year Financial Report, to Euro 19.68 per share, in order to more accurately reflect the new methodology for calculating EPRA NTA
[17] Calculation based on the diluted number of shares at the end of the period, in accordance with the EPRA methodology regarding NDV

The Euro -1.25 per share change[17] for the first half of this year takes into account the following impacts:

- Dividend payment: Euro -0.42;
- Funds from operations (FFO): Euro +0.59[18];
- Change in unrealized capital gains (i.e. difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes): Euro -0.71, including a yield effect for Euro -0.12, a rent effect for Euro -0.62 and other effects[19] for Euro +0.03;
- Change in fair value of fixed-rate debt: Euro -0.49;
- Change in fair value of other items: Euro +0.01;
- The capital increase in connection with the option for the 2020 dividend to be paid in shares, as well as the change in treasury shares: Euro -0.23.

1.7. Financial structure

1.7.1. Debt cost and structure

At June 30, 2021, Mercialys' **drawn debt** totaled Euro 1,449.5 million, with the following breakdown:

- a bond issue for an outstanding nominal amount of Euro 549.5 million, with a fixed coupon of 1.787%, maturing in March 2023;
- 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 a nominal amount of Euro 300 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;
- Euro 150 million of outstanding commercial paper bearing interest at a slightly negative average rate.

The **cash position** came to Euro 287.8 million at June 30, 2021, compared with Euro 464.6 million at December 31, 2020. 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 +61.4 million;
- Cash receipts / payments related to disposals / acquisitions of assets completed in the first half of 2021: Euro -3.1 million;
- Dividend payments to parent company shareholders and non-controlling interests: Euro -27.8 million;
- Issues and repayment of borrowings net of the change in outstanding commercial paper: Euro -201.7 million;
- Net interest paid: Euro -7.4 million.

Net financial debt came to Euro 1,170.6 million at June 30, 2021, compared with Euro 1,188.8 million at December 31, 2020.

[18] 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
[19] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals

The **real average cost of drawn debt** at June 30, 2021 was 1.9%, up from the 2020 full-year figure of 1.4%, mainly reflecting the impact of the bond refinancing operation carried out in July 2020.

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

1.7.2. Debt maturity and liquidity

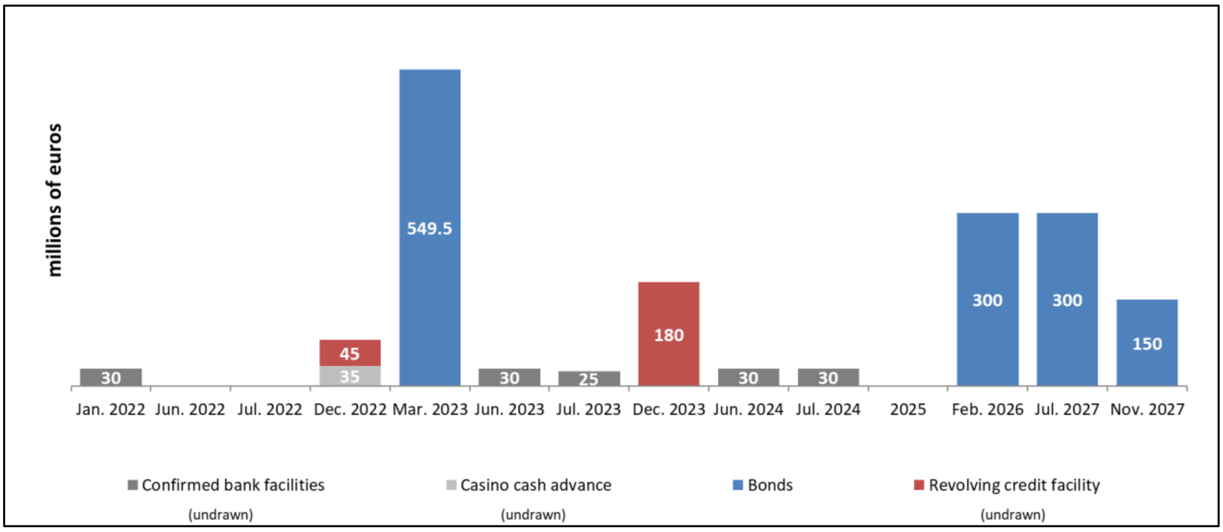
The **average maturity of drawn debt** was 3.6 years at end-June 2021 (3.5 years at end-2020 and 3.2 years at end-June 2020). Mercialys has continued to optimize the management of its bond maturities and, since the start of 2021, has redeemed Euro 19.2 million of the bond issue maturing in March 2023. These bonds are cancelled in the Company's books.

Mercialys also has Euro 405 million of **undrawn financial resources**, consistent with the amount from end-December 2020, enabling it to benefit from a satisfactory level of liquidity:

- a Euro 225 million revolving bank credit facility, with 20% due in December 2022 and 80% in December 2023. The Euribor margin is 125bp (for a BBB rating); if undrawn, this facility is subject to payment of a 40% non-use fee;
- five bilateral confirmed bank facilities for a total amount of Euro 145 million, maturing between January 2022 and June 2024. The Euribor margins are 150bp 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;
- a Casino cash advance for up to Euro 35 million, maturing at December 31, 2022. The Euribor margin is progressive; if undrawn, this facility is subject to payment of a 40% non-use fee.

In addition, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012. It has been used for Euro 150 million (outstanding at June 30, 2021).

The following chart presents **Mercialys' bond debt maturity schedule and undrawn financial resources** (excluding commercial paper) at the date when this half-year financial report was published:



1.7.3. Bank covenants and credit rating

Mercialys' financial position at June 30, 2021 satisfied all the various covenants included in the different credit agreements.

The **loan to value (LTV) ratio** came to 38.3% excluding transfer taxes (vs. 38.1% at end-December 2020 and 41.1% at end-June 2020), well below the contractual covenants. An LTV covenant of less than 55% applies to 60% of the confirmed bank lines, with an LTV covenant of less than 50% for the 40% of other facilities. The Company has maintained a very balanced financial structure despite the effects of the economic and health crisis, reflected in pressure on rent collection for 2020 and the first half of 2021.

The LTV including transfer taxes was 36.0% at end-June 2021, compared with 35.8% at end-December 2020 and 38.6% at end-June 2020.

	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Net financial debt (in millions of euros)	1,170.6	1,188.8	1,385.2
Appraisal value excluding transfer taxes (in millions of euros)[20]	3,052.5	3,122.0	3,370.9
Loan to value (LTV) – excluding transfer taxes	**38.3%**	**38.1%**	**41.1%**

Similarly, the **interest coverage ratio (ICR)** was 5.6x at end-June 2021, significantly higher than the contractual covenant (ICR > 2x). This indicator is up compared with the level from December 31, 2020 (5.0x) and down compared with June 30, 2020 (10.6x), reflecting the impacts of the health crisis on EBITDA and the impacts of the July 2020 bond refinancing on financial expenses.

	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
EBITDA (in millions of euros)	76.3	131.2	78.1
Net finance costs (in millions of euros)	-13.6	-26.2	-7.4
Interest coverage ratio (ICR)	**5.6x**	**5.0x**	**10.6x**

The two other contractual covenants are also met:

- the **fair value of assets excluding transfer taxes** at June 30, 2021 was Euro 3.0 billion (above the contractual covenant, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion);
- zero **pledged debt** at June 30, 2021 (below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%).

Mercialys is rated by Standard & Poor's. On May 19, 2021, the agency confirmed its rating for Mercialys of BBB (outlook negative).

[20] Including the market value of investments in associates, with Euro 55.9 million for the first half of 2021 (Euro 56.4 million for the full year in 2020 and Euro 56.3 million for the first half of 2020), since the value of the portfolio held by associates is not included in the appraisal value

1.8. Equity and ownership structure

Consolidated equity totaled Euro 909.7 million at June 30, 2021, compared with Euro 895.1 million at December 31, 2020.

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

- net income for the first half of 2021: Euro +35.9 million;
- cash portion of the 2020 dividend of Euro 0.43 per share and dividends paid to non-controlling interests: Euro -44.9 million;
- transactions on treasury shares, including the capital increase linked to the section of the 2020 dividend paid in shares: Euro +19.3 million;
- change in fair value of financial assets and derivatives: Euro +4.3 million.

The **number of outstanding shares** at June 30, 2021 was 93,886,501 from May 21, 2021, following the exercising of the option for the 2020 dividend to be paid in shares as proposed at Mercialys' General Shareholders' Meeting on April 22, 2021. 43.3% of the rights were exercised for the option for this dividend to be paid in shares, with 1,837,332 new ordinary shares created, limiting the amount of the cash dividend paid out to Euro 22.4 million. This operation enabled Mercialys to further strengthen its equity by Euro 17.1 million, with the shares created representing nearly 2% of the capital based on the capital at April 30, 2021.

	Jun 30, 2021	2020	2019	2018
Number of shares outstanding				
- At start of period	92,049,169	92,049,169	92,049,169	92,049,169
- At end of period	93,886,501	92,049,169	92,049,169	92,049,169
Average number of shares outstanding	92,457,465	92,049,169	92,049,169	92,049,169
Average number of shares (basic)	**92,136,487**	**91,532,357**	**91,789,610**	**91,733,866**
Average number of shares (diluted)	**92,136,487**	**91,532,357**	**91,789,610**	**91,733,866**

At June 30, 2021, Mercialys' shareholding structure had the following breakdown: Casino Group (19.77%[21]), Generali Group (7.85%), treasury stock (0.27%), other shareholders (72.11%).

1.9. Risk factors and transactions with related parties

A detailed description of all the priority risks that Mercialys is exposed to is provided in Section 5 of the 2020 Universal Registration Document (pages 317 to 341). A specific risk relating to the Covid-19 epidemic is presented on pages 340 and 341, including all of its potential impacts on the Company's priority risks.

Following a first half of 2021 marked by a high level of uncertainty due to constraints on activities, with shopping centers ordered to close for an unprecedented period, the strong upturn in footfall and retailer sales since the centers reopened on May 19 is encouraging and highlights consumers' unchanged appetite for physical retail spaces.

Nevertheless, the collection rate for arrears concerning rent and charges for both 2020 and the first half of 2021 has continued to be affected by the timeframes for putting in place the retailer support package that the French

[21] In accordance with the disclosure threshold report no.221C1241 filed with the AMF on May 31, 2021

government has committed to, which is notably intended to cover their rent and charges for the months when they were affected by the government-ordered closures.

As the development of the Covid-19 epidemic is still uncertain, further restrictions aimed at protecting public health cannot be ruled out. The potential impacts of putting in place, on a localized and case-by-case basis, a requirement for visitors to show a “health pass” to access centers are difficult to measure and could affect footfall, variable rent levels, the contribution from Casual Leasing or even result in additional operating costs for the centers.

Cautious optimism is therefore needed for the coming quarters, leading Mercialys to publish full-year objectives for 2021 that exclude the impacts of a reoccurrence of episodes linked to the health crisis, including the potential impacts resulting from the measures associated with the “health pass” as mentioned above.

No significant developments concerning related-party relationships occurred during the first half of 2021.

A description and an update of the main contracts and agreements governing relationships with related parties is available in Note 19 of this half-year financial report and in Section 6 of the 2020 Universal Registration Document (pages 343 to 361).

1.10. 2021 outlook

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

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

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

In this context, excluding the impacts of a further deterioration in the health situation, including the potential impacts of the measures relating to the “health pass” (reduced footfall, further weakening of retailers, likely drop in variable rents and the contribution from Casual Leasing, and increase in additional operating expenses), Mercialys expects its **funds from operations (FFO) per share to be at least stable in 2021 compared with 2020**.

1.11. Subsequent events

In July 2021, Mercialys signed a new credit agreement for an existing undrawn bilateral bank facility. The corresponding amount of Euro 30 million is unchanged, with the agreement covering a new three-year period from July 2021. Two environmental criteria have been incorporated, with a positive or negative impact on the interest rate depending on the levels achieved.

Also in July 2021, the French government indicated that it wanted to introduce a “health pass” requiring people to show proof of full vaccination, a negative PCR test or a recent Covid-19 infection certificate at the entrance of several public spaces, in order to avoid a new wave of contaminations. As for shopping centers, the implementation or not of this measure will be entrusted by the government from August 5, 2021 to prefects in the various French departments, which may therefore lead to local applications of the “health pass” on a case-by-case basis. The potential impact on footfall for retail sites, which would result in a weakening of retailers, a likely drop in variable rents and Casual Leasing, and the corresponding operating costs, cannot be determined to date.

2. EPRA PERFORMANCE MEASURES

Mercialys applies the EPRA[22] 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-June 2021, end-December 2020 and end-June 2020:

	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
EPRA earnings - Euros per share	0.60	1.04	0.69
EPRA NRV - Euros per share	20.32	21.18	22.00
EPRA NTA - Euros per share	18.26	19.04	19.68[23]
EPRA NDV - Euros per share	17.17	18.42	19.90
EPRA net initial yield - %	5.26%	5.28%	5.16%
EPRA topped-up net initial yield - %	5.32%	5.33%	5.20%
EPRA vacancy rate - %	5.7%	5.4%	3.4%
EPRA cost ratio (including direct vacancy costs) - %	11.7%	27.0%	17.0%
EPRA cost ratio (excluding direct vacancy costs) - %	9.8%	25.6%	15.7%
EPRA capital expenditure - In millions of euros	6.6	61.6	6.0

[22] European Public Real Estate Association

[23] Value adjusted from Euro 19.72 per share, as published in the 2020 Half-Year Financial Report, to Euro 19.68 per share, in order to more accurately reflect the new methodology for calculating EPRA NTA

2.1. 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)	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Net income attributable to owners of the parent	**31.4**	**85.8**	**33.2**
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	-0.1	4.3	-0.2
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	-0.7	-1.1	-1.4
Other operating income and expenses	5.6	-34.2	11.1
Depreciation and amortization	19.6	40.8	20.2
EPRA EARNINGS	**55.7**	**95.5**	**63.0**
Average number of shares (basic)	92,136,487	91,532,357	91,609,039
EPRA EARNINGS PER SHARE (in euros)	**0.60**	**1.04**	**0.69**

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.

2.2. Net asset value (EPRA NRV, EPRA NTA, EPRA NDV)

(In millions of euros)	Jun 30, 2021 EPRA NRV	 EPRA NTA	 EPRA NDV
IFRS equity attributable to shareholders	**708.4**	**708.4**	**708.4**
Includes[24] / Excludes[25]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**708.4**	**708.4**	**708.4**
Includes[24]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	974.3	974.3	974.3
ii.b) Revaluation of IPUC[26] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[27]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases[28]	0.0	0.0	0.0
iv) Revaluation of trading properties[29]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,700.2**	**1,700.2**	**1,700.2**
Excludes[25]:			
v) Deferred tax in relation to fair value gains of IP[30]	0.0	0.0	
vi) Fair value of financial instruments	13.3	13.3	
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		-4.0	
Includes[24]:			
ix) Fair value of fixed interest rate debt			-92.1
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[31]	189.0	0.0	
NAV	**1,902.6**	**1,709.6**	**1,608.1**
Fully diluted number of shares at end of period	93,636,064	93,636,064	93,636,064
NAV per share (in euros)	**20.32**	**18.26**	**17.17**

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

(In millions of euros)	Dec 31, 2020 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**692.9**	**692.9**	**692.9**
Includes[32] / Excludes[33]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**692.9**	**692.9**	**692.9**
Includes[32]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,021.9	1,021.9	1,021.9
ii.b) Revaluation of IPUC[34] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[35]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases[36]	0.0	0.0	0.0
iv) Revaluation of trading properties[37]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,732.3**	**1,732.3**	**1,732.3**
Excludes[33]:			
v) Deferred tax in relation to fair value gains of IP[38]	0.0	0.0	
vi) Fair value of financial instruments	14.1	14.1	
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		-4.1	
Includes[32]:			
ix) Fair value of fixed interest rate debt			-45.9
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[39]	192.7	0.0	
NAV	**1,939.0**	**1,742.3**	**1,686.4**
Fully diluted number of shares at end of period	91,532,357	91,532,357	91,532,357
NAV per share (in euros)	**21.18**	**19.04**	**18.42**

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

(In millions of euros)	Jun 30, 2020 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**639.1**	**639.1**	**639.1**
Includes[40] / Excludes[41]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**639.1**	**639.1**	**639.1**
Includes[40]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,129.7	1,129.7	1,129.7
ii.b) Revaluation of IPUC[42] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[43]	19.7	19.7	19.7
iii) Revaluation of tenant leases held as finance leases[44]	0.0	0.0	0.0
iv) Revaluation of trading properties[45]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,788.5**	**1,788.5**	**1,788.5**
Excludes[41]:			
v) Deferred tax in relation to fair value gains of IP[46]	0.0	0.0	
vi) Fair value of financial instruments	18.5	18.5	
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		-4.3	
Includes[40]:			
ix) Fair value of fixed interest rate debt			34.8
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[47]	208.1	0.0	
NAV	**2,015.0**	**1,802.7**	**1,823.3**
Fully diluted number of shares at end of period	91,609,039	91,609,039	91,609,039
NAV per share (in euros)	**22.00**	**19.68[48]**	**19.90**

[40] "Include" indicates that an asset (whether on or off balance sheet) should be added to the shareholders' equity, whereas a liability should be deducted
[41] "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back
[42] Difference between development property held on the balance sheet at cost and fair value of that development property
[43] Revaluation of intangibles to be presented under adjustment (x) Revaluation of Intangibles to fair value and not under this line
[44] Difference between finance lease receivables held on the balance sheet at amortized cost and the fair value of those finance lease receivables
[45] Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties
[46] Deferred tax adjustments are presented on page 15 of the EPRA Best Practices Recommendations Guidelines
[47] Real estate transfer tax adjustments are presented on page 17 of the EPRA Best Practices Recommendations Guidelines
[48] Value adjusted from Euro 19.72 per share, as published in the 2020 Half-Year Financial Report, to Euro 19.68 per share, in order to more accurately reflect the new methodology for calculating EPRA NTA

2.3. 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)	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Investment property – wholly owned	2,996.6	3,065.6	3,314.6
Assets under development (-)	0.0	0.0	-6.2
Completed property portfolio excluding transfer taxes	**2,996.6**	**3,065.6**	**3,308.4**
Transfer taxes	189.0	192.7	208.1
Completed property portfolio including transfer taxes	**3,185.6**	**3,258.3**	**3,516.4**
Annualized rental revenues[49]	174.2	178.5	186.9
Non-recoverable expenses (-)	-6.6	-6.4	-5.6
Annualized net rents	**167.6**	**172.1**	**181.4**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	1.9	1.7	1.6
Topped-up net annualized rent	**169.5**	**173.8**	**183.0**
EPRA NET INITIAL YIELD	**5.26%**	**5.28%**	**5.16%**
EPRA TOPPED-UP NET INITIAL YIELD	**5.32%**	**5.33%**	**5.20%**

2.4. 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 5.7% at end-June 2021, higher than the level from end-December 2020 (5.4%). "Strategic" vacancy following decisions to facilitate extension or redevelopment plans represents 170bp within this vacancy rate.

(In million euros)	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Rental value of vacant units	10.3	10.0	6.3
Rental value of the entire portfolio	180.6	183.9	182.3
EPRA vacancy rate	**5.7%**	**5.4%**	**3.4%**

[49] 2021 annualized rental revenues include a normalized view of the Casual Leasing business - as observed in 2019 - with this business exceptionally affected by the health crisis.

2.5. EPRA cost ratios

(In millions of euros)	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020	Comments
Administrative and operating expense line per IFRS income statement[50]	-9.2	-19.2	-9.3	Personnel expenses and other costs
Net service charge costs	-4.2	-5.8	-3.5	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	-0.5	-1.3	0.0	Rental management fees
Other income and expenses[51]	4.1	-21.0	-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	**-9.9**	**-47.3**	**-15.7**	
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 the rent)	0.0	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-9.9**	**-47.3**	**-15.7**	**A**
Direct vacancy costs[52]	1.6	2.5	1.3	
EPRA costs (excluding vacancy costs) (B)	**-8.3**	**-44.8**	**-14.4**	**B**
Gross rental revenues less ground rent costs[53]	84.7	175.4	92.0	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)	**84.7**	**175.4**	**92.0**	**C**
EPRA COST RATIO including direct vacancy costs	**-11.7%**	**-27.0%**	**-17.0%**	**A / C**
EPRA COST RATIO excluding direct vacancy costs	**-9.8%**	**-25.6%**	**-15.7%**	**B / C**

[50] The administrative and operating expense line per IFRS income statement does not include personnel costs that are capitalized for projects or allocated to sales, for Euro 1.3 million at June 30, 2021, Euro 1.4 million at December 31, 2020 and Euro 0.5 million at June 30, 2020

[51] Other income and expenses for 2021 include a Euro +5.4 million positive impact, comprising Euro +1.7 million for the reversal of provisions for doubtful receivables resulting from the new relief granted for the first lockdown in 2020, and Euro +3.7 million for the reversal of provisions for doubtful receivables relating to the additional collection for 2020

[52] 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

[53] 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

2.6. EPRA Capital Expenditure

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

(In millions of euros)	Jun 30, 2021			Dec 31, 2020			Jun 30, 2020		
	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	0.4	0.0	0.4	44.8	0.0	44.8	0.1	0.0	0.1
Developments	0.3	0.0	0.3	7.8	0.0	7.8	0.9	0.0	0.9
Investment property	5.8	0.0	5.8	8.0	0.0	8.0	4.5	0.0	4.5
Incremental lettable space	*1.8*	*0.0*	*1.8*	*3.3*	*0.0*	*3.3*	*2.3*	*0.0*	*2.3*
No incremental lettable space	*1.9*	*0.0*	*1.9*	*3.0*	*0.0*	*3.0*	*1.0*	*0.0*	*1.0*
Tenant incentives	*0.5*	*0.0*	*0.5*	*0.1*	*0.0*	*0.1*	*0.1*	*0.0*	*0.1*
Other material non-allocated types of expenditure	*1.6*	*0.0*	*1.6*	*1.6*	*0.0*	*1.6*	*1.1*	*0.0*	*1.1*
Capitalized interest (if applicable)	0.0	0.0	0.0	1.0	0.0	1.0	0.5	0.0	0.5
Total CapEx	**6.5**	**0.0**	**6.5**	**61.6**	**0.0**	**61.6**	**6.0**	**0.0**	**6.0**
Conversion from accrual to cash basis	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Total CapEx (on cash basis)	**6.6**	**0.0**	**6.6**	**61.6**	**0.0**	**61.6**	**6.0**	**0.0**	**6.0**

Development capital expenditure concerns residual payments for the Le Port Retail Park on Reunion Island, inaugurated in 2020.

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) and the strategic projects rolled out at various sites (Ocitô, coworking, architectural fit-out work);
- Under “no incremental lettable space”, primarily maintenance capex;
- Under “other material non-allocated types of expenditure”, expenditure relating to IT and the marketing and digital ecosystem.

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.1. Condensed consolidated income statement

Interim statements at June 30, 2021 and 2020.

(In thousands of euros)		Jun 30, 2021	Jun 30, 2020
Rental revenues		**84,665**	**92,003**
Service charges and property tax		-30,148	-30,429
Service charges and tax reinvoiced to tenants		25,929	26,953
Net property expenses		3,520	-2,901
Net rental income	*Note 11*	**83,966**	**85,626**
Management, administrative and other activities income		1,292	1,698
Other income	*Note 12*	221	53
Other expenses		-2,263	-2,438
Personnel expenses		-6,900	-6,860
Depreciation and amortization		-19,557	-20,236
Reversals of / (Allowances for) provisions		-346	1,272
Other operating income	*Note 13*	790	3,541
Other operating expenses	*Note 13*	-6,568	-15,922
Operating income		**50,637**	**46,734**
Income from cash and cash equivalents		162	46
Expenses from gross financial debt		-14,115	-7,401
(Expenses) / Income from net financial debt	*Note 16.3.1*	**-13,953**	**-7,355**
Other financial income	*Note 16.3.2*	153	124
Other financial expenses	*Note 16.3.2*	-1,619	-1,463
Net financial income		**-15,419**	**-8,693**
Tax expenses	*Note 18*	-423	-1,215
Share of net income from equity associates and joint ventures	*Note 5*	1,091	775
Consolidated net income		**35,886**	**37,599**
Attributable to non-controlling interests		4,498	4,384
Attributable to owners of the parent		31,388	33,215
Earnings per share[54]			
Net income, attributable to owners of the parent (in euros)		0.34	0.36
Diluted net income, attributable to owners of the parent (in euros)		0.34	0.36

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

3.2. Condensed consolidated statement of comprehensive income

Interim statements at June 30, 2021 and 2020.

(In thousands of euros)		Jun 30, 2021	Jun 30, 2020
Consolidated net income		35,886	37,599
Items that may be recycled as income		**4,771**	**-6,141**
Cash-flow hedges	*Note 16.4*	5,146	-6,224
Tax effects		-375	83
Items that may not be recycled as income		**-509**	**-146**
Change in fair value of financial assets measured at fair value through other comprehensive income	*Note 16.4*	-509	-210
Actuarial gains or losses		-	90
Tax effects		-	-27
Other comprehensive income for the period, net of tax		**4,262**	**-6,288**
Consolidated comprehensive income		**40,148**	**31,311**
Attributable to non-controlling interests		4,498	4,384
Attributable to owners of the parent		35,651	26,927

3.3. Condensed consolidated balance sheet

Interim statement at June 30, 2021 and for the year ended December 31, 2020.

ASSETS ***(in thousands of euros)***		**Jun 30, 2021**	**Dec 31, 2020**
Intangible assets		3,968	4,052
Property, plant and equipment other than investment property		2,465	1,605
Investment property	*Note 9*	2,031,973	2,050,907
Right-of-use assets	*Note 10*	8,392	8,902
Investments in equity associates	*Note 5*	38,412	38,918
Other non-current assets	*Note 14*	61,796	73,865
Deferred tax assets		1,517	1,728
Non-current assets		**2,148 523**	**2,179 976**
Trade receivables	*Note 15*	55,825	38,217
Other current assets		30,638	40,660
Cash and cash equivalents	*Note 16.1*	287,958	464,611
Investment property held for sale	*Note 9*	111	111
Current assets		**374,533**	**543,599**
Total assets		**2,523,056**	**2,723,575**

EQUITY AND LIABILITIES ***(in thousands of euros)***		**Jun 30, 2021**	**Dec 31, 2020**
Share capital	*Note 6*	93,887	92,049
Additional paid-in capital, treasury shares and other reserves		614,520	600,875
Equity, attributable to owners of the parent		708,407	692,925
Non-controlling interests		201,266	202,193
Equity		**909,673**	**895,118**
Non-current provisions		1,224	1,207
Non-current financial liabilities	*Note 16*	1,326,618	1,355,914
Deposits and guarantees		22,705	22,295
Non-current lease liabilities	*Note 10*	8,071	8,655
Other non-current liabilities		10,404	15,311
Non-current liabilities		**1,369,022**	**1,403,381**
Trade payables		20,660	15,394
Current financial liabilities	*Note 16*	166,677	348,553
Current lease liabilities	*Note 10*	1,080	985
Current provisions		10,018	9,942
Other current liabilities		45,820	50,193
Current tax liabilities		106	9
Current liabilities		**244,361**	**425,076**
Total equity and liabilities		**2,523,056**	**2,723,575**

3.4. Consolidated cash flow statement

Impact on key aggregates for the consolidated cash flow statement

Interim statements at June 30, 2021 and 2020.

(In thousands of euros)		**Jun 30, 2021**	**Jun 30, 2020**
Net income, attributable to owners of the parent		31,388	33,215
Non-controlling interests		4,498	4,384
Consolidated net income		**35,886**	**37,599**
Depreciation, amortization(1) and provisions, net of reversals		25,741	31,483
Calculated expenses/(income) relating to stock options and similar		-135	133
Other calculated expenses/(income)(2)		-1,018	-1,270
Share of net income from equity associates and joint ventures		-1,091	-775
Dividends received from equity associates and joint ventures		1,444	1,084
Income from asset disposals		-529	-119
Expenses/(income) from net financial debt	*Note 16.3*	13,953	7,355
Net financial interest in respect of lease agreements	*Note 10*	150	178
Tax expenses (including deferred taxes)	*Note 18*	423	1,215
Cash flow		**74,824**	**76,881**
Taxes received/(paid)		157	-1,104
Change in working capital requirement relating to operations, excluding deposits and guarantees(3)		-13,973	-24,131
Change in deposits and guarantees		411	556
Net cash flow from operating activities		**61,418**	**52,202**
Cash payments on acquisitions of:			
investment property and other fixed assets		-6,649	-6,036
non-current financial assets		-4	-4
Cash receipts on disposals of:			
investment property and other fixed assets	*Note 9*	3,557	133
Investments in equity associates and joint ventures		-	-
Impact of changes in the scope of consolidation with change of ownership		-	-
Change in loans and advances granted		-	-
Net cash flow from investing activities		**-3,096**	**-5,907**
Dividends paid to shareholders of the parent company (final)	*Note 7*	-22,398	-43,957
Dividends paid to non-controlling interests		-5,424	-4,352
Change in treasury shares		2,364	-1,946
Increase in borrowings and financial debt	*Note 16*	149,999	727,500
Decrease in borrowings and financial debt	*Note 16*	-351,700	-605,500
Repayment of lease liabilities	*Note 10*	-489	-476
Interest received		13,309	14,504
Interest paid		-20,741	-23,540
Net cash flow from financing activities		**-235,079**	**62,234**
Change in cash position		**-176,757**	**108,530**
Net cash at beginning of period	*Note 16.1*	464,600	72,012
Net cash at end of period	*Note 16.1*	287,843	180,542
of which cash and cash equivalents		287,958	180,547
of which bank overdrafts		-116	-5

(1) Depreciation and amortization exclude the impact of impairments on current assets

(2) Other calculated expenses and income mainly comprise:

- discounting adjustments to construction leases	*Note 14*	*-168*	*-170*
- lease rights received from tenants and spread over the firm term of the lease		*-1,243*	*-1,229*
- financial expenses spread out		*322*	*191*
- interest on non-cash loans		*54*	*-*

(3) The change in working capital requirements breaks down as follows:

- trade receivables	*Note 15*	*-11,705*	*-41,063*
- trade payables		*5,265*	*2,035*
- other receivables and payables		*-7,534*	*14,897*
Total working capital requirements		***-13,973***	***-24,131***

3.5. Change in consolidated equity

Interim statements at June 30, 2021 and 2020.

(In thousands of euros)	Share capital	Capital reserves[55]	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Change in financial assets through other comprehensive income	Equity attributable to owners of the parent[56]	Non-controlling interests	Total equity
At December 31, 2019	**92,049**	**482,834**	**-3,601**	**92,595**	**-371**	**-5,546**	**657,958**	**202,072**	**860,030**
Other comprehensive income for the period	-	-	-	-6,141	63	-210	-6,288	-	-6,288
Net income for the period	-	-	-	33,215	-	-	33,215	4,384	37,599
Consolidated comprehensive income for the period	**-**	**-**	**-**	**27,074**	**63**	**-210**	**26,927**	**4,384**	**31,311**
Treasury share transactions	-	-	-136	-1,811	-	-	-1,947	-	-1,947
Final dividends paid for 2019	-	-	-	-43,957	-	-	-43,957	-4,349	-48,306
Share-based payments	-	-	-	133	-	-	133	-	133
At June 30, 2020	**92,049**	**482,834**	**-3,737**	**74,033**	**-308**	**-5,756**	**639,114**	**202,107**	**841,221**
At December 31, 2020	**92,049**	**482,834**	**-3,452**	**128,682**	**-391**	**-6,795**	**692,925**	**202,193**	**895,118**
Other comprehensive income for the period	-	-	-	4,771	-	-509	4,262	-	4,262
Net income for the period	-	-	-	31,388	-	-	31,388	4,498	35,886
Consolidated comprehensive income for the period	**-**	**-**	**-**	**36,160**	**-**	**-509**	**35,651**	**4,498**	**40,148**
Capital increase	1,837	15,268	-	-	-	-	17,106	-	17,106
Treasury share transactions	-	-	1,450	915	-	-	2,364	-	2,364
Final dividends paid for 2020	-	-	-	-39,504	-	-	-39,504	-5,424	-44,927
Share-based payments	-	-	-	-135	-	-	-135	-	-135
At June 30, 2021	**93,887**	**498,102**	**-2,003**	**126,115**	**-391**	**-7,304**	**708,407**	**201,266**	**909,673**

[55] Capital reserves = premiums on shares issued for cash or assets, merger premiums and legal reserves
[56] Attributable to Mercialys SA shareholders

4. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Information relating to the Mercialys Group

Mercialys is a French-law limited liability company (*société anonyme*), specialized in retail property. Its registered office is located at 16-18 rue du Quatre Septembre, 75002 Paris.

Mercialys SA’s shares are listed on Euronext Paris Compartment B.

The Company and its subsidiaries are hereafter referred to as “the Group” or “the Mercialys Group”.

The condensed half-year consolidated financial statements at June 30, 2021 reflect the accounting position of the Company and its subsidiaries and joint ventures, as well as the Group’s interests in associates.

On July 28, 2021, the Board of Directors drew up and authorized publication of the Mercialys Group’s condensed consolidated financial statements for the half-year ended June 30, 2021.

Note 1: Basis of preparation of the financial statements and accounting methods

Note 1.1: Statement of compliance

In accordance with Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group’s condensed 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 at the date on which the financial statements were approved by the Board of Directors and applicable at June 30, 2021.

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

Note 1.2: Basis of preparation

The half-year consolidated financial statements, presented in summary form, have been prepared in accordance with IAS 34 (“Interim Financial Reporting”).

They do not include all the information and notes presented in the annual financial statements. As such, they should be read together with the Group’s consolidated financial statements for the year ended December 31, 2020.

They are available on request from the Communications Department, 16-18 rue du Quatre Septembre, 75002 Paris, or on the website www.mercialys.com.

The Group's condensed consolidated financial statements are presented in thousands of euros. The euro is the Group's reporting and functional currency. The statements have been prepared based on the historical cost method, with the exception of financial assets stated at fair value through other comprehensive income and hedging derivatives, which are stated at fair value.

The tables contain figures that have been rounded individually. There may be differences between the arithmetic totals of these figures and the aggregates or subtotals shown.

Note 1.3: Accounting principles

The accounting principles used for the preparation of the condensed consolidated financial statements at June 30, 2021 are identical to those applied for the annual consolidated financial statements for 2020.

The amendments to IFRS 9, IAS 39, IFRS 7 - Interest Rate Benchmark Reform (Phase II) - and IFRS 16, published on August 27, 2020 and compulsory from January 1, did not have any material impact on the Group's condensed consolidated financial statements.

Note 1.4: Use of estimates and judgments

In preparing the condensed consolidated financial statements, management is required to make a number of judgments, estimates and assumptions that affect the amount of certain assets and liabilities, income and expense items, and certain information provided in the notes to the financial statements. As assumptions are inherently uncertain, actual results may differ from these estimates.

The Group reviews its estimates and assessments on a regular basis to take into account past experience and incorporate factors considered relevant under current economic conditions.

The material judgments made by management to apply the Group's accounting methods and the main sources of uncertainty linked to estimates are identical to those described in the latest annual financial statements.

The main line items in the financial statements that may depend on estimates and judgments are:

- Financial assets stated at fair value through other comprehensive income whose fair value was determined on the basis of their net asset value;
- The fair value of investment properties whose valuations, as determined by independent assessors, are based on unobservable data;
- The impairment of trade receivables;
- The procedures used for the application of IFRS 16, in particular the determination of discount rates and the lease duration used for the measurement of lease liabilities.

Note 2: Significant events

Impacts relating to the Covid-19 pandemic

The shopping center sector in France has been significantly affected, since January 2021, by the government measures relating to the health crisis. First of all, local curfews were set from January 2, then extended nationwide. From January 31, all non-food stores with over 20,000 sq.m of gross leasable area, as well as non-food stores in shopping centers with a gross leasable area of over 20,000 sq.m, were closed. In addition, shopping centers were not authorized to offer click and collect services from this date until the sites reopened. The closure restrictions were ramped up from March 6, in all French departments under stronger supervision measures, reducing the limit for gross leasable area authorized to open to 10,000 sq.m. Lastly, on April 3, the French government introduced a third national lockdown and also ordered the closure of all stores considered to be non-essential, regardless of their size.

This scope for closures more restrictive than in 2020, combined with the asset sales completed at the end of 2020 by Mercialys including the sale of four Monoprix stores, is reflected in an open annualized rental base of 36% for the Company’s portfolio between April 3 and May 19, 2021, compared with 40% during the first lockdown from March to May 2020.

All stores were able to reopen on May 19, 2021. Various health measures, which had already been approved for the reopenings in May and November 2020, were put in place by Mercialys across its portfolio.

This latest order to close stores may have affected the profitability of retailers that were already impacted by these same measures in 2020, and affected the collection rate for rent, charges and work for the first half of 2021. However, the French government has made a public commitment to put in place support packages, in addition to the solidarity fund, that will notably enable retailers that were ordered to close to honor their rent payments. As a result, no receivables were written off for the first half of 2021.

During the first half of 2021, Mercialys continued to formalize and put in place the support measures granted to its tenants for the government-ordered closure periods in 2020 (Notes 11 and 15). Considering the public commitments made by the French government, Mercialys has not determined any additional support measures relating to the government-ordered closures for the first half of 2021.

Concerning the safety of the Company’s employees, the arrangements for working from home, which had already been strengthened in 2020, were maintained in 2021. A partial and gradual return of staff to the Company’s headquarters was organized from June 14, in line with the health protocol published by the French Ministry of Labor, Employment and Inclusion.

Operations relating to the Company’s financing and balance sheet

Mercialys has extended the maturity of its undrawn financing facilities. On the one hand, through the Euro 225 million revolving bank credit facility, with 80% extended to December 2023, compared with December 2022 previously. On the other hand, through the two-year extension of an undrawn Euro 30 million bilateral bank credit line.

The Company’s undrawn financial resources represent Euro 405 million, unchanged compared with the end of December 2020.

The Company has also continued to optimize the management of its bond maturities and, since the start of 2021, has redeemed a further Euro 19.2 million of the bond issue maturing in March 2023. These bonds are cancelled in the Company's books.

Lastly, to contribute to its strong balance sheet positions, Mercialys' General Shareholders' Meeting on April 22, 2021 decided to offer each shareholder an option for the full dividend of Euro 0.43 per share for the year ended December 31, 2020 to be paid in cash or in new Company shares. This operation enabled Mercialys to further strengthen its equity by Euro 17.1 million with the creation of 1,837,332 new ordinary shares, representing nearly 2% of the capital based on the capital at April 30, 2021. Following this operation, Mercialys' share capital on May 21, 2021 was increased to Euro 93,886,501, split into 93,886,501 ordinary shares with a par value of Euro 1, fully paid-up and all of the same category.

Following the exercising of this option for payment in shares, the Casino Group dropped below the 20% threshold of Mercialys' capital and voting rights, and indicated on May 31, 2021 that it held 18,559,506 Mercialys shares, representing 19.77% of the Company's capital and voting rights.

Note 3: Seasonality of the business

The Group's business is not affected by seasonality.

Note 4: Segment reporting

Segment reporting reflects management's views and is prepared based on the internal reporting used by the chief operating decision maker (the Chief Executive Officer) to allocate resources and assess the Group's performance.

As the Group's Senior Management does not use a breakdown of operations to review operational results, no segment reporting is provided in the financial statements.

To date, there is only one geographic segment, given that the Group's portfolio consists exclusively of assets located in France. However, in the future, the Group does not rule out making investments outside of France, in which case information would be disclosed for other geographic segments as well.

Note 5: Basis for consolidation

Note 5.1: List of consolidated companies

At June 30, 2021, the Mercialys Group consolidated the following companies:

Name	Jun 30, 2021			Dec 31, 2020		
	Method	% interest	% control	Method	% interest	% control
Mercialys SA	**FC**	**Parent company**	**Parent company**	**FC**	**Parent company**	**Parent company**
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Kerbernard	FC	100.00%	100.00%	FC	100.00%	100.00%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	EM	40.00%	40.00%	EM	40.00%	40.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Periaz	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI AMR	EM	25.00%	25.00%	EM	25.00%	25.00%
SNC Aix2	EM	50.00%	50.00%	EM	50.00%	50.00%
SNC Fenouillet Participation	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Fenouillet Immobilier	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Hyperthetis Participations	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Immosiris	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Epicanthe	FC	100.00%	100.00%	FC	100.00%	100.00%
SARL Toutoune	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Mercialys Exploitation	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Rennes-Anglet	EM	30.00%	30.00%	EM	30.00%	30.00%
SAS Astuy	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Sacré-Cœur	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Ocitô la Galerie	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Cap Cowork Mercialys	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Saint-Denis Génin	EM	30.00%	30.00%	EM	30.00%	30.00%
SAS Mercialys Participations	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS The Next Horizon	FC	100.00%	100.00%	-	-	-

FC: full consolidation / EM: equity method

Note 5.2: Assessment of control

No events that occurred during the first half of 2021 called into question the assessments of control of the consolidated entities described at December 31, 2020.

Note 6: Equity

Mercialys' General Shareholders' Meeting on April 22, 2021 decided to offer each shareholder an option for the full dividend for the year ended December 31, 2020 to be paid in cash or in new Company shares (Note 7).

Following this operation, 1,837,332 new ordinary shares with a par value of Euro 1 were issued, with a total premium of Euro 15,268 thousand, and the share capital was increased from Euro 92,049 thousand to Euro 93,887 thousand.

At June 30, 2021, the share capital comprised 93,886,501 fully paid-up ordinary shares with a par value of Euro 1.

Note 7: Dividends paid, proposed or approved

Out of 92,049,169 shares at December 31, 2020, 91,869,134 shares benefited from the dividend awarded for the year ended December 31, 2020 (with 180,035 treasury shares not entitled to dividends) of Euro 0.43 per share, representing a total of Euro 39,504 thousand.

During the Ordinary General Meeting on April 22, 2021, shareholders were able to opt for this dividend to be paid in new shares or in cash.

Following this operation:

- the total amount of the dividend paid in shares was Euro 17,106 thousand, with 1,837,332 new ordinary shares issued with a par value of Euro 1 (Note 6),
- the total amount of the dividend paid in cash was Euro 22,398 thousand.

Note 8: Business combinations

No business combination operations took place during the period ended June 30, 2021. The asset transactions that took place relate to acquisitions or disposals of individual assets.

Note 9: Investment properties and investment properties held for sale

Acquisitions and disposals

No major acquisition or disposal operations were carried out during the first half of 2021.

The cash flow relating to sales of investment property correspond for Euro 3 million to the escrow funds received on the Asnières Monoprix asset sold in December 2020.

Investment property held for sale

Investment property held for sale totaled Euro 111 thousand. They correspond to residual interests held in non-strategic assets that Mercialys intends to divest in the near future.

Impairment of investment property

Additional impairments on investment property were recognized at end-June 2021 for Euro 6.1 million, because the carrying amount of the properties was higher than the appraisal value excluding transfer taxes, taking the total amount of impairments to Euro 44.2 million at end-June 2021.

Fair value of investment property and investment property held for sale

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

These valuations concerned all of the investment properties held at June 30, 2021. The valuation methods applied, presented in the Group's consolidated financial statements at December 31, 2020, remain unchanged. The assumptions retained have changed in order to notably take into account the impact of an increase in rates, zero inflation for the first year of cash flow or even potential difficulties recovering trade receivables.

Based on these elements, the portfolio was valued at Euro 3,185.6 million including transfer taxes at June 30, 2021, compared with Euro 3,258.3 million at December 31, 2020. Excluding transfer taxes, this value was Euro 2,996.6 million at end-June 2020, compared with Euro 3,065.6 million at end-December 2020.

The portfolio value including transfer taxes is therefore down -2.2% over six months (-2.2% like-for-like[57]) and -9.6% over 12 months (-4.5% like-for-like[57]).

The portfolio value excluding transfer taxes is, on its side, down -2.3% over six months (-2.3% like-for-like[57]) and -9.6% over 12 months (-4.5% like-for-like[57]).

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

The change in the fair value of assets excluding transfer taxes of Euro -69 million over six months is due to:

- the contraction in rents on a like-for-like basis: Euro -58 million;
- the increase in the average capitalization rate: Euro -11 million.

The average appraisal yield rates are as follows:

Type of property	Average yield rate Jun 30, 2021	Average yield rate Dec 31, 2020	Average yield rate Jun 30, 2020
Regional and large shopping centers	5.44%	5.44%	5.32%
Neighborhood shopping centers and city-center assets	7.45%	7.31%	6.25%
Total portfolio[58]	5.74%	5.72%	5.49%

[57] Sites on a constant scope and a constant surface area basis
[58] Including other assets (independent cafeterias and other standalone sites)

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2021, as well as the corresponding appraised rental income:

Type of property	Number of assets at June 30, 2021	Appraisal value (excl. transfer taxes) at June 30, 2021		Appraisal value (incl. transfer taxes) at June 30, 2021		Gross leasable area at June 30, 2021		Appraised potential net rental income	
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,540.6	84.8%	2,698.4	84.7%	643,691	78.3%	146.9	80.3%
Neighborhood shopping centers and city-center assets	26	446.3	14.9%	476.9	15.0%	176,691	21.5%	35.5	19.4%
Subtotal	**51**	**2,986.9**	**99.7%**	**3,175.2**	**99.7%**	**820,382**	**99.8%**	**182.4**	**99.8%**
Other sites[58]	4	9.7	0.3%	10.4	0.3%	1,954	0.2%	0.4	0.2%
Total	**55**	**2,996.6**	**100.0%**	**3,185.6**	**100.0%**	**822,336**	**100.0%**	**182.8**	**100.0%**

Assuming annual appraised rents of Euro 182.8 million and a capitalization rate of 6.10%, the sensitivity of the appraisal value of Mercialys' portfolio is as follows:

Sensitivity criteria	Impact on appraisal value (excluding transfer taxes) (€m)
-0.5% decrease in the capitalization rate	+267.5
+10% increase in rents	+299.7
+0.5% increase in the capitalization rate	-227.0
-10% decrease in rents	-299.7

Note 10: Leases

The leases for which Mercialys is a lessee fall into two categories:

- Leases for plots of land linked to investment properties (mainly construction leases and emphyteutic leases);
- Commercial leases for offices.

The Group applies one of the capitalization exemptions proposed by the standard for short-term equipment leases (12 months).

The term of the lease corresponds to the legally enforceable period of the contract and takes into account the options for termination and renewal whose use by the Group is reasonably certain.

The information relating to leases is presented hereafter.

Note 10.1: Information relating to the balance sheet

Composition and change in right-of-use assets

(In thousands of euros)	Land and land improvements	Buildings, fixtures and fittings	Total
At December 31, 2020	**3,666**	**5,237**	**8,902**
Depreciation and amortization	-114	-396	-509
At June 30, 2021	**3,551**	**4,841**	**8,392**

Note 10.2: Information relating to the income statement

At June 30, 2021, restated lease charges totaled Euro 596 thousand. These lease charges are replaced by a depreciation expense on right-of-use assets for Euro 509 thousand and a financial interest expense on lease liabilities for Euro 150 thousand.

The amounts recognized in profit and loss for the first half of the year concerning agreements excluded from lease liabilities represent Euro 239 thousand and primarily concern short-term agreements.

Note 10.3: Information relating to the cash-flow statement

The total amount paid out for leases during the first half of 2021 came to Euro 489 thousand.

Note 11: Net rental income

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 property operating expenses (primarily fees paid to the property manager that are not re-invoiced and various charges relating directly to site operations).

Covid-19 impacts – First and second lockdowns in 2020

Following the first lockdown phase from March 15 to May 11, 2020, Mercialys had supported its tenants in response to the major economic impacts of the restrictions on activities, aligning itself with the core principles from the mediation process between landlords and tenants, coordinated by the French government in spring 2020. On this basis, talks were held with retailers throughout 2020, and resulted in Mercialys granting rent adjustments and waivers in the form of credits.

From October 30 to November 28, 2020, the French government ordered a second lockdown phase, with all non-essential stores to close again. For the tenants affected by these latest government-ordered closures, Mercialys offered rent waivers for November 2020 in the form of credits.

In 2021, the negotiations with retailers continued moving forward constructively, notably resulting in the contractual formalization of new negotiations for the first and second lockdowns from 2020.

- In relation to the first lockdown:

At the end of December 2020, Mercialys had set a support budget to help its tenants faced with the economic impacts of the first lockdown in 2020, and Euro 9.4 million had been agreed by end-2020, with:

- Euro 3.0 million of rent relief without arrangements negotiated in exchange, which did not correspond to lease modifications as defined by IFRS 16, deducted from invoiced rents;
- Euro 6.4 million of rent adjustments with arrangements negotiated in exchange, corresponding to lease modifications as defined by IFRS 16, with recognition spread over the remaining firm term of the corresponding leases, in accordance with accounting rules. The accounts at December 31, 2020 included a Euro 1.1 million impact, deducted against invoiced rents. The impact of these rent adjustments being spread in the accounts represented Euro 0.7 million at June 30, 2021.

- In relation to the second lockdown:
  - Concerning rent for the month of November 2020, Euro 6.3 million of rent waivers without arrangements negotiated in exchange were recognized in full in the accounts at end-December 2020. During the first half of 2021, negotiations with retailers for this period led to Euro 5.4 million of relief granted or to be awarded, and the amount of provisions recorded in December was written back, generating Euro 0.9 million of income under invoiced rents;
  - With regard to rent for sit-down restaurants, the accounts at end-December 2020 also included Euro 0.5 million of provisions for the impairment of doubtful receivables. The relief granted in this way during the first half of 2021 represented Euro 0.4 million, resulting in a reversal of provisions for the impairment of doubtful receivables for Euro 0.5 million in the accounts at end-June 2021, with Euro 0.1 million of net income.

A Euro 16.2 million provision for impairment of receivables, including Euro 13.7 million relating to Mercialys' estimate of future rent waivers, had been recorded at December 31, 2020 (Note 15).

During the first half of 2021:

- Euro 1.7 million of rent relief without arrangements negotiated in exchange were recorded, resulting in reversals for the corresponding amounts on provisions for the impairment of doubtful receivables recorded at end-December for Euro 1.7 million;
- Euro 3.7 million of reversals for provisions that were no longer applicable were recorded, linked to the progress made with collection for 2020.

Lastly, a tax credit mechanism was introduced by the French government in 2020, with various restrictions for each type of tenant and requirements for tenants to provide specific information. Mercialys had not recognized any impact for this mechanism in its accounts at December 31, 2020. In view of the support measures put in place during the first half of 2021 for the second lockdown in 2020, Mercialys recorded Euro 0.5 million of income reflecting this tax credit under net rental income in its accounts at June 30, 2021. Further income is expected to be recorded over the coming months as applications are received from tenants and rent relief is awarded.

Covid-19 impacts - 2021 lockdown

The new government-ordered closures affected the collection of rent, charges and work for the first half of 2021. However, the French government has made a public commitment to put in place support packages, in addition to the solidarity fund, that will notably enable retailers that were ordered to close to honor their rent payments. As a result of this commitment, no receivables were written off and no further support measures concerning the government-ordered closures during the first half of 2021 were recorded in the accounts at June 30, 2021.

Note 12: Other income

Other current income for the first half of 2021 came to Euro 221 thousand and notably corresponds to dividends received from the OPCI fund created in partnership with Union Investment: UIR2.

These dividends correspond to the management of the OPCI's retail property assets, similar to Mercialys' business. They are therefore presented as operating income.

Note 13: Other operating income and expenses

Other operating income and expenses came to Euro -5.8 million at end-June 2021, compared with Euro -12.4 million at end-June 2020.

This expense primarily comprised the impairment of investment properties for Euro -6.1 million (Note 9), the reversal of provisions on assets sold previously for Euro 0.5 million, and the impact of the ramping up of activities for Ocitô and Cap Cowork for Euro -0.2 million.

For the first half of 2020, the Euro 12.4 million expense primarily comprised the impairment of investment properties for Euro -11.2 million and the provisions recorded for Euro 1.3 million.

Note 14: Other non-current assets

At June 30, 2021, other non-current assets can be broken down as follows:

(In thousands of euros)	Total other non-current assets	Financial assets at fair value through other comprehensive income[59]	Construction leases	Real estate guarantees	Non-current hedging assets[60]	Loans and interest[61]	Prepaid expenses[62]
At December 31, 2020	**73,865**	**3,526**	**4,085**	**389**	**41,950**	**19,639**	**4,275**
Increase	56	-	-	-	-	56	-
Change in fair value	-11,282	-509	-	-	-10,773	-	-
Decrease	-126	-	-	-126	-	-	-
Discounting/Accretion	168	-	168	-	-	-	-
Other reclassifications and other movements	-882	-	-	-	-	-	-882
June 30, 2021	**61,796**	**3,016**	**4,252**	**263**	**31,177**	**19,695**	**3,392**

Note 15: Trade receivables

(In thousands of euros)	Jun 30, 2021	Dec 31, 2020
Trade receivables and related	78,101	66,289
Depreciation	-22,276	-28,072
Trade receivables and related, net	**55,825**	**38,217**

Trade receivables have increased by Euro 11.7 million since January 1, 2021.

[59] Financial assets at fair value through other comprehensive income primarily comprise shares in the OPCI fund UIR II. This mutual fund's ownership is split between Union Investment with an 80.01% stake and Mercialys with 19.99%. It operates a property in Pessac which provides it with rental income. UIR II also paid out a dividend of Euro 224 thousand at the end of June 2021, recognized in other income on the consolidated income statement

[60] The fair value hedging derivatives (interest rate risk hedge) are due to mature on March 31, 2023, February 27, 2026, and November 3, 2027

[61] Loans and interest correspond primarily to the Euro 18.6 million loan granted by Mercialys to SCI AMR in December 2020

[62] Prepaid expenses primarily comprise Covid-19 relief to be granted for over one year

This change is linked to the new government-ordered closures, affecting the collection of rent and charges in 2021 (Note 2).

In addition to the methodology for recording provisions for doubtful receivables determined by Mercialys and based on the level of legal progress on disputes with tenants in arrears, the accounts at end-June 2021 include, as at December 31, 2020, provisions corresponding to the impacts of the health crisis.

For reference, at end-December 2020, Mercialys had recorded, in accordance with IFRS 9, an additional Euro 13.2 million of provisions concerning rent and charges from the second and third quarters of 2020 for the arrears not subject to disputes, but aged positions representing an increased risk of non-collection or a significant risk of Mercialys writing off future rental payments (Note 11).
During the first half of 2021, reversals of provisions for doubtful receivables were recorded for Euro 5.4 million, including:

- Euro 1.7 million relating to the new relief granted for the first lockdown from 2020 (Note 11);
- Euro 3.7 million linked to the progress made with collection for 2020.

The Euro 0.5 million provision for doubtful receivables recorded at end-December for the November 2020 arrears concerning sit-down restaurants was written back during the first half of 2021, generating Euro 0.2 million of net income for the section that was no longer applicable.

Note 16: Financial structure and financial costs

Note 16.1: Net cash

The breakdown of net cash is presented below:

(In thousands of euros)	Jun 30, 2021	Dec 31, 2020
Cash	287,858	414,510
Cash equivalents	101	50,101
Gross cash	**287,958**	**464,611**
Bank overdrafts	-116	-11
Cash net of bank overdrafts	**287,843**	**464,600**

Under the liquidity agreement with Oddo & Cie, managed funds are invested in money market UCITS. These funds, which meet the criteria defined for classification as cash equivalents, are part of the net cash position.

Note 16.2: Borrowings and financial liabilities

Note 16.2.1: Composition

Net financial debt comprises financial debt and borrowings, including fair value hedging derivative liabilities, excluding cash and cash equivalents and fair value hedging derivative assets.

(In thousands of euros)	Jun 30, 2021			Dec 31, 2020		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	-1,291,331	-16,023	-1,307,354	-1,308,414	-15,649	-1,324,062
Other borrowings and financial debt	-	-150,000	-150,000	-	-332,500	-332,500
Bank overdrafts	-	-116	-116	-	-11	-11
Fair value of liabilities	-35,287	-538	-35,825	-47,500	-393	-47,894
Gross financial debt	**-1,326,618**	**-166,677**	**-1,493,295**	**-1,355,914**	**-348,553**	**-1,704,467**
Fair value hedging derivatives – assets	31,136	3,618	34,754	41,896	9,149	51,045
Cash and cash equivalents	-	287,958	287,958	-	464,611	464,611
Cash and cash equivalents and other financial assets	**31,136**	**291,577**	**322,712**	**41,896**	**473,760**	**515,656**
NET FINANCIAL DEBT	**-1,295,482**	**124,900**	**-1,170,583**	**-1,314,018**	**125,207**	**-1,188,811**

Note 16.2.2: Change in financial liabilities

The positive change in bond debt is linked in particular to the redemption since the start of 2021 of Euro 19.2 million of the bond issue due to mature in March 2023.

Outstanding commercial paper decreased by Euro 182.5 million since January 1, 2021 to represent Euro 150 million at end-June 2021.

Note 16.2.3: Financial covenants

Mercialys' financial liabilities are subject to default clauses (early repayment) in the event of failure to comply with the following financial ratios:

- Loan to value (LTV): net financial debt / (market value of the portfolio excluding transfer taxes + market value of investments in associates) <50% at each reporting date;
  A covenant of less than 55% applies to 60% of the confirmed bank facilities. The remaining lines are subject to an LTV covenant of less than 50%;
- Interest coverage ratio (ICR): consolidated EBITDA[63] / net finance costs > 2x, at each reporting date;
- Secured debt / consolidated fair value of investment properties excluding transfer taxes < 20% at all times;
- Consolidated fair value of investment properties excluding transfer taxes > Euro 1 billion at all times.

Change of control clauses also apply.

	Covenants	Jun 30, 2021	Dec 31, 2020
Loan to value (LTV)	< 50%	38.3%	38.1%
Interest coverage ratio (ICR)	> 2x	5.6x	5.0x

At June 30, 2021, the two other contractual covenants (secured debt / consolidated fair value of investment properties excluding transfer taxes, and consolidated fair value of investment properties excluding transfer taxes), as well as the commitment and default clauses, were also complied with.

[63] EBITDA: earnings before interest, tax, depreciation and amortization

Note 16.3: Net financial income

Note 16.3.1: Net finance costs

(In thousands of euros)	Jun 30, 2021	Jun 30, 2020
Cost of debt taken out	-19,289	-12,437
Impact of hedging instruments	5,174	5,036
Gross finance costs	**-14,115**	**-7,401**
Net proceeds from sales of investment securities	162	46
Income from net cash / (net finance costs)	**-13,953**	**-7,355**

The increase in net finance costs reflects the new bond issue carried out in July 2020 for Euro 300 million.

Note 16.3.2: Other financial income and expenses

(In thousands of euros)	Jun 30, 2021	Jun 30, 2020
Other financial income	153	124
Financial income	**153**	**124**
Other financial expenses	-1,619	-1,463
Financial expenses	**-1,619**	**-1,463**
Total other financial income and expenses	**-1,466**	**-1,339**

Other financial expenses primarily concern non-use fees relating to the undrawn bank lines. Other financial income concerns remuneration from loans and partner current accounts for companies in which Mercialys has a minority interest.

Note 16.4: Fair value of financial instruments

The following tables present a comparison of the book value and fair value of financial assets and liabilities, other than those whose book values correspond to reasonable approximations of their fair values, such as trade receivables, trade payables and cash and cash equivalents.

At June 30, 2021 ***(In thousands of euros)***	**Book value**	**Fair value**	**Market price** **= level 1**	**Models with observable inputs** **= level 2**	**Models with non-observable inputs** **= level 3**
ASSETS					
Financial assets at fair value through other comprehensive income[64]	3,016	3,016	-	-	3,016
Fair value hedging derivatives – assets (current and non-current)[65]	34,754	34,754	-	34,754	-
Other derivative assets (current and non-current)[65]	58	58	-	58	-
Cash equivalents	287,958	287,958	287,958	-	-
LIABILITIES					
Bonds	1,307,354	1,395,523	1,395,523	-	-
Fair value hedging derivatives – liabilities (current and non-current)[65]	35,825	35,825	-	35,825	-
Other derivative liabilities (current and non-current)[65]	12,232	12,232	-	12,232	-

At December 31, 2020 ***(In thousands of euros)***	**Book value**	**Fair value**	**Market price** **= level 1**	**Models with observable inputs** **= level 2**	**Models with non-observable inputs** **= level 3**
ASSETS					
Financial assets at fair value through other comprehensive income[64]	3,526	3,526	-	-	3,526
Fair value hedging derivatives – assets (current and non-current)[65]	51,045	51,045	-	51,045	-
Other derivative assets (current and non-current)[65]	80	80	-	80	-
Cash equivalents	464,611	464,611	464,611	-	-
LIABILITIES					
Bonds	1,324,062	1,358,716	1,358,716	-	-
Fair value hedging derivatives – liabilities (current and non-current)[65]	47,894	47,894	-	47,894	-
Other derivative liabilities (current and non-current)[65]	17,199	17,199	-	17,199	-

[64] Financial assets at fair value through other comprehensive income primarily comprise shares in OPCI funds. Their fair value was determined on the basis of their net asset value. This is a level 3 valuation

[65] Derivative instruments are valued externally based on the usual valuation techniques for financial instruments of this kind. The valuation models include observable market inputs – in particular the yield curve – and the quality of the counterparty. These fair value measurements are generally level 2

Note 17: Contingent assets and liabilities

Contingent liabilities relating to a project at the Saint-André site

In 2015, Mercialys, through Epicanthe, acquired shares in SCI Toutoune, the holder of a sales agreement for the acquisition of a plot of land in the Saint-André district on Reunion Island. This acquisition was part of a planned shopping center development.

A Euro 900,000 adjustment to the price of the SCI Toutoune shares was planned, subject to the Saint-André Urban Planning Scheme (Plan Local d'Urbanisme - PLU) being adopted before June 30, 2019, either (i) in the event of the competent legal authority issuing a certificate stating that there have been no objections to the building permit, constituting a Commercial Operating Permit (Autorisation d'Exploitation Commerciale - AEC) enabling the project to go ahead, or (ii) in the event of failure to apply for a building permit constituting an AEC, enabling the project to be completed and complying with the PLU within 36 months of the entry into force of said PLU.

However, this earn-out payment was disputed by Mercialys, since the local authorities asked for the building permit application for the planned project, which was filed on October 4, 2017, to be withdrawn. Mercialys does not believe that any disbursements are likely and so did not recognize any related provisions during the first half of 2021.

Mercialys has not abandoned its intention to develop this piece of land which is located in a region with great potential, but which will, in part, be dependent on the urban planning strategy adopted by the local authorities.

Note 18: Tax

The tax expense recorded is determined based on management's best estimate of the expected weighted average annual tax rate for the full year, multiplied by the income before tax for the interim period.

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 Euro -423 thousand tax expense comprises the CVAE corporate value-added tax for Euro -566 thousand, corporate income tax for Euro -21 thousand and deferred tax for Euro 164 thousand.

During the first half of 2021, Mercialys was able to benefit from the tax credit set up by the French government concerning support measures covered by landlords for the second lockdown in 2020, recording Euro 0.5 million of income under net rental income (Note 11).

Note 19: Related-party transactions

With SCI Rennes-Anglet

SCI Rennes-Anglet entered into several agreements:

- With Mercialys Gestion, a marketing fund management mandate and a tenant finders mandate;
- With Mercialys, a brand license agreement;
- With Casino Group companies, a rental management agreement (Sudeco) and a services agreement (IGC Services).

With SCI AMR

Mercialys entered into the following agreements with SCI AMR:

- Real estate advisory service agreement: under this five-year agreement, SCI AMR entrusts Mercialys with general assistance for managing its real estate assets. This agreement, initially entered into on April 23, 2013, was extended at an early date to cover the period from January 1, 2017 to March 15, 2024;
- Exclusive letting mandate for a five-year period. This mandate, initially entered into on April 23, 2013, was extended at an early date to cover the period from January 1, 2017 to March 15, 2024;
- Center management agreement with Mercialys Gestion.

These transactions totaled Euro 409 thousand for the first half of 2021.

SCI AMR also signed a rental management agreement with Sudeco, a Casino Group company.

For the real estate asset purchase and sales operations carried out in December 2020 between Mercialys and SCI AMR, Mercialys granted a loan to SCI AMR that represented Euro 18,705 thousand at end-June 2021, including Euro 115 thousand of accrued interest.

With the Casino Group

The Mercialys Group maintains contractual relations with various Casino Group companies.

During the first half of 2021, the following changes were recorded for the **operating leases granted** by the Mercialys Group to Casino Group companies:

- Reduction in the number of leases for Casino Restauration, with a total of two leases at June 30, 2021 (compared with nine leases at June 30, 2020);
- Decrease of four leases for the Casino Group’s other entities, with a total of 50 leases at June 30, 2021 (compared with 54 leases at June 30, 2020).

This decrease year-on-year is linked to the asset sales completed at the end of December 2020 by Mercialys, as well as the leases cancelled, particularly with Casino Restauration.

Rent charged for these leases during the first half of 2021 came to:

- Euro 15,246 thousand with Distribution Casino France (compared with Euro 17,500 thousand at June 30, 2020);
- Euro 881 thousand for Monoprix (compared with Euro 4,000 thousand at June 30, 2020);
- Euro 272 thousand for Casino Restauration (compared with Euro 654 thousand at June 30, 2020);
- Euro 3,171 thousand for the other entities (compared with Euro 2,861 thousand at June 30, 2020);

In connection with **Property Management** activities, the fees paid by Mercialys and its subsidiaries to Sudeco, a wholly-owned Casino Group subsidiary, came to Euro 2,425 thousand for the first half of 2021 (compared with Euro 2,071 thousand at June 30, 2020).

Furthermore, the amount paid by Mercialys under the **Services Agreement** came to Euro 479 thousand for the first half of 2021 (compared with Euro 750 thousand for the first half of 2020).

Mercialys has entered into a **current account and cash management agreement** with Casino, expiring on December 31, 2022.

Casino Finance, a Casino Group subsidiary, has granted Mercialys a credit facility for up to Euro 35 million, based on A advances, which cover any advance with a principal amount of less than Euro 10 million, and/or B advances, which cover any advance with a principal amount of Euro 10 million or over. The Euribor margin is progressive; if undrawn, this facility is subject to payment of a 40% non-use fee.

At end-June 2021, Mercialys had not benefited from any cash advances from Casino Finance, and therefore paid Euro 262 thousand of non-use fees for the funds made available by Casino Finance.

In connection with operations to acquire assets, various contracts and guarantees were set up with Casino Group companies:

Delegated project management contracts

A non-exclusive framework delegated project management agreement has been entered into with IGC Services. At June 30, 2021, various orders had been placed under this framework agreement for projects concerning the Lanester, Annecy, Sainte-Marie (Reunion), Monthieu, Montauban, Caserne de Borne and Le Port sites. Mercialys may stop placing orders at each stage planned with the framework agreement, subject to penalties concerning the payment of the provider's fees and compensation for companies if contracts have already been put in place.

Property development contracts

Property development contracts may be entered into with IGC Services. A property development contract was signed in 2018 between Sacré-Cœur, Mercialys (project management) and IGC Services (developer), for the Le Port site on Reunion Island. The project was developed in two phases, with the last one completed in 2020. During the first half of 2021, residual calls for funds concerning Phase 2 were billed to Sacré-Cœur for Euro 0.3 million.

Summary of related-party transactions

(In thousands of euros)	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Income/-Expenses			
Invoiced rents			
Distribution Casino France	15,246	35,054	17,500
Monoprix	881	8,000	4,000
Other Casino Group entities	3,443	7,036	3,515
Property management service fees paid to the Casino Group	-2,425	-5,443	-2,071
Services agreement paid to the Casino Group	-479	-1,322	-750
Transactions with SCI AMR	409	178,962[66]	217
Non-utilization fees paid to Casino Finance	-262	-519	-256
Assets/-Liabilities			
Loan to SCI AMR	18,705	18,590	-
Call for funds for Sacré-Coeur property development contract with the Casino Group	46,148	46,050	40,839

During the first half of 2021, Mercialys distributed a dividend of Euro 7,980 thousand to the Casino Group companies for the year ended December 31, 2020.

Other related-party transactions

Excluding the amounts indicated above, the other related-party transactions for the periods ended June 30, 2021 and 2020 are as follows:

Other transactions with Casino Group subsidiaries:

(In thousands of euros)	Income	Expenses	Payables	Receivables
	concerning related parties			
2020	7,166	-658	1,390	1,057
2021	**6,911**	**-390**	**942**	**710**

Other transactions with associates:

(In thousands of euros)	Income	Expenses	Payables	Receivables
	concerning related parties			
2020	56	-548	326	1,659
2021	**191**	**-119**	**31**	**971**

[66] At December 31, 2020, the transactions with AMR also included Mercialys selling the Chaville, Puteaux and Marcq-en-Barœul sites and the Gassin and Besançon hypermarkets to SCI AMR for Euro 198 million, and Mercialys acquiring the Valence 2 and Montauban sites from SCI AMR for Euro 19.3 million

Note 20: Off-balance sheet commitments

The Group's commitments at June 30, 2021 are those mentioned in the annual financial statements for the year ended December 31, 2020, in addition to the commitments described below. They also include preexisting commitments for which the amounts are subject to change.

Commitments relating to the disposal of SAS Hyperthetis Participations

In connection with the disposal of 49% of SAS Hyperthetis Participations, Mercialys has a call option on the company's shares or on the real estate assets held by the minority shareholders at a guaranteed minimum price (the higher of the fair value and an IRR), which it may exercise in 2022.

This option was valued at Euro 134.6 million at June 30, 2021, corresponding to the company's IRR. The appraisal value excluding transfer taxes is Euro 227 million.

Other commitments

L'Immobilière Groupe Casino, a subsidiary of the Casino Group, granted a guarantee of compensation for Euro 1.3 million concerning the Arles site. On July 20, 2021, an amendment was signed between the two parties, extending this guarantee to December 31, 2021.

Note 21: Identification of the consolidating company

Since June 21, 2013, Mercialys is consolidated in the Casino Group's financial statements under the equity method.

Note 22: Subsequent events

In July 2021, Mercialys signed a new credit agreement for an existing undrawn bilateral bank facility. The corresponding amount of Euro 30 million is unchanged, with the agreement covering a new three-year period from July 2021. Two environmental criteria have been incorporated, with a positive or negative impact on the interest rate depending on the levels achieved.

Also in July 2021, the French government indicated that it wanted to introduce a "health pass" requiring people to show proof of full vaccination, a negative PCR test or a recent Covid-19 infection certificate at the entrance of several public spaces, in order to avoid a new wave of contaminations. As for shopping centers, the implementation or not of this measure will be entrusted by the government from August 5, 2021 to prefects in the various French departments, which may therefore lead to local applications of the "health pass" on a case-by-case basis. The potential impact on footfall for retail sites, which would result in a weakening of retailers, a likely drop in variable rents and Casual Leasing, and the corresponding operating costs, cannot be determined to date.

5. STATUTORY AUDITORS' REVIEW REPORT

Mercialys

Registered office: 16-18 rue du Quatre Septembre – CS36812 – 75082 Paris cedex 02

Share capital: Euro 93,886,501

Statutory Auditors' Review Report on the Half-year Financial Information

For the period from January 1, 2021 to June 30, 2021

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the limited review of the condensed consolidated half-year financial statements of Mercialys S.A., for the period from January 1, 2021 to June 30, 2021, as appended to this report;
- the verification of the information presented in the half-year activity report.

The global crisis linked to the Covid-19 pandemic created specific conditions for the preparation and limited review of the condensed consolidated half-year financial statements. This crisis and the extraordinary measures taken within the context of the health emergency had a number of consequences for businesses, particularly in terms of their activity and financing, as well as increased uncertainty in their outlook for the future. Some of these measures, such as travel restrictions and teleworking, also had an impact on companies' internal organization and on the way in which our work was carried out.

These condensed consolidated half-year financial statements were prepared under the responsibility of the Board of Directors. Our responsibility is to express a conclusion concerning these financial statements based on our limited review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A limited review consists of making inquiries of Top Managers responsible for financial and accounting matters and applying analytical procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-year financial statements are not prepared, in all material respects, in accordance with IAS 34 - IFRS standard as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-year activity report concerning the condensed consolidated half-year financial statements subject to our limited review.

We have no matters to report as to its fair presentation and consistency with the condensed consolidated half-year financial statements.

Lyon and Paris-La Défense, July 28, 2021

The Statutory Auditors

KPMG S.A.

Régis Chemouny
Partner

Ernst & Young et Autres

Nicolas Perlier
Partner

6. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

French limited company (société anonyme) with capital of Euro 93,886,501

Registered office: 16-18 rue du Quatre Septembre

75002 Paris, France

Paris trade and companies register: 424 064 707

STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

"To the best of my knowledge, the condensed interim financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets and financial position of the company and all subsidiaries included in the scope of consolidation, and the enclosed interim financial review gives a true and fair view of key events of the first six months of the year, their impact on the financial statements and the main related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the year".

Paris, July 28, 2021

Vincent Ravat

Chief Executive Officer

7. GLOSSARY

- **Capitalization rate**

The capitalization rate is the ratio between net rents from premises leased + the rental value of vacant premises + income from casual leasing, relative to the value of assets excluding transfer taxes.

- **Collection rate**

The collection rate corresponds, at the end of a period, to the proportion of rents, charges and work invoiced by Mercialys to its tenants that has actually been collected.

- **Cost of debt**

The cost of debt is the average cost of debt drawn down by Mercialys. It incorporates all financial instruments issued in the short and long term.

- **Current scope / like-for-like basis**

The current scope includes all of Mercialys' portfolio at a given date, i.e. all assets held in the portfolio over the period analyzed.

The like-for-like basis restates the impact of consolidations (acquisitions and disposals) over the period analyzed, to ensure a stable basis for comparison over time.

- **EBITDA**

Earnings before interest, taxes, depreciation and amortization. The equivalent term in French accounting is "*excédent brut d'exploitation*".

- **EPRA NDV (Net Disposal Value)**

Shareholders are interested in understanding the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. For this purpose, the EPRA NDV provides a scenario where deferred tax, financial instruments, and certain other adjustments are calculated based on their full impact on liabilities, including tax exposure not reflected in the Balance Sheet, net of any resulting tax. This measure should not be viewed as a "liquidation net asset value" because, in many cases, fair values do not represent liquidation values.

- **EPRA net initial yield**

The EPRA net initial yield is the ratio of annualized net rent in relation to the fair value of the asset portfolio including transfer taxes.

- **EPRA Net Tangible Assets (NTA)**

The EPRA NTA calculation assumes that entities buy and sell assets, thereby crystallizing certain levels of deferred tax liabilities.

- **EPRA NRV (Net Reinstatement Value)**

EPRA NRV measures the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes should be included.

- **EPRA topped-up net initial yield**

The EPRA "topped-up" net initial yield is annualized net rent adjusted for rental gains on rent-free periods, step-up rents and other benefits granted to tenants, relative to the fair value of the asset portfolio including transfer taxes.

- **Funds From Operations (FFO)**

FFO is the result of the operations reported by Mercialys. This management indicator corresponds to net profit adjusted for amortization, net capital gains on disposals, potential asset impairments and other non-recurring items.

- **Interest Coverage Ratio (ICR)**

Indicating the rate of coverage of financial expenses, ratio between EBITDA and the net cost of financial debt.

- **Invoiced rents**

Rents invoiced by Mercialys to its tenants, excluding lease rights and despecialization indemnities.

- **Loan to value (LTV)**

This indicator measures the level of debt of real estate companies. It is calculated by dividing consolidated net debt by the appraisal value of total assets, including or excluding transfer taxes, plus the value of equity associates' securities.

- **Minimum Guaranteed Rent (MGR)**

The leases signed with tenants include either a fixed rent or a double-component rent ("variable rent"). Variable rents are composed of a fixed portion, known as the minimum guaranteed rent, and a portion pegged to the revenue of the tenant operating the retail premises. The minimum guaranteed rent is based on the rental value of the premises.

- **Net rental income**

Rental revenues, net of expenses on buildings and rental charges and property taxes not rebillable to tenants.

- **Occupancy cost ratio (OCR)**

The occupancy cost ratio is the ratio between rent, charges (included marketing funds) and re-invoiced works, including tax, paid by retailers and their sales revenue including tax. Note that the consolidated occupancy cost ratio reported by Mercialys does not include large food stores.

- **Portfolio of development projects or pipeline**

The portfolio of development projects, or pipeline, comprises all of the investments that Mercialys plans to make over a given period. These may be renovations, transformations, extensions, creations or acquisitions of assets or companies holding assets.

Mercialys splits its pipeline into three categories:

- 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.

- **Rental revenues**

Rents invoiced by Mercialys to its tenants, including lease rights and despecialization indemnities.

- **Total vacancy rate**

The total vacancy rate is the rental value of all vacant premises relative to the annualized minimum guaranteed rent for occupied premises + the rental value of all vacant premises. The total vacancy rate includes the current financial vacancy rate + the "strategic" vacancy rate which relates to premises deliberately left vacant to facilitate extension / redevelopment plans.

- **Variable rents**

Rents that meet specific contractual clauses, generally established as a percentage of the revenue generated by the tenant. Variable rents are generally in addition to the Minimum Guaranteed Rent (MGR) and are triggered if a tenant reaches certain performance thresholds.

- **Yield rate**

The yield rate is the ratio between net rent from premises leased + the rental value of vacant premises + income from casual leasing, relative to the value of assets including transfer taxes.