MERCIALYS

BOARD OF DIRECTORS'

HALF-YEAR FINANCIAL REPORT

First half of 2022

CONTENTS

KEY FIGURES

(in millions of euros)	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
Invoiced rents	83.4	170.4	86.1
EBITDA	76.3	144.7	75.3
Funds From Operations (FFO)	55.7	101.8	57.5

Operating performance	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
Organic growth in invoiced rents including indexation	-4.0%	+3.0%	+5.3%
Current financial vacancy rate	4.0%	3.2%	2.9%
Occupancy cost ratio	na [1]	na	10.7%

Per share data (in euros)	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
Funds From Operations (FFO), average basic number of shares	0.60	1.10	0.61
EPRA NDV (in millions of euros)	1,608.1	1,644.1	1,834.6
EPRA NDV per share [2], diluted number of shares at the end of the period	17.17	17.60	19.65

Portfolio value and debt	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
Fair value of portfolio including transfer taxes (in millions of euros)	3,185.6	3,138.2	3,122.8
Fair value of portfolio excluding transfer taxes (in millions of euros)	2,996.6	2,945.1	2,930.2
Average appraisal yield rate	5.74%	5.71%	5.71%
LTV (excluding transfer taxes)	38.3%	36.7%	36.6%
ICR (EBITDA / net finance costs)	5.6x	5.1x	6.1x

[1] Ratio not relevant as stores were ordered to close for a large part of the first half of 2021

[2] 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. Mercialys highlights the resilience of physical retail in both its revenue profile and its asset values

The first half of 2022 was widely marked by various elements linked to the general health environment at the start of the year then again in June, as well as the outbreak of the crisis in Ukraine and an inflationary macroeconomic context.

These disruptions weighed on retail trends in France during the first quarter. However, the performance figures in terms of shopping center footfall and retailer sales [3] picked up again significantly in the second quarter. Across Mercialys' portfolio, retailer sales at the end of June 2022 represented 98.1% of the normalized baseline for the first half of 2019.

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

Organic growth [4] in the Company's invoiced rents came to +5.3%, including a moderate indexation level of +1.9%. The EBITDA margin remains high at 87.0%. Funds from operations (FFO) are up +3.2%, in line with the full-year 2022 objective (at least +2.0% versus 2021).

Driven by these strong revenue streams, the value of assets excluding transfer taxes was up +1.7% like-for-like over the half-year. The appraisal yield rate came to 5.71% at end-June 2022, offering a significant buffer of 4.09bp versus the risk-free rate [5]. These values, which contributed to NDV per share growth of +11.6% over six months to Euro 19.65 per share, are also validated by the latest disposals completed by Mercialys on food-anchor stores and standalone retail units.

Mercialys' financial profile benefited from the positive trend for asset values and the Euro 71.7 million of disposals completed during the first half of the year. It was significantly strengthened by a refinancing operation carried out during the first quarter, based initially on a new Euro 500 million bond issue with a 7-year maturity and 2.5% coupon. These funds made it possible to complete the early redemption of a bond issue with Euro 469.5 million outstanding and a coupon of 1.787%, due to mature in March 2023, in addition to the partial redemption of one third of a bond issue maturing in 2027 with a 4.625% coupon for a total of Euro 100 million.

This financial restructuring enabled Mercialys to significantly extend the average maturity of its bond debt to 5.4 years at end-June 2022, up from 3.6 years at end-December 2021. This has considerably strengthened the Company's liquidity, as the next bond maturity will be due in February 2026. Between now and this date, only various commercial paper programs are still to be renewed or redeemed, for a combined total of Euro 182 million. These short-term financing facilities are very largely covered by the Euro 242.3 million cash position at end-June 2022 and by the undrawn confirmed bank facilities in place for a combined total of Euro 430 million.

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[3] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 80% of the value of the Company's shopping centers. The Rennes and Agen centers were included in the basis for analysis at June 30, 2022, replacing the Clermont-Ferrand center, held by a company in which Mercialys has a 51% interest, and the Chartres center, which is subject to a repositioning project

[4] Assets enter the like-for-like scope used to calculate organic growth after being held for 12 months

[5] Bloomberg: 10-year OAT at July 22, 2022 at 1.62%

Buoyed by these performances, the Company is able to confirm its objectives for 2022 (excluding the health situation's potential impacts on operations between now and the end of the year), with growth in funds from operations (FFO) per share to reach at least +2.0% versus 2021 and a dividend to range from 85% to 95% of 2022 FFO.

1.2. Deep changes in the shareholding and governance structure launched in 2012 and completed in 2022

Mercialys' history has been closely linked to the Casino group, which listed the Company on the stock market in 2005. While Mercialys has not been a Casino subsidiary since 2012, Casino continued to be a shareholder with around 40% of the Company's capital from 2012 to 2018. Casino's contribution as a shareholder and the various real estate agreements in place between the two companies participated to drive Mercialys' economic performance.

From July 2018, Casino gradually divested its interest, completing its exit from the shareholding structure in April 2022. The governance structure has been adapted in line with this change in the shareholder base. Since April 28, 2022, the Board of Directors has no longer included any representatives of Casino. It is aligned with the best governance standards and includes 63% independent directors, with five women and three men, with the difference between the number of members of each gender limited to two [6].

Since 2019, with a phased approach, Mercialys has brought various support functions that were previously outsourced to Casino back in-house. This process will be completed in August 2022, with Mercialys also bringing back in-house its rental, technical and administrative management activities, which were previously entrusted to a Casino subsidiary, which is still responsible for facilities management for the shopping centers owned by Mercialys. The agreements between Mercialys and Casino concerning real estate projects or financing have also been gradually phased out since 2020.

Alongside this, Casino continues to be a tenant, primarily for hypermarkets, and represents 20.9% of Mercialys' total rental income at end-June 2022 (vs. 22.6% at end-June 2021 and 22.4% at end-December 2021). Mercialys' rental exposure is distributed across:

- 5 food stores (including 1 Monoprix store) operated by Casino and 100% owned by Mercialys
- 5 food stores operated by Casino and 60% owned by Mercialys
- 10 food stores operated by Casino and 51% owned by Mercialys

The leases for these food stores are presented in detail in note 1.4.3 in this Report.

Mercialys' portfolio also includes diverse food operators. On the one hand, the Company owns a food store operated by Aldi. On the other hand, at the sites where Mercialys does not own the food anchors, they are owned and operated by either Casino or Carrefour (3 sites), Système U (3 sites) and Intermarché (1 site).

In addition, through SCI AMR, created in partnership with Amundi Immobilier, Mercialys has a 25% interest in 3 Monoprix sites and 2 hypermarkets operated by Casino.

[6] French law of January 27, 2011 concerning the balanced representation of women and men within boards of directors and supervisory boards and workplace equality: compliance for boards of directors with eight members or less

In total, taking into consideration the share in rental income based on the stakes held in assets through these various entities, Mercialys' economic exposure to rent from retailers operated by the Casino group is 17.8%.

While Mercialys is gradually scaling back its exposure to Casino as its primary tenant, thanks in particular to asset rotations, it is still relevant to own hypermarkets. First of all, as a factor driving recurrent visits within the retail mix of these sites, in addition to, as demonstrated since 2015, through the capacity for these assets to evolve in line with the adjacent shopping center.

1.3. Maintaining the attractiveness of everyday retail: Mercialys' robust client knowledge approach supporting retailers

One of the major operational challenges for Mercialys in an uncertain consumption environment is to develop the attractiveness of its sites and their footfall levels, while offering the best tools for retailers to maximize the potential for sales across their stores.

Thus, Mercialys is leveraging the capabilities making it possible to communicate with visitors across its shopping centers, and particularly the **1.3 million qualified contacts** who are registered in the Company's bases. The relevance of this targeted communication is illustrated by a **41% opening rate** for the communications sent by Mercialys.

Mercialys is continuing to further strengthen its client knowledge with a view to qualifying their needs even more effectively. In 2022, a new feature was introduced with the loyalty program, offering the possibility for clients to scan their receipts. The analysis of these data makes it possible to more effectively determine on-site events, communications and retailers or products to be showcased. Mercialys aims to analyze the data from receipts representing 1% of the sales generated by retailers in its shopping centers.

These customer knowledge tools aim to carry out two types of actions that will generate traffic and therefore sales for retailers.

On the one hand, setting up cashback operations financed with the sites' marketing funds. The cashback balance is built up through purchases made in the center and then converted into vouchers that clients can use exclusively in their shopping center. The effectiveness of this type of operation was demonstrated once again during the first half of 2022 across Mercialys' portfolio: **every Euro 1 of vouchers awarded has generated Euro 4.0 of purchases.**

On the other hand, thanks to the improvement in the health conditions, Mercialys' teams were able to start organizing special events and activities again, either for different celebrations (Valentine's Day, Father's Day, etc.) or with retailers. These actions on the ground are particularly well suited to local retail, renewing clients' interest in their shopping center, focusing on human contact and promoting retailers and products.

Once again, these special events and activities, supported by the Prim Prim loyalty program, have achieved results that can be measured with various indicators, as illustrated by the following examples: a +25% increase in footfall over one week in June at Le Port (Reunion Island) thanks to a cashback operation on dedicated timeslots; a +44% increase in the average basket at an Yves Rocher store in Niort in connection with a specific event; and a 67% voucher usage rate in stores at the Brest shopping center in May.

1.4. Detailed analysis of results

1.4.1. Sustained level of business, including organic rental income growth of +5.3%, despite a volatile economic context

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, 2022	Change %
Invoiced rents	83,419	86,087	+3.2%
Lease rights and despecialization indemnities	1,246	364	-70.8%
Rental revenues	**84,665**	**86,450**	**+2.1%**
Property tax	-13,775	-13,310	-3.4%
Rebilling to tenants	12,170	11,432	-6.1%
Non-recovered property taxes	**-1,606**	**-1,878**	**+17.0%**
Service charges	-16,373	-16,455	+0.5%
Rebilling to tenants	13,760	13,957	+1.4%
Non-recovered service charges	**-2,613**	**-2,498**	**-4.4%**
Management fees	-2,646	-3,739	+41.3%
Rebilling to tenants	2,103	2,134	+1.5%
Losses on and impairment of receivables	4,216	4,199	-0.4%
Other expenses	-153	341	na
Net property operating charges	**3,520**	**2,935**	**-16.6%**
Net rental income	**83,966**	**85,009**	**+1.2%**

The **+3.2 points** change in invoiced rents primarily reflects the following factors:

- the impact of indexation for **+1.9 point**, representing Euro +1.6 million;
- the higher contribution by Casual Leasing for **+1.6 point**, representing Euro +1.3 million;
- the increase in variable rents for **+0.1 point**, representing Euro +0.1 million;
- the actions carried out on the portfolio for **+0.3 point**, representing Euro +0.2 million;
- the accounting impact of the rent relief granted to retailers in connection with the health crisis for **+1.4 point**, representing Euro +1.1 million;
- the asset acquisitions and sales completed in 2021 and 2022 for **-2.0 points**, representing Euro -1.6 million;
- other effects primarily including strategic vacancies linked to current redevelopment programs for **-0.1 point**, representing Euro -0.1 million.

Taking into account the first five effects presented above, **organic growth in invoiced rents** is up **+5.3 points**, including a limited indexation effect of +1.9%.

The positive trend recorded in the first quarter of 2022 is continuing to ramp up. While the indexation effect was stable at end-March and end-June 2022 (+1.9%), the deferred impact of the rent relief granted for the lockdown during the first half of 2020 dropped from +2.4% at end-March to +1.4% at end-June 2022.

Organic growth excluding base effects linked to the health crisis therefore came to +3.9% at the end of the first half of 2022, compared with +2.4% at end-March 2022.

The **lease rights and despecialization indemnities** [7] billed over the period are not significant, coming in at Euro 0.02 million (vs. Euro 0.5 million for the first half of 2021).

After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for the first half of 2022 totaled Euro 0.4 million, compared with Euro 1.2 million for the first half of 2021.

Net rental income corresponds to the difference between rental revenues and the costs that are directly allocated to the sites. These costs include property taxes and service charges that are not billed back to tenants, as well as 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 1.4 million for the first half of 2022, compared with Euro 0.7 million at June 30, 2021. A significant upturn in management fee-related costs was recorded at end-June 2022 compared with the first half of 2021, factoring in the catch-up achieved on collection levels for 2020 and 2021, as well as the normalization of collection during the first half of 2022. This catch-up also had an impact during the first half of 2022 in terms of the provisions recorded for the previous two years.

Net rental income is up +1.2% to Euro 85.0 million at June 30, 2022, compared with Euro 84.0 million at end-June 2021.

1.4.2. Operational indicators trending up

During the first half of 2022, business continued to be widely marked by various elements linked to the general health environment at the start of the year, then the outbreak of the crisis in Ukraine and an inflationary macroeconomic context. These disruptions weighed on retail trends in France during the first quarter. However, the performance figures in terms of shopping center footfall and retailer sales [8] picked up again significantly in the second quarter.

Footfall reached 88.7% of the normalized level for 2019, while noting that the bases for comparison are not relevant in relation to 2020 and 2021 as a result of the government-ordered store closures.

Based on the same parameters, the national panel (Quantaflow) shows a footfall figure for the first half of 2022 representing 86.3% of the level from 2019.

Across Mercialys' portfolio, retailer **sales** at end-June 2022 represented 98.1% of the normalized level from 2019, including 102.3% just for the month of June. At end-May 2022, the national panel (CNCC) shows retailer sales at 91.5% of their normalized level from 2019.

Despite the like-for-like increase in rents, the **occupancy cost ratio** [9] shows a very moderate level of 10.7% at end-June 2022. This ratio, which was not able to be determined for 2020 and 2021 due to the government-ordered store closures, was 10.4% at December 31, 2019.

[7] 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

[8] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 80% of the value of the Company's shopping centers. The Rennes and Agen centers were included in the basis for analysis at June 30, 2022, replacing the Clermont-Ferrand center, held by a company in which Mercialys has a 51% stake, and the Chartres center, which is subject to a repositioning project

[9] 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

The **current financial vacancy rate** [10] - which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans – was 2.9% for the first half of 2022, showing a further reduction compared with the 3.2% recorded at December 31, 2021 and 4.0% at end-June 2021.

The total vacancy rate [11] was 4.4% at June 30, 2022, which is also significantly lower than the level from end-December 2021 (4.9%) and end-June 2021 (5.7%).

The robust letting performance is illustrated by the 90 leases signed for renewals or relettings. The **reversion** rate associated with these negotiations was +1.7%.

The combination of the stabilization of the reversion rate, the positive organic rental income growth and the contraction in the vacancy rate appears to be particularly satisfactory in an uncertain environment.

Alongside this, Mercialys has continued moving forward with its efforts concerning its **collection rate** [12]. This came to 94.7% at July 22, 2022 for 2021, highlighting the significant progress made compared with the 88.8% recorded at December 31, 2021. The collection rate for the first half of 2022 was 94.6% at July 22, 2022.

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 retailers (details presented below) and H&M (2.4%), no other tenant represents more than 2% of total rental income.

Casino group retailers accounted for 20.9% of total rental income at June 30, 2022, significantly lower than at December 31, 2021 (22.4%) and June 30, 2021 (22.6%). This change benefited from the asset sales completed by Mercialys since the end of 2021, and particularly the sale of two hypermarkets operating under the Géant Casino banner in April 2022.

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 3 Monoprix stores and 2 hypermarkets operating under the Géant Casino banner, Mercialys' economic exposure to rent from retailers operated by the Casino group was 17.8% at end-June 2022 (vs. 19.6% at end-2021 and 19.9% at end-June 2021).

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

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

[12] These "gross" collection rates are calculated on the full amount of rent and charges excluding tax invoiced by Mercialys to its tenants. 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 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
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Lanester	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Ajaccio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Corte	60%	Supermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Furiani	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Porto-Vecchio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Toga	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

H&M group lease schedule

Site	Lease start date	Lease end date	Lease characteristics
Aix-en-Provence	08/2016	08/2022	12-year commercial lease, 6-year firm period
Angers	07/2011	09/2022	3 - 6 - 9 - 10 commercial lease
Grenoble	05/2010	12/2022	3 - 6 - 9 - 10 commercial lease
Clermont-Ferrand	08/2013	02/2023	3 - 6 - 9 - 10 commercial lease
Mandelieu	01/2016	01/2028	12-year commercial lease, 6-year firm period
Brest	02/2016	02/2028	12-year commercial lease, 6-year firm period
Lanester	07/2016	07/2028	12-year commercial lease, 6-year firm period
Toulouse	07/2016	07/2028	12-year commercial lease, 6-year firm period
Besançon	12/2016	12/2028	12-year commercial lease, 6-year firm period
Quimper	05/2017	05/2029	3 - 6 - 9 - 12 commercial lease
Morlaix	07/2017	07/2029	12-year commercial lease, 6-year firm period
Narbonne	07/2017	07/2029	12-year commercial lease, 6-year firm period
Nîmes	08/2017	07/2029	12-year commercial lease, 6-year firm period

Top 10 tenant retailers (excluding Casino Group)

H&M
Armand Thiery
Feu Vert
Nocibé
Fnac
Mango
Orange
Jules
Micromania
Yves Rocher
13.7% 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 Jun 30, 2022	Annual MGR* + variable rents (€m) Jun 30, 2022	Percentage of rent (%)	
			Jun 30, 2021	Jun 30, 2022
National and international retailers	1,444	110.6	64.4%	65.5%
Local retailers	636	23.0	13.0%	13.6%
Monoprix	1	1.2	1.0%	0.7%
Géant Casino and other entities	49	34.0	21.6%	20.2%
Total	**2,130**	**168.8**	**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:

	Percentage of rent (%)	
	Jun 30, 2021	Jun 30, 2022
Restaurant and catering	8.2%	8.2%
Health and beauty	12.4%	12.8%
Culture, gifts and sports	16.4%	17.4%
Personal items	30.4%	30.6%
Household equipment	7.3%	7.4%
Food-anchored tenants	22.1%	20.3%
Services	3.1%	3.3%
Total	**100.0%**	**100.0%**

The **rental income structure** at June 30, 2022 shows that the majority of leases, in terms of overall rental income, include a variable clause. However, the vast majority of leases include a guaranteed minimum rent or do not have a variable clause (98.3% in terms of overall rents):

	Number of leases Jun 30, 2022	Annual MGR + variable rents (€m) Jun 30, 2022	Percentage of rent (%)	
			Jun 30, 2021	Jun 30, 2022
Leases with variable clause	1,313	99.4	56%	59%
- of which MGR		*96.6*	*54%*	*57%*
- of which variable rent with MGR		*0.4*	*1%*	*0%*
- of which variable rent without MGR		*2.4*	*2%*	*1%*
Leases without variable clause	817	69.3	44%	41%
Total	**2,130**	**168.8**	**100.0%**	**100.0%**

The rental income structure at June 30, 2022 shows a predominant share of leases indexed against the French Commercial Rent Index (ILC). As a result of the lease anniversary dates, the indexation of Mercialys' rents will be linked for 13% to the index published in the first quarter of 2021, with 25% for the index published in the second quarter of 2021, 46% for the index published in the third quarter of 2021, and 8% for the index published in the fourth quarter of 2021, the other indexes weight for a residual balance of 8%.

	Number of leases Jun 30, 2022	Annual MGR + variable rents (€m) Jun 30, 2022	Percentage of rent (%)	
			Jun 30, 2021	30/06/2022
Leases index-linked to the Commercial Rent Index (ILC)	1,804	157.6	94%	95%
Leases index-linked to the Construction Cost Index (ICC)	117	6.2	4%	4%
Leases index-linked to the tertiary activities rent index (ILAT) and non-adjustable leases	190	2.1	1%	1%
Total	**2,111**	**166.0**	**100.0%**	**100.0%**

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

At June 30, 2022	Number of leases	Annual MGR* + variable rents (in millions of euros)	Share of leases expiring (% annual MGR + variable)
Expired at December 31, 2021	284	16.4	9.7%
2022	133	7.3	4.4%
2023	115	8.1	4.8%
2024	147	8.8	5.2%
2025	132	7.7	4.6%
2026	186	16.9	10.0%
2027	217	39.0	23.1%
2028	205	14.3	8.5%
2029	187	11.3	6.7%
2030	288	25.5	15.1%
2031 and beyond	236	13.3	7.9%
Total	**2,130**	**168.8**	**100.0%**

The stock of expired leases at end-2021 reflects the negotiations underway, refusals to renew leases with the payment of compensation for eviction, global negotiations for each retailer, tactical delays, etc.

As mentioned above, the first half of the year saw a sustained level of letting activity. Whereas at the end of 2021 the leases expired or due to expire at December 31, 2022 represented 17.2% of the Company's total rental base, they were down to just 14.1% on the date when this Report was published.

1.4.4. Management income, overheads and EBITDA

(in thousands of euros)	Jun 30, 2021	Jun 30, 2022	Change %
Net rental income	**83,966**	**85,009**	**+1.2%**
Management, administrative and other activities income	1,292	1,208	-6.6%
Other income and expenses	-2,042	-1,620	-20.7%
Personnel expenses	-6,900	-9,346	+35.5%
EBITDA	**76,317**	**75,251**	**-1.4%**
% rental revenues	90.1%	87.0%	-

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, 2022 totaled Euro 1.2 million, compared with Euro 1.3 million at June 30, 2021.

No **property development margin** was recorded during the first half of 2022, or in 2021.

Other current income came to Euro 0.4 million for the first half of 2022 (Euro 0.2 million for the first half of 2021), primarily 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. Note that the asset held by the OPCI fund UIR 2 was sold during the first half of 2022.

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

For the first half of 2022, these costs represent Euro 2.0 million, compared with Euro 2.3 million for the first half of 2021.

Personnel expenses totaled Euro 9.3 million for the first half of 2022, higher than the first half of 2021 (Euro 6.9 million). 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 2021, the insurance management and corporate legal 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.

Personnel expenses for the first half of 2022 also include the staff recruited for the latest activities to be brought in-house, i.e. accounting, consolidation, cash management and tax. The Services Agreement will therefore end completely on August 31, 2022. Lastly, the Company has already completed various recruitments prior to bringing back in-house the rental management and technical and administrative management activities, with the corresponding mandates, signed with Sudeco, a Casino group subsidiary, ending on December 31, 2022. Under these mandates, Mercialys pays annual fees of Euro 6 million.

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** [13] totaled Euro 75.3 million, with a moderate contraction of -1.4% versus June 30, 2021. The EBITDA margin came to 87.0% (vs. 84.0% at December 31, 2021 and 90.1% at June 30, 2021).

1.4.5. Net financial items

The **net financial items** taken into account to calculate funds from operations (FFO) came to Euro 14.2 million at June 30, 2022, compared with Euro 16.1 million at June 30, 2021.

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

During the first quarter of 2022, Mercialys rolled out a major refinancing operation, around three pillars.

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

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

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

(in thousands of euros)	Jun 30, 2021	Jun 30, 2022	Change %
Income from cash and cash equivalents *(a)*	**162**	**19**	**-88.5%**
Cost of debt taken out *(b)*	-18,397	-14,863	-19.2%
Impact of hedging instruments *(c)*	4,833	6,859	+41.9%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**-13,565**	**-8,004**	**-41.0%**
Exceptional amortization of costs relating to the early repayment of financial debt *(e)*	-188	-4,282	na
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**-13,752**	**-12,286**	**-10.7%**
Net finance costs *(g) = (a)+(f)*	**-13,591**	**-12,267**	**-9.7%**
Cost of revolving credit facility and bilateral loans (undrawn) *(h)*	-1,469	-1,460	-0.6%
Other financial expenses *(i)*	-221	-165	-25.2%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-1,690**	**-1,625**	**-3.8%**
Non-recurring financial expenses *(k)*	**0**	**0**	**0**
Other financial expenses *(l) = (j)+(k)*	**-1,690**	**-1,625**	**-3.8%**
Total financial expenses *(m) = (f)+(l)*	**-15,442**	**-13,911**	**-9.9%**
Income from associates	153	129	-15.9%
Other financial income and expenses	-291	-26,358	na
Other financial income and expenses *(n)*	**-138**	**-26,229**	**na**
Total financial income *(o) = (a)+(n)*	**23**	**-26,211**	**na**
NET FINANCIAL ITEMS = *(m)+(o)*	**-15,419**	**-40,121**	**na**

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, 2022	Change %
EBITDA	**76,317**	**75,251**	**-1.4%**
Net financial income (excluding non-recurring items [14])	-16,101	-14,162	-12.0%
Reversals of / (Allowances for) provisions	-346	-522	+51.1%
Other operating income and expenses (excluding capital gains on disposals and impairment)	-199	766	na
Tax expense	-423	-339	-19.6%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairments)	1,745	1,836	+5.2%
Non-controlling interests (excluding capital gains, amortization and impairment)	-5,300	-5,367	+1.3%
FFO	**55,694**	**57,461**	**+3.2%**
FFO per share [15]	***0.60***	***0.61***	***+1.6%***

[14] Impact of hedging ineffectiveness, banking default risk, prices and costs relating to bond redemptions, proceeds and costs from unwinding swaps, and exceptional amortization relating to these redemptions
[15] Calculated based on the average undiluted number of shares (basic), i.e. 93,570,578 shares

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro +0.8 million and primarily include the impact of the ramping up of activities for Ocitô and Cap Cowork, as well as the reversals or allowances for provisions recorded.

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

The **tax expense** for the first half of 2022 was Euro 0.3 million, made up primarily of the CVAE corporate value-added tax. The tax expense for the first half of 2021 was Euro 0.4 million.

The **share of net income from associates and joint ventures** (excluding capital gains, amortization and impairment) came to Euro 1.8 million at June 30, 2022, compared with Euro 1.7 million at June 30, 2021. The companies consolidated under the equity method in Mercialys' consolidated financial statements are SCI AMR (created in partnership with Amundi Immobilier in 2013 and in which Mercialys has a 25% stake), SNC Aix2 (in which Mercialys acquired a 50% stake in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (in which Mercialys has a 40% stake), SCI Rennes-Anglet (in which Mercialys has a 30% stake), and SAS Saint-Denis Genin (in which Mercialys has a 30% stake).

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro 5.4 million at June 30, 2022, virtually stable compared with June 30, 2021 (Euro 5.3 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.

In view of these items, **funds from operations (FFO)** [16] totaled Euro 57.5 million at June 30, 2022, up +3.2% from June 30, 2021 (Euro 55.7 million). Considering the average number of shares (basic) of 93,570,578, FFO represents Euro 0.61 per share at June 30, 2022.

1.4.6.2. Net income attributable to owners of the parent

(in thousands of euros)	Jun 30, 2021	Jun 30, 2022	Change %
FFO	55,694	57,461	+3.2%
Depreciation and amortization	-19,557	-18,622	-4.8%
Other operating income and expenses	-5,579	-432	na
Hedging ineffectiveness, banking default risk and impact of bond redemptions	683	-25,959	na
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	148	147	-0.5%
Net income attributable to owners of the parent	**31,388**	**12,595**	**na**

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

Depreciation and amortization came to Euro 18.6 million at June 30, 2022, down -4.8% from June 30, 2021 (Euro 19.6 million), linked primarily to the asset divestments completed over the period.

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 73.2 million at June 30, 2022, compared with Euro 0.5 million at June 30, 2021. This amount mainly includes:

- income from the sale of the Annecy Seynod (Euro 29.1 million) and Saint Etienne Monthieu (Euro 35.4 million) hypermarkets;
- income from the sale of geographically dispersed sites (Euro 7.0 million);
- reversals of impairments for investment properties (Euro 1.7 million).

Other operating expenses totaled Euro 73.7 million at June 30, 2022, compared with Euro 6.1 million at June 30, 2021. They correspond primarily to:

- the net book value of the assets sold (Euro 65.2 million);
- costs on asset disposals (Euro 5.4 million);
- provisions recorded for the impairment of investment properties (Euro 3.0 million).

Lastly, Mercialys recorded the impacts of the refinancing operations carried out during the first quarter of 2022, as presented in section 1.4.5 of this Report, including the redemption premiums for the bond issues due to mature in March 2023 and July 2027 and the exceptional amortization also resulting from these redemptions. These amounts, combined with the impact of the ineffectiveness of swaps and the banking default risk, represent a total of Euro 26.0 million.

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 12.6 million at June 30, 2022, compared with Euro 31.4 million at June 30, 2021.

1.5. Investments and disposals

Mercialys weathered the health crisis in 2020 and 2021, while once again demonstrating the liquidity and value of its assets. The characteristics of this arbitrage policy also marked the sales completed during the first half of 2022.

They represented a total of Euro 71.7 million including transfer taxes, primarily concerning two Géant hypermarkets in Annecy and Saint-Etienne. Overall, these sales were based on transaction values that were slightly higher than the appraisal values. These disposals also helped reduce Mercialys’ exposure to its primary tenant, the Casino group.

These divestments and the major refinancing operation carried out during the first quarter of 2022 (see section 1.4.5 of this Report) are enabling Mercialys to resume an investment strategy.

Mercialys has made far-reaching changes to the make-up of its development pipeline since the end of the Partnership Agreement signed with the Casino group. At end-June 2022, only approximately 30% of Mercialys’ projects are dependent on reaching an agreement with Casino as a co-owner or co-volumist. The characteristics of the projects also illustrate the Company’s multifunctionality approach and its drive to capitalize on all of its spaces. Around 40% of the investments planned concern dining, leisure and tertiary activities (e.g. coworking or logistics).

Recent inflationary pressures, concerning labor and building material costs, have also led to changes in the investments to be made in terms of these developments and their yields. The sustainability of rent levels is still a decisive factor for projects to be launched.

At end-June 2022, Mercialys' development pipeline represented Euro 540 million with around Euro 36.6 million of potential additional rental income. Mercialys has already rolled out various projects linked primarily to relaunching sites.

(in million euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost (%)	Completion date
COMMITTED PROJECTS	**20.7**	**18.4**	**0.2**	**na**	**2022 / 2026**
Dining and leisure	1.1	1.1	0.1	6.0%	2022
Tertiary activities	19.6	17.3	0.2	na [17]	2022 / 2026
CONTROLLED PROJECTS	**134.8**	**130.1**	**9.4**	**7.0%**	**2023 / >2027**
Retail	89.9	85.4	6.3	7.0%	2023 / 2025
Dining and leisure	1.2	1.2	0.1	7.0%	2024 / 2025
Tertiary activities	43.7	43.5	3.1	7.0%	2023 / >2027
IDENTIFIED PROJECTS	**385.0**	**384.9**	**26.9**	**7.0%**	**2024 / >2027**
Retail	236.9	236.8	16.6	7.0%	2025 / >2027
Dining and leisure	111.9	111.9	7.8	7.0%	2025 / 2026
Tertiary activities	36.2	36.2	2.5	7.0%	2024 / >2027
TOTAL PROJECTS [17]	**540.4**	**533.4**	**36.6**	**na**	**2022 / >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, 2022, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE Valuation and Galtier Valuation updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation valued 35 sites at June 30, 2022 based on updating their appraisals from December 31, 2021;
- Catella Valuation valued 15 sites at June 30, 2022 based on updating its appraisals from December 31, 2021;
- Cushman & Wakefield valued 9 sites at June 30, 2022 based on on-site inspections during the first half of 2022;
- CBRE Valuation valued 1 site at June 30, 2022 based on on-site inspection during the first half of 2022;
- Galtier Valuation valued Mercialys' remaining assets, i.e. 2 sites at June 30, 2022, based on updating its appraisals from December 31, 2021.

On this basis, the **portfolio value** was Euro 3,122.8 million including transfer taxes at June 30, 2022, compared with Euro 3,138.2 million at December 31, 2021. Excluding transfer taxes, it was Euro 2,930.2 million at end-June 2022, compared with Euro 2,945.1 million at end-December 2021.

[17] Excluding the impact of mixed-use projects, which could also generate margins

The portfolio value including transfer taxes is down -0.5% over six months, but up +1.7% like-for-like [18], and -2.0% over 12 months (+1.1% like-for-like [18]). The portfolio value excluding transfer taxes shows a change of -0.5% over 6 months, but up +1.7% like-for-like [18], while the change over 12 months came to -2.2% with +0.8% like-for-like [18].

The **average appraisal yield rate** was 5.71% at June 30, 2022, stable compared with December 31, 2021 and the 5.74% recorded at June 30, 2021.

Type of property	Average yield rate		
	Jun 30, 2021	**Dec 31, 2021**	**Jun 30, 2022**
Regional and large shopping centers	5.44%	5.43%	5.43%
Neighborhood shopping centers	7.45%	7.33%	7.30%
Total portfolio [19]	**5.74%**	**5.71%**	**5.71%**

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2022, as well as the corresponding appraised rental income:

Type of property Jun 30, 2022	Number of assets	Appraisal value (excluding transfer taxes)		Appraisal value (including transfer taxes)		Gross leasable area		Appraised potential net rental income	
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,475.9	84.5%	2,637.1	84.4%	607,224	77.9%	143.1	80.3%
Neighborhood shopping centers	25	446.3	15.2%	477.3	15.3%	170,713	21.9%	34.8	19.5%
Subtotal	**50**	**2,922.3**	**99.7%**	**3,114.3**	**99.7%**	**777,938**	**99.8%**	**177.9**	**99.8%**
Other sites [19]	3	7.9	0.3%	8.5	0.3%	1,414	0.2%	0.3	0.2%
Total	**53**	**2,930.2**	**100.0%**	**3,122.8**	**100.0%**	**779,352**	**100.0%**	**178.3**	**100.0%**

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

	EPRA NRV			EPRA NTA			EPRA NDV		
	Jun 30, 2021	**Dec 31, 2021**	**Jun 30, 2022**	**Jun 30, 2021**	**Dec 31, 2021**	**Jun 30, 2022**	**Jun 30, 2021**	**Dec 31, 2021**	**Jun 30, 2022**
€/share	20.32	20.51	20.35	18.26	18.39	18.24	17.17	17.60	19.65
Change over 6 months	-0.8%			-0.8%			+11.6%		
Change over 12 months	+0.2%			-0.1%			+14.4%		

The **EPRA Net Disposal Value (NDV)** came to Euro 1,834.6 million at end-June 2022 vs. Euro 1,608.1 million at end-June 2021. Per share, it represents Euro 19.65 [20], with strong growth of +11.6% over 6 months and +14.4% over 12 months, taking into account a significant impact for the change in the fair value of debt.

[18] Sites on a constant scope and a constant surface area basis
[19] Including other assets (independent cafeterias and other standalone sites)
[20] Calculation based on the diluted number of shares at the end of the period, in accordance with the EPRA methodology regarding the NDV

The Euro +2.04 per share change [20] for the first half of this year takes into account the following impacts:

- Dividend payment: Euro -0.92;
- Funds from operations (FFO): Euro +0.62 [21];
- Change in unrealized capital gains [22]: Euro +0.44, including a yield effect for Euro +0.03, a rent effect for Euro +0.50 and other effects [23] for Euro -0.08;
- Change in fair value of fixed-rate debt: Euro +2.02;
- Change in fair value of other items: Euro -0.12.

1.7. Financial structure

1.7.1. Debt cost and structure

At June 30, 2022, Mercialys' **drawn debt** totaled Euro 1,332 million, with the following breakdown:

- A bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- A bond issue for an outstanding nominal amount of Euro 200 million, with a fixed coupon of 4.625%, maturing in July 2027;
- A private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.0%, maturing in November 2027;
- A bond issue for a nominal amount of Euro 500 million, with a fixed coupon of 2.50%, maturing in February 2029;
- Euro 182 million of outstanding commercial paper bearing interest at a slightly negative average rate.

The **cash position** came to Euro 242.3 million at June 30, 2022, compared with Euro 257.1 million at December 31, 2021. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- Net cash flow from operating activities during the period: Euro +83.4 million;
- Cash receipts / payments related to disposals / acquisitions of assets completed in the first half of 2022: Euro +56.1 million;
- Dividend payments to parent company shareholders and non-controlling interests: Euro -91.5 million;
- Issues and repayment of borrowings net of the change in outstanding commercial paper: Euro -54.2 million;
- Net interest paid: Euro -8.2 million.

Net financial debt came to Euro 1,092.9 million at June 30, 2022, compared with Euro 1,101.5 million at December 31, 2021.

[21] 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
[22] Difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes
[23] 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** [24] at June 30, 2022 was 1.7%, significantly lower than the 2021 full-year figure of 2.0%, mainly reflecting the impact of the refinancing operation carried out during the first quarter of 2022 (see Note 1.3.5).

In a context of high interest rate volatility, Mercialys has maintained a high level of **hedging for its debt**, with a fixed-rate debt position (including commercial paper) of 87%, compared with 86% at end-December 2021 and 87% at end-June 2021.

1.7.2. Debt maturity and liquidity

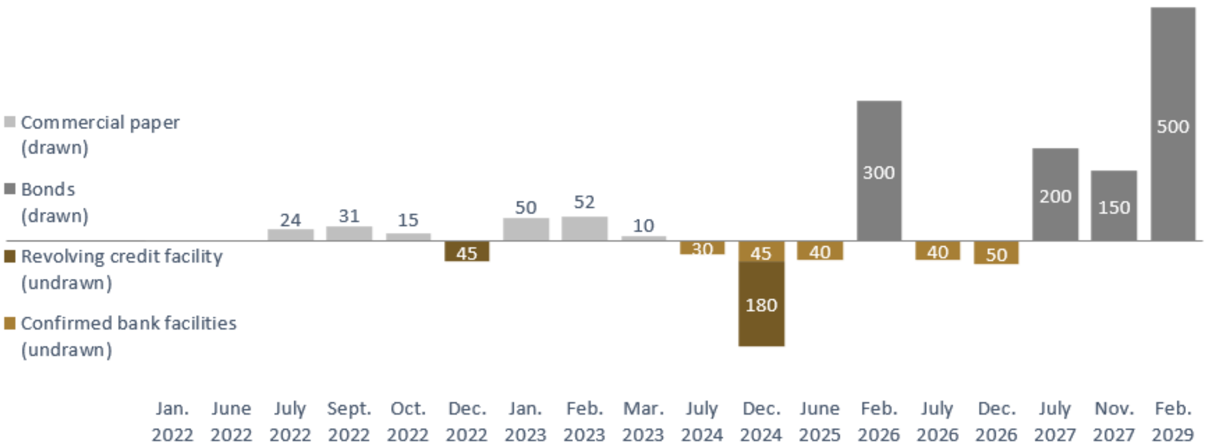
Through the refinancing operation carried out during the first quarter of 2022 (see Note 1.3.5 in this Report), the **average maturity of drawn debt**, including commercial paper, was significantly extended, up to 4.7 years at end-June 2022 (vs. 3.2 years at end-2021 and 3.6 years at end-June 2021). The maturity of bond debt came to 5.4 years at end-June 2022, compared with 3.6 years at end-December 2021.

Mercialys also has Euro 430 million of **undrawn financial resources**, 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 2024. 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 of Euro 205 million, maturing between July 2024 and December 2026. 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.

Lastly, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012, with Euro 182 million used (outstanding at June 30, 2022).

The following chart presents Mercialys' **drawn and undrawn debt maturity schedule** at June 30, 2022:



[24] This rate does not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding swaps in connection with these redemptions

1.7.3. Bank covenants and credit rating

Mercialys' financial position at June 30, 2022 satisfied all the various covenants included in the different credit agreements.

The **loan to value (LTV) ratio** came to 36.6% excluding transfer taxes (vs. 36.7% at end-December 2021 and 38.3% at end-June 2021), well below the contractual covenants. An LTV covenant of less than 55% applies to 74% of the confirmed bank lines, with an LTV covenant of less than 50% for the other 26% of these facilities. The Company has once again strengthened its financial structure. The LTV including transfer taxes was 34.3% at end-June 2022, compared with 34.4% at end-December 2021 and 36.0% at end-June 2021.

	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
Net financial debt (in millions of euros)	1,170.6	1,101.5	1,092.9
Appraisal value excluding transfer taxes (in millions of euros) [25]	3,052.5	3,000.9	2,986.7
Loan to value (LTV) - excluding transfer taxes	**38.3%**	**36.7%**	**36.6%**

Similarly, the **interest coverage ratio (ICR)** was 6.1x at end-June 2022, significantly higher than the contractual covenant (ICR > 2x), versus 5,1x at end-December 2021 and 5,6x at end-June 2021.

	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
EBITDA (in millions of euros)	76.3	144.7	75.3
Net finance costs (in millions of euros)	-13.6	-28.2	-12.3
Interest coverage ratio (ICR)	**5.6x**	**5.1x**	**6.1x**

The two other contractual covenants are also met:

- The **fair value of assets excluding transfer taxes** at June 30, 2022 was Euro 2.9 billion (above the contractual covenant minimum, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion);
- Zero **pledged debt** at June 30, 2022 (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 June 8, 2022, the agency confirmed its rating for Mercialys of BBB (with stable outlook).

[25] Including the market value of investments in associates, with Euro 56.5 million for the first half of 2022 (Euro 55.8 million for the full year in 2021 and Euro 55.9 million for the first half of 2021), 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 886.9 million at June 30, 2022, compared with Euro 945.1 million at December 31, 2021.

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

- net income for the first half of 2022: Euro +17.2 million;
- Payment of the 2021 dividend of Euro 0.92 per share and dividends paid to non-controlling interests: Euro -91.5 million;
- transactions on treasury shares: Euro +0.1 million;
- Change in fair value of financial assets and derivatives: Euro +15.8 million.

The **number of outstanding shares** at June 30, 2022 was 93,886,501, unchanged since December 31, 2021.

	2020	2021	Jun 30, 2022
Number of shares outstanding - At start of period	92,049,169	92,049,169	93,886,501
- At end of period	92,049,169	93,886,501	93,886,501
Average number of shares outstanding	92,049,169	93,179,835	93,886,501
Average number of shares (basic)	**91,532,357**	**92,839,729**	**93,570,578**
Average number of shares (diluted)	**91,532,357**	**92,839,729**	**93,570,578**

At July 8, 2022, Mercialys' shareholding structure had the following breakdown: Crédit Agricole CIB (9.98% [26]), Generali Group (7.85%), treasury stock (0.51%), other shareholders (81.66%).

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 2021 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.

The first half of 2022 was affected by various epidemic waves linked to Covid-19, although this did not result in any restriction measures linked directly to the trading conditions for stores in France. Nevertheless, this health environment weighed on retailers' performance. While the geopolitical environment linked to the conflict in Ukraine did not directly affect Mercialys' business, it may also have weighed on the global economic environment, through its impact on inflation, retailer supply chains and consumption.

As a result, the accounts at end-June 2022 do not reflect any elements linked to the health situation based on the conditions observed in 2022, but exclusively reflect the effects linked to 2020 and 2021, such as the staggering of support measures granted for the lockdowns over the firm period of leases or the reversals of provisions on doubtful receivables that had been recorded for these two years.

[26] Notice of threshold crossing 222C1828 at July 13, 2022

Due to the continued uncertainty with developments relating to the epidemic, and as further restrictions intended to protect public health cannot be ruled out between now and the end of the year, Mercialys has published full-year objectives for 2022 that exclude the impacts of a reoccurrence of episodes linked to the health crisis.

With regard to related parties, the Casino group, following successive operations to divest its interests, has no longer been a shareholder in Mercialys since April 4, 2022 and has no longer had any representatives on Mercialys' Board of Directors since April 28, 2022.

A description and updated information on the main contracts and agreements governing relationships with related parties are available in note 19 of this Half-year Financial Report and in section 6 of the 2021 Universal Registration Document (pages 343 to 359).

1.10. Outlook 2022 confirmed

Considering the satisfactory performance levels achieved over the first half of the year, Mercialys is able to **confirm its full-year objectives for 2022**, excluding the health situation's potential impacts on its operations:

- Growth in funds from operations (FFO) per share to reach at least +2% vs. 2021;
- Dividend to range from 85% to 95% of 2022 FFO.

1.11. Subsequent events

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

Following this change, the Company's Board of Directors has 8 members, with 63% independent directors.

2. EPRA PERFORMANCE MEASURES

Mercialys applies the EPRA [27] 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 2021 and end-June 2022:

	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
EPRA earnings - Euros per share	0.60	1.10	0.61
EPRA NRV – Euros per share	20.32	20.51	20.35
EPRA NTA – Euros per share	18.26	18.39	18.24
EPRA NDV – Euros per share	17.17	17.60	19.65
EPRA net initial yield - %	5.26%	5.24%	5.26%
EPRA topped-up net initial yield - %	5.32%	5.32%	5.34%
EPRA vacancy rate - %	5.7%	4.9%	4.4%
EPRA cost ratio (including direct vacancy costs) - %	11.7%	18.5%	14.8%
EPRA cost ratio (excluding direct vacancy costs) - %	9.8%	16.6%	13.0%
EPRA capital expenditure - in millions of euros	6.6	15.9	8.8

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, 2021	Jun 30, 2022
Net income attributable to owners of the parent	**31.4**	**62.2**	**12.6**
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	-0.1	-0.3	-0.1
Hedging ineffectiveness, banking default risk and impact of bond redemptions	-0.7	1.1	26.0
Other operating income and expenses	5.6	-0.4	0.4
Depreciation and amortization	19.6	39.2	18.6
EPRA EARNINGS	**55.7**	**101.8**	**57.5**
Average number of shares (basic)	92,136,487	92,839,729	93,570,578
EPRA EARNINGS PER SHARE (in euros)	**0.60**	**1.10**	**0.61**

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.

[27] European Public Real Estate Association

2.2. EPRA net asset value (NRV, NTA, 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 [28] / Excludes [29]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**708.4**	**708.4**	**708.4**
Includes [28]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	974.3	974.3	974.3
ii.b) Revaluation of IPUC [30] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [31]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases [32]	0.0	0.0	0.0
iv) Revaluation of trading properties [33]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,700.2**	**1,700.2**	**1,700.2**
Excludes [29]:			
v) Deferred tax in relation to fair value gains of IP [34]	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 [28]:			
ix) Fair value of fixed interest rate debt			-92.1
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [35]	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**

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

(in millions of euros)	Dec 31, 2021 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	743.1	743.1	743.1
Includes [36] / Excludes [37]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	743.1	743.1	743.1
Includes [36]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	957.5	957.5	957.5
ii.b) Revaluation of IPUC [38] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [39]	17.9	17.9	17.9
iii) Revaluation of tenant leases held as finance leases [40]	0.0	0.0	0.0
iv) Revaluation of trading properties [41]	2.1	2.1	2.1
EPRA diluted NAV at fair value	1,720.6	1,720.6	1,720.6
Excludes [37]:			
v) Deferred tax in relation to fair value gains of IP [42]	0.0	0.0	
vi) Fair value of financial instruments	2.2	2.2	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-5.0	
Includes [36]:			
ix) Fair value of fixed interest rate debt			-76.5
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [43]	193.1	0.0	
NAV	**1,916.0**	**1,717.8**	**1,644.1**
Fully diluted number of shares at end of period	93,394,908	93,394,908	93,394,908
NAV per share (in euros)	**20.51**	**18.39**	**17.60**

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

(in millions of euros)	Jun 30, 2022		
	EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**685.7**	**685.7**	**685.7**
Includes [44] / Excludes [45]:			
i) Hybrid instruments	0	0	0
Diluted EPRA NAV	**685.7**	**685.7**	**685.7**
Includes [44]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,017.2	1,017.2	1,017.2
ii.b) Revaluation of IPUC [46] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [47]	19.1	19.1	19.1
iii) Revaluation of tenant leases held as finance leases [48]	0.0	0.0	0.0
iv) Revaluation of trading properties [49]	0.2	0.2	0.2
EPRA diluted NAV at fair value	**1,722.3**	**1,722.3**	**1,722.3**
Excludes [45]:			
v) Deferred tax in relation to fair value gains of IP [50]	0.0	0.0	
vi) Fair value of financial instruments	-14.6	-14.6	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-4.2	
Includes[28]:			
ix) Fair value of fixed interest rate debt			112.3
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [51]	192.6		
NAV	**1,900.2**	**1,703.2**	**1,834.6**
Fully diluted number of shares at end of period	93,369,700	93,369,700	93,369,700
NAV per share (in euros)	**20.35**	**18.24**	**19.65**

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

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, 2021	Jun 30, 2022
Investment property – wholly owned	2,996.6	2,945.1	2,930.2
Assets under development (-)	0.0	0.0	0.0
Completed property portfolio excluding transfer taxes	**2,996.6**	**2,945.1**	**2,930.2**
Transfer taxes	189.0	193.1	192.6
Completed property portfolio including transfer taxes	**3,185.6**	**3,138.2**	**3,122.8**
Annualized rental revenues [52]	174.2	171.2	171.2
Non-recoverable expenses (-)	-6.6	-6.8	-6.8
Annualized net rents	**167.6**	**164.4**	**164.4**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	1.9	2.5	2.5
Topped-up net annualized rent	**169.5**	**166.9**	**166.9**
EPRA NET INITIAL YIELD	**5.26%**	**5.24%**	**5.26%**
EPRA TOPPED-UP NET INITIAL YIELD	**5.32%**	**5.32%**	**5.34%**

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 4.4% at end-June 2022, significantly lower than the level from end-December 2021 (4.9%). "Strategic" vacancies following decisions to facilitate extension or redevelopment plans represent 150bp within this vacancy rate.

(in million euros)	Jun 30, 2021	Dec 31, 2021	Jun 30, 2022
Rental value of vacant units	10.3	8.7	7.8
Rental value of the entire portfolio	180.6	178.6	176.7
EPRA vacancy rate	**5.7%**	**4.9%**	**4.4%**

[52] 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, 2021	Jun 30, 2022	Comments
Administrative and operating expense line per IFRS incomestatement	-9.2	-19.7	-11.4	Personnel expenses and other costs
Net service charge costs / fees	-4.2	-6.8	-4.4	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	-0.5	-2.1	-1.6	Rental management fees
Other income and expenses	4.1	-3.3	4.5	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**	**-31.9**	**-12.8**	
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**	**-31.9**	**-12.8**	**A**
Direct vacancy costs [53]	1.6	3.3	1.6	
EPRA costs (excluding vacancy costs) (B)	**-8.3**	**-28.9**	**-11.2**	**B**
Gross rental revenues less ground rent costs [54]	84.7	172.2	86.5	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**	**172.2**	**86.5**	**C**
EPRA COST RATIO including direct vacancy costs	**-11.7%**	**-18.5%**	**-14.8%**	**A / C**
EPRA COST RATIO excluding direct vacancy costs	**-9.8%**	**-16.6%**	**-13.0%**	**B / C**

[53] 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

[54] 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, 2021			Jun 30, 2022		
	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group (excluding joint ventures)	Group (excluding joint ventures)	Group (excluding joint ventures)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total
Acquisitions	0.4	0.0	0.4	1.5	0	1.5	3.2	0	3.2
Developments	0.3	0.0	0.3	2.8	0	2.8	0.2	0	0.2
Investment property	5.8	0.0	5.8	9.4	0	9.4	4.3	0	4.3
Incremental lettable space	*1.8*	*0.0*	*1.8*	*2.0*	*0*	*2.0*	*0.7*	*0*	*0.7*
No incremental lettable space	*1.9*	*0.0*	*1.9*	*4.1*	*0*	*4.1*	*2.5*	*0*	*2.5*
Tenant incentives	*0.5*	*0.0*	*0.5*	*1.2*	*0*	*1.2*	*0.1*	*0*	*0.1*
Other material non-allocated types of expenditure	*1.6*	*0.0*	*1.6*	*2.0*	*0*	*2.0*	*0.9*	*0*	*0.9*
Capitalized interest (if applicable)	0.0	0.0	0.0	1.8	0	1.8	0.8	0	0.8
Total CapEx	**6.5**	**0.0**	**6.5**	15.5	0	15.5	8.5	0	8.5
Conversion from accrual to cash basis	0.2	0.0	0.2	0.4	0	0.4	0.3	0	0.3
Total CapEx on cash basis	**6.6**	**0.0**	**6.6**	15.9	0	15.9	8.8	0	8.8

Acquisitions concerned operations to consolidate plots at the Marseille Plan de Campagne site.

Development capital expenditure remained non-significant over the period.

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, 2022 and 2021.

(in thousands of euros)		Jun 30, 2022	Jun 30, 2021
Rental revenues		**86,450**	**84,665**
Service charges and property tax		-29,765	-30,148
Charges and tax billed to tenants		25,389	25,929
Net property operating charges		2,935	3,520
Net rental income	*Note 11*	**85,009**	**83,966**
Management, administrative and other activities income		1,208	1,292
Other income	*Note 12*	424	221
Other expenses	*Note 13*	-2,044	-2,263
Personnel expenses		-9,346	-6,900
Depreciation and amortization		-18,622	-19,557
Reversals of / (Allowances for) provisions		-522	-346
Other operating income	*Note 14*	74,212	790
Other operating expenses	*Note 14*	-73,878	-6,568
Operating income		**56,440**	**50,637**
Income from cash and cash equivalents		19	162
Gross finance costs		-38,644	-14,115
Expense / (Income) from net financial debt	*Note 17.3.1*	**-38,625**	**-13,953**
Other financial income	*Note 17.3.2*	132	153
Other financial expenses	*Note 17.3.2*	-1,628	-1,619
Net financial items		**-40,121**	**-15,419**
Tax expense	*Note 19*	-339	-423
Share of net income from associates and joint ventures	*Note 5*	1,185	1,091
Consolidated net income		**17,165**	**35,886**
Attributable to non-controlling interests		4,570	4,498
Attributable to owners of the parent		12,595	31,388
Earnings per share [55]			
Net income, attributable to owners of the parent (in euros)		0.13	0.34
Diluted net income, attributable to owners of the parent (in euros)		0.13	0.34

[55] 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 2022 = 93,570,578 shares
- Fully diluted weighted average number of shares for the first half of 2022 = 93,570,578 shares

3.2. Condensed statement of consolidated comprehensive income

Interim statements at June 30, 2022 and 2021.

(in thousands of euros)		Jun 30, 2022	Jun 30, 2021
Consolidated net income		17,165	35,886
Items that may be recycled as income		**15,841**	**4,771**
Cash flow hedges	*Note 17.4*	16,434	5,146
Tax effects		-593	-375
Items that may not be recycled as income		**165**	**-509**
Change in fair value of financial assets measured at fair value through the other items of comprehensive income	*Note 17.4*	-85	-509
Actuarial gains or losses		337	-
Tax effects		-87	-
Other comprehensive income for the period, net of tax		**16,006**	**4,262**
Consolidated comprehensive income		**33,171**	**40,148**
Attributable to non-controlling interests		4,570	4,498
Attributable to owners of the parent		28,602	35,651

3.3. Condensed consolidated statement of financial position

Interim statement at June 30, 2022 and for the year ended December 31, 2021.

ASSETS (in thousands of euros)		**Jun 30, 2022**	**Dec 31, 2021**
Intangible assets		4,214	5,028
Property, plant and equipment		4,189	6,922
Investment property	*Note 9*	1,921,342	1,935,117
Right-of-use assets	*Note 10*	10,032	8,590
Investments in associates	*Note 5*	37,368	37,907
Other non-current assets	*Note 15*	37,392	50,733
Deferred tax assets		1,013	1,346
Non-current assets		**2,015,551**	**2,045,642**
Trade receivables	*Note 16*	29,944	36,865
Other current assets		38,265	34,595
Cash and cash equivalents	*Note 17*	242,306	257,178
Investment properties held for sale	*Note 9*	405	60,086
Current assets		**310,919**	**388,724**
TOTAL ASSETS		**2,326,471**	**2,434,366**

EQUITY AND LIABILITIES (in thousands of euros)		**Jun 30, 2022**	**Dec 31, 2021**
Share capital	*Note 6*	93,887	93,887
Additional paid-in capital, treasury shares and other reserves		591,857	649,231
Equity attributable to owners of the parent		685,743	743,118
Non-controlling interests		201,144	202,011
Equity		**886,887**	**945,129**
Non-current provisions		811	1,008
Non-current financial liabilities	*Note 17*	1,142,871	1,237,101
Deposits and guarantees		23,608	23,003
Non-current lease liabilities	*Note 10*	9,530	8,353
Other non-current liabilities		354	5,716
Non-current liabilities		**1,177,174**	**1,275,181**
Trade payables		20,130	16,477
Current financial liabilities	*Note 17*	197,815	150,144
Current lease liabilities	*Note 10*	1,444	1,030
Current provisions		11,195	11,443
Other current liabilities		31,747	34,826
Current tax liabilities		79	136
Current liabilities		**262,410**	**214,056**
TOTAL EQUITY AND LIABILITIES		**2,326,471**	**2,434,366**

3.4. Consolidated cash flow statement

Impact on key aggregates for the consolidated cash flow statement

Interim statements at June 30, 2022 and 2021.

(in thousands of euros)		Jun 30, 2022	Jun 30, 2021
Net income, attributable to owners of the parent		12,595	31,388
Non-controlling interests		4,570	4,498
Consolidated net income		**17,165**	**35,886**
Depreciation, amortization [1] and provisions, net of reversals		19,740	25,741
Expenses/(income) relating to stock options and similar		181	-135
Other calculated expenses/(income) [2]		44	-1,018
Share of net income from associates and joint ventures		-1,185	-1,091
Dividends received from associates and joint ventures		1,531	1,444
Income from asset disposals		-933	-529
Expenses/(income) from net financial debt	*Note 17.3*	38,625	13,953
Net financial interest in respect of lease agreements	*Note 10*	164	150
Tax expense (including deferred taxes)	*Note 19*	339	423
Cash flow		**75,671**	**74,824**
Taxes received/(paid)		-267	157
Change in working capital requirement relating to operations, excluding deposits and guarantees [3]		7,394	-13,973
Change in deposits and guarantees		605	411
Net cash flow from operating activities		**83,404**	**61,418**
Cash outflows on acquisitions of:			
investment properties and other fixed assets		-8,815	-6,649
non-current financial assets		-142	-4
Cash inflows on disposals of:			
investment properties and other fixed assets	*Note 9*	64,143	3,557
Investments in associates and joint ventures		-	-
Impact of changes in scope with change of control		-	-
Change in loans and advances granted		900	-
Net cash flow from investing activities		**56,086**	**-3,096**
Dividends paid to parent company shareholders	*Note 7*	-86,025	-22,398
Dividends paid to non-controlling interests		-5,437	-5,424
Change in treasury shares		-56	2,364
Increase in borrowings and financial debt	*Note 17*	744,809	149,999
Decrease in borrowings and financial debt	*Note 17*	-798,980	-351,700
Repayment of lease liabilities	*Note 10*	-392	-489
Interest received		12,253	13,309
Interest paid		-20,464	-20,741
Net cash flow from financing activities		**-154,293**	**-235,079**
Change in cash position		**-14,803**	**-176,757**
Net cash at start of period	*Note 17*	257,071	464,600
Net cash at end of year	*Note 17*	242,268	287,843
of which cash and cash equivalents		242,306	287,958
of which bank overdrafts		-38	-116

[1] Depreciation and amortization exclude the impact of current assets impairments

[2] Other calculated expenses and income mainly comprise:			
discounting adjustments to construction leases	*Note 15*	*-118*	*-168*
lease rights received from tenants and spread out over the fixed term of the lease		*-352*	*-1,243*
deferred financial expenses		*410*	*322*
employee benefits		*135*	*-*
interest on non-cash loans		*-*	*54*
[3] The change in working capital requirements breaks down as follows:		***7,394***	***-13,973***
Trade receivables	*Note 16*	*6,921*	*-11,705*
Trade payables		*3,656*	*5,265*
Other receivables and payables		*-9,733*	*-7,534*

3.5. Statement of changes in consolidated equity

Interim statements at June 30, 2022 and 2021.

(in thousands of euros)	Share capital	Capital reserves [56]	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 [57]	Non-controlling interests	Total equity
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**
At December 31, 2021	**93,887**	**498,102**	**-3,739**	**162,053**	**-231**	**-6,953**	**743,118**	**202,011**	**945,129**
Impact of IFRS IC - SaaS decision	-	-	-	-76	-	-	-76	-	-76
At January 1, 2022 (restated)	**93,887**	**498,102**	**-3,739**	**161,977**	**-231**	**-6,953**	**743,042**	**202,011**	**945,052**
Other comprehensive income for the period	-	-	-	15,841	250	-85	16,006	-	16,006
Net income for the period	-	-	-	12,595	-	-	12,595	4,570	17,165
Consolidated comprehensive income for the period	-	-	**-**	**28,436**	**250**	**-85**	**28,602**	**4,570**	**33,171**
Treasury share transactions	-	-	-222	165	-	-	-56	-	-56
Dividends paid for 2021	-	-	-	-86,025	-	-	-86,025	-5,437	-91,462
Share-based payments	-	-	-	181	-	-	181	-	181
At June 30, 2022	**93,887**	**498,102**	**-3,961**	**104,735**	**19**	**-7 038**	**685,743**	**201,144**	**886,887**

[56] Capital reserves = premiums on shares issued for cash or assets, merger premiums and legal reserves
[57] 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, 2022 reflect the accounting position of the Company and its subsidiaries and joint ventures, as well as the Group's interests in associates.

On July 27, 2022, 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, 2022.

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, 2022.

These standards are available on the European Commission website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr

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 at December 31, 2021.

They are available on request from the Communications Department, 16-18 rue du Quatre Septembre, 75002 Paris, or online at 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, 2022 are identical to those applied for the annual consolidated financial statements for 2021, with the exception of the accounting changes linked to the IFRIC decision concerning implementation, configuration and customization costs for SaaS or Software as a Service (Cloud Computing Arrangement).
The impacts relating to the application of this decision are detailed in Note 1.4 below.

The other compulsory arrangements to be applied from January 1, 2022:

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use;
- IFRS 3 – Updating a Reference to the conceptual Framework;
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract;
- Annual Improvements – 2018-2020 Cycle;

have not had any impact on the Group's condensed consolidated financial statements.

Note 1.4 : Change of accounting methods

The main changes resulting from the IFRIC's decision concerning SaaS software implementation, configuration and customization costs are as follows:

In April 2021, the IFRS IC published a decision concerning the recognition of configuration or customization costs for Software as a Service (SaaS). It clarified the accounting treatment of these costs, which are to be presented (i) under intangible assets in accordance with IAS 38 if the client obtains control of a software resource, or (ii) under expenses for the period when the cloud services are provided if the service is not distinct from the SaaS services, or lastly (iii) under expenses when services are received when they are distinct from the SaaS services.

Impact on key aggregates for the consolidated statement of financial position:
The Mercialys Group's SaaS contracts do not grant control of any right of use (IFRS 16) or any intangible asset (IAS 38) and are therefore classed as service agreements.

SaaS implementation costs are therefore recorded as expenses, and when the services are not distinct from access to the software, these expenses are recognized on an ongoing basis as services are received.

The analyses carried out concerning previous periods regarding the application of the IFRS IC decision for the recognition of configuration and customization costs for software used in SaaS (Software as a Service) mode have not had any material impact and have not led to any retroactive restatement for FY 2021. The cumulative impacts were therefore recognized in equity at January 1, 2022.

ASSETS

(in thousands of euros)	Dec 31, 2021 reported	Impact of IFRS IC - SaaS decision	Jan 1, 2022 restated
Intangible assets	5,028	-1,651	3,377
Property, plant and equipment	6,922	-	6,922
Investment property	1,935,117	-	1,935,117
Right-of-use assets	8,590	-	8,590
Investments in associates	37,907	-	37,907
Other non-current assets	50,733	1,415	52,148
Deferred tax assets	1,346	-	1,346
Non-current assets	**2,045,642**	**-237**	**2,045 406**
Trade receivables	36,865	-	36,865
Other current assets	34,595	161	34,755
Cash and cash equivalents	257,178	-	257,178
Investment properties held for sale	60,086	-	60,086
Current assets	**388,724**	**161**	**388,885**
TOTAL ASSETS	**2,434,366**	**-76**	**2,434 291**
Equity attributable to owners of the parent	743,118	-76	743,042
Non-controlling interests	202,011	-	202,011
Equity	**945,129**	**-76**	**945,052**
Non-current liabilities	**1,275,181**	**-**	**1,275,181**
Current liabilities	**214,056**	**-**	**214,056**
TOTAL EQUITY AND LIABILITIES	**2,434,366**	**-76**	**2,434 291**

Note 1.5 : 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

During the first quarter of 2022, Mercialys rolled out a three-pronged refinancing operation. In February 2022, the Company carried out a bond issue for a nominal total of Euro 500 million, with a 7-year maturity and 2.5% coupon. Alongside this, Mercialys completed the early redemption of Euro 100 million of the bond issue due to mature in July 2027, with a 4,625% coupon and an initial nominal total of Euro 300 million. Lastly, in March 2022, the Company fully exercised its make-whole call option for the early redemption of its bond maturing in March 2023 with a nominal total of Euro 469.5 million. This operation enabled Mercialys to consolidate its balance sheet liquidity and significantly extend the maturity of its debt (Note 17.2.2).

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

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

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

Following these sales, Mr Michel Savart and the company La Forézienne de Participations, a non-independent director, represented by Mr David Lubek, who both represented the Casino group on Mercialys' Board of Directors, resigned from their positions as directors respectively on April 26 and April 28, 2022 (Note 22).

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

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

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, 2022, the Mercialys Group consolidated the following companies:

Name	Jun 30, 2022			Dec 31, 2021		
	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 Cypérus Saint-André (previously 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 Genin	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	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 2022 called into question the assessments of control of the consolidated entities described at December 31, 2021.

Note 6: Equity

At June 30, 2022, 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 93,886,501 shares at December 31, 2021, 93,505,805 shares benefited from the dividend awarded for the year ended December 31, 2021 (with 380,696 treasury shares not entitled to dividends).

The Company paid its shareholders a gross dividend of Euro 0.92 per share for the year ended December 31, 2021, representing a total of Euro 86,025 thousand.

Note 8: Business combinations

No business combination operations took place during the period ended June 30, 2022. 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

Mercialys' main transactions during the first half of 2022 included the sale of two Géant Casino hypermarkets (Annecy Seynod and Saint-Etienne Monthieu) for Euro 60.4 million excluding transfer taxes and geographically dispersed assets in Millau, Paris Massena and Marseille Barnéoud for Euro 7.0 million.

At the end of June 2022, Mercialys also acquired plots at Marseille Plan de Campagne for Euro 3.2 million.

Investment properties held for sale

Investment properties held for sale totaled Euro 405 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 2022 for Euro 1.4 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 48.0 million at end-June 2022.

Fair value of investment property and investment properties 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, 2022. The valuation methods applied, presented in the Group's consolidated financial statements at December 31, 2021, remain unchanged. The assumptions retained have changed in order to notably take into account (i) potential changes in rates, (ii) possible inflation, and (iii) difficulties recovering trade receivables.

Based on these elements, the portfolio was valued at Euro 3,122.8 million including transfer taxes at June 30, 2022, compared with Euro 3,138.2 million at December 31, 2021. Excluding transfer taxes, this value was Euro 2,930.2 million at end-June 2022, compared with Euro 2,945.1 million at end-December 2021.

The portfolio value including transfer taxes is therefore down -0.5% over six months (+1.7% like-for-like [58]) and -2.0% over 12 months (+1.1% like-for-like [58]).

The portfolio value excluding transfer taxes is therefore down -0.5% over six months (+1.7% like-for-like [58]) and -2.2% over 12 months (+0.8% like-for-like [58]).

The average appraisal yield rate was 5.71% at June 30, 2022, stable compared with December 31, 2021 and the 5.74% recorded at June 30, 2021.

The Euro -14.9 million change in the fair value of assets excluding transfer taxes over six months is due to:

- The increase in rents on a like-for-like basis: Euro +46.4 million;
- The reduction in the average capitalization rate: Euro +2.9 million;
- The change in scope: Euro -64.2 million.

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

The average appraisal yield rates are as follows:

Type of property	Average yield rate		
	Jun 30, 2022	Dec 31, 2021	Jun 30, 2021
Regional and large shopping centers	5.43%	5.43%	5.44%
Neighborhood shopping centers	7.30%	7.33%	7.45%
Total portfolio [59]	**5.71%**	**5.71%**	**5.74%**

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2022, as well as the corresponding appraised rental income:

Type of property	Number of assets June 30, 2022	Appraisal value (excl. transfer taxes) June 30, 2022		Appraisal value (incl. transfer taxes) June 30, 2022		Gross leasable area June 30, 2022		Appraised potential net rental income	
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,475.9	84.5%	2,637.1	84.4%	607,224	77.9%	143.1	80.3%
Neighborhood shopping centers	25	446.3	15.2%	477.3	15.3%	170,173	21.9%	34.8	19.5%
Subtotal	**50**	**2,922.3**	**99.7%**	**3,114.3**	**99.7%**	**777,938**	**99.8%**	**177.9**	**99.8%**
Other sites [59]	3	7.9	0.3%	8.5	0.3%	1,414	0.2%	0.3	0.2%
Total	**53**	**2,930.2**	**100%**	**3,122.8**	**100%**	**779,352**	**100%**	**178.3**	**100%**

Assuming annual appraised rents of Euro 178.3 million and a capitalization rate of 6.1%, 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	+262.4
+10% increase in rents	+293.0
+0.5% increase in the capitalization rate	-222.6
-10% decrease in rents	-293.0

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.

[59] Including other assets (independent cafeterias and other standalone sites)

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, 2021	**3,331**	**5,259**	**8,590**
Increases during the period [60]	2,377	-	2,377
Decreases during the period [61]	-62	-297	-359
Depreciation and amortization	-33	-544	-577
At June 30, 2022	**5,614**	**4,418**	**10,032**

Note 10.2 : Information relating to the income statement

At June 30, 2022, restated lease charges totaled Euro 728 thousand. These lease charges are replaced by a depreciation expense on right-of-use assets for Euro 577 thousand and a financial interest expense on lease liabilities for Euro 164 thousand.

The amounts recognized in profit and loss for the first half of the year concerning agreements excluded from lease liabilities represent Euro 37 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 2022 came to Euro 392 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).

[60] The increases correspond to the leases at the Marseille Barnéoud site

[61] The decreases for the first half of 2022 correspond to Mercialys' transfer of emphyteutic leases to Barnéoud Développement.

Note 12: Other income

Other current income for the first half of 2022 came to Euro 424 thousand and corresponds to:

- Dividends received from the OPCI fund created in partnership with Union Investment: UIR2 for Euro 224 thousand. These dividends correspond to the management of the OPCI's retail property assets, similar to Mercialys' business. They are therefore presented as operating income,
- A final, fixed-sum termination indemnity payment with full discharge made by UIR 2 (tenant) to Mercialys (landlord) following the amicable termination of the lease by UIR2.

Note 13: Other expenses

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

For the first half of 2022, these costs represent Euro 2.0 million, compared with Euro 2.3 million for the first half of 2021.

Note 14: Other operating income and expenses

Other operating income and expenses came to Euro 0.3 million at end-June 2022, compared with Euro -5.8 million at end-June 2021.

This income primarily includes the proceeds from the sale of two hypermarkets and geographically dispersed assets for Euro 1.2 million and Euro -0.3 million respectively, as well as the impairment of investment properties for Euro -1.4 million (Note 9) and a reversal of provisions for disputes for Euro 0.7 million.

During the first half of 2021, the Euro 5.8 million expense primarily comprised the impairment of investment properties for Euro -6.1 million, 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.

Note 15: Other non-current assets

At June 30, 2022, 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 [62]	Construction leases	Real estate guarantees	Non-current hedging assets [63]	Loans and Interest [64]	Prepaid Expenses [65]
At December 31, 2021	**50,733**	**3,367**	**3,849**	**257**	**20,431**	**19,808**	**3,021**
Impacts of IFRS IC - SaaS decision	1,415	-	-	-	-	-	1,415
At January 1, 2022 (restated)	**52,148**	**3,367**	**3,849**	**257**	**20,431**	**19,808**	**4,436**
Increase	143	-	-	33	-	110	-
Change in fair value	-11,926	-85	-	-	-11,842	-	-
Decrease	-900	-	-	-	-	-900	-
Discounting / Accretion	118		118	-	-	-	-
Other reclassifications and other movements	-2,190	-	-3	-12	-	-	-2,175
Jun 30, 2022	**37,392**	**3,282**	**3,964**	**278**	**8,589**	**19,018**	**2,260**

Note 16: Trade receivables

(en milliers d'euros)	Jun 30, 2022	Dec 31, 2021
Trade receivables and related	52,247	64,427
Depreciation	-22,303	-27,562
Trade receivables and related, net	**29,944**	**36,865**

Undepreciated trade receivables decreased by Euro 7.6 million, linked primarily to the gradual collection of the arrears for 2020 and 2021 resulting from the health crisis. Alongside this, 94% of the amounts invoiced for the first and second quarters of 2022 have been collected.

In addition to the impact of the Euro 16 million of provisions for doubtful receivables determined by Mercialys and based on the legal framework for disputes with tenants showing arrears, the accounts at end-June 2022 include provisions corresponding to the impacts of the health crisis for Euro 5.2 million.

[62] 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 operated an asset in Pessac which provided it with rental income. This asset was sold on April 29, 2022. UIR II also paid out a dividend of Euro 224 thousand at the end of June 2022, recognized in other income on the consolidated income statement

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

[64] Loans and interest correspond primarily to the Euro 18.6 million loan granted by Mercialys to SCI AMR in December 2020. The decrease corresponds to the repayment of the loan by the OPCI fund UIR II for Euro 900 thousand and the payment of interest.

[65] Prepaid expenses primarily concern Covid-19 relief to be granted for over one year and implementation costs for SaaS software when they are not distinct from the software.

Note 17: Financial structure and financial costs

Note 17.1: Net cash

The breakdown of net cash is presented below:

(in thousands of euros)	Jun 30, 2022	Dec 31, 2021
Cash	167,206	182,078
Cash equivalents	75,101	75,101
Gross cash	**242,306**	**257,178**
Bank overdrafts	-38	-108
Cash net of bank overdrafts	**242,268**	**257,071**

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 17.2: Borrowings and financial liabilities

Note 17.2.1: 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, 2022			Dec 31, 2021		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	-1,142,197	-15,426	-1,157,623	-1,213,497	-14,556	-1,228,052
Other borrowings and financial debt	-	-182,000	-182,000	-	-135,000	-135,000
Bank overdrafts	-	-38	-38	-	-108	-108
Fair value of liabilities	-674	-351	-1,024	-23,604	-480	-24,084
Gross financial debt	**-1,142,871**	**-197,815**	**-1,340,685**	**-1,237,101**	**-150,144**	**-1,387,245**
Fair value hedging derivatives – assets	-	5,519	5,519	20,185	8,352	28,538
Cash and cash equivalents	-	242,306	242,306	-	257,178	257,178
Cash and cash equivalents and other financial assets	**-**	**247,825**	**247,825**	**20,185**	**265,531**	**285,716**
NET FINANCIAL DEBT	**-1,142,871**	**50,010**	**-1,092,861**	**-1,216,916**	**115,387**	**-1,101,529**

Note 17.2.2: Change in financial liabilities

The change in bond debt is linked in particular to the placement of a new bond issue on February 17, 2022 for Euro 500 million, with a 7-year maturity and 2.5% coupon. With this latest bond issue, an issue premium was recorded for Euro -3.0 million, along with Euro -2.2 million of issue costs. As for the other bonds, these issue costs are spread in line with the effective interest method over the term of the new bond issue.

Alongside this, Mercialys fully exercised its option for the early redemption of its bond maturing in March 2023, with an initial total of Euro 469.5 million.

Mercialys also carried out a partial redemption for Euro 100 million of the bond issue due to mature in July 2027. The outstanding amount of this issue represents Euro 200 million. The Company considered that this was an early redemption under IFRS 9 and all of the impacts were recognized in financial expenses for the period.

Outstanding commercial paper increased by Euro 47 million since January 1, 2022 to represent Euro 182 million at end-June 2022.

Note 17.2.3: 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 74% of the confirmed bank facilities. The remaining lines are subject to an LTV covenant of less than 50%;
- Interest coverage ratio (ICR): consolidated EBITDA [66] / 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, 2022	Dec 31, 2021
LTV (Loan To Value)	<50%	36.6%	36.7%
ICR (Interest Coverage Ratio)	>2	6.1x	5.1x

At June 30, 2022, 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.

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

Note 17.3: Net financial items

Note 17.3.1 : Net finance costs

(in thousands of euros)	Jun 30, 2022	Jun 30, 2021
Cost of debt put in place	-45,503	-19,289
Impact of hedging instruments	6,859	5,174
Gross finance costs	**-38,644**	**-14,115**
Net proceeds from sales of investment securities	19	162
Income from net cash / (net finance costs)	**-38,625**	**-13,953**

The increase in net finance costs is linked primarily to early bond redemption costs for Euro 26 million, as well as the additional amortization of premiums and costs for hedging instruments for Euro 4 million, which were initially amortized in line with the effective interest method.

Note 17.3.2 : Other financial income and expenses

(in thousands of euros)	Jun 30, 2022	Jun 30, 2021
Other financial income	132	153
Financial income	**132**	**153**
Other financial expenses	-1,628	-1,619
Financial expenses	**-1,628**	**-1,619**
Total other financial income and expenses	**-1,496**	**-1,466**

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 17.4: 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, 2022 (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 [67]	3,282	3,282	-	-	3,282
Fair value hedging derivatives – assets (current and non-current) [68]	5,519	5,519	-	5,519	-
Other derivative assets (current and non-current) [68]	10,358	10,358	-	10,358	-
Cash equivalents	242,306	242,306	242,306	-	-
LIABILITIES					
Bonds	1,157,623	1,008,308	1,008,308	-	-
Fair value hedging derivatives – liabilities (current and non-current) [68]	26,505	26,505	-	26,505	-
Other derivative liabilities (current and non-current) [68]	218	218	-	218	-

At December 31, 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 [67]	3,367	3,367	-	-	3,367
Fair value hedging derivatives – assets (current and non-current) [68]	28,538	28,538	-	28,538	-
Other derivative assets (current and non-current) [68]	293	293	-	293	-
Cash equivalents	257,178	257,178	257 178	-	-
LIABILITIES					
Bonds	1,228,052	1,300,683	1 300 683	-	-
Fair value hedging derivatives – liabilities (current and non-current) [68]	24,084	24,084	-	24,084	-
Other derivative liabilities (current and non-current) [68]	6,900	6,900	-	6,900	-

[67] 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.

[68] 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 18: Contingent assets and liabilities

Contingent liability relating to a project at the Saint André site

In 2015, Mercialys, through Epicanthe, acquired shares in the company Cypérus Saint-André SARL (previously 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 thousands adjustment to the price of the Cypérus Saint-André SARL shares was planned, subject to the Saint André Urban Planning Scheme (Plan Local d'Urbanisme - PLU) being adopted before June 30, 2019:

- (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;
- (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 to be withdrawn. It was withdrawn with effect on October 4, 2017. Mercialys does not believe that any disbursements are likely and therefore did not recognize any related provisions during the first half of 2022.

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 19: 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 -339 thousand tax expense comprises the CVAE corporate value-added tax for Euro -338 thousand, corporate income tax for Euro 7 thousand and deferred tax for Euro -8 thousand.

Note 20: 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 360 thousand for the first half of 2022.

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.

This loan represented Euro 18,926 thousand at end-June 2022, including Euro 336 thousand of accrued interest.

With the Casino group

Until April 28, 2022, the date when the Casino group’s last representative on the Mercialys Group’s Board of Directors resigned, the Mercialys Group had a number of contractual relations with various Casino group companies.

The rent charged for these leases from January 1 to April 28, 2022 came to:

- Euro 10,610 thousand with Distribution Casino France (compared with Euro 15,246 thousand at June 30, 2021);
- Euro 394 thousand for Monoprix (compared with Euro 881 thousand at June 30, 2021);
- Euro 1,940 thousand for the other entities (compared with Euro 3,715 thousand at June 30, 2021).

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 2,993 thousand for the first half of 2022 (compared with Euro 2,425 thousand at June 30, 2021).

Furthermore, the amount paid by Mercialys under the **Services Agreement** came to Euro 228 thousand for the first half of 2022 (compared with Euro 479 thousand for the first half of 2021). The notice period for some services was extended through to August 31, 2022.

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, 2022, various orders had been placed under this framework agreement for projects concerning the Saint Etienne, Annecy, Toulouse, Le Puy, Saint-Benoît, Besançon, Dijon, Angers, Albertville and Clermont Ferrand 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. No contracts had been signed at June 30, 2022.

Summary of related-party transactions

(in thousands of euros)	Jun 30, 2022	Dec 31, 2021	Jun 30, 2021
Income/-Expenses			
Invoiced rents			
Distribution Casino France	10,610	30,631	15,246
Monoprix	394	1,763	881
Other Casino group entities	1,940	6,452	3,443
Compensation paid by IGC [69]	-	1,337	-
Property management service fees paid to the Casino group	-2,993	-5,882	-2,425
Services agreement paid to the Casino group	-228	-954	-479
Transactions with SCI AMR	-360	-840	409
Non-use fees paid to Casino Finance	-62	-554	-262
Assets/-Liabilities			
Loan to SCI AMR	18,926	18,817	18,705
Call for funds for Sacré-Coeur property development contract with the Casino group	-	311	46,148

During the first half of 2022, Mercialys distributed a dividend of Euro 8,875 thousand to the Casino group companies for the year ended December 31, 2021.

[69] L'Immobilière Groupe Casino, a Casino group subsidiary, had granted a guarantee of compensation for Euro 1.3 million concerning the Arles site. This guarantee of compensation was recorded in Mercialys' consolidated financial statements at December 31, 2021 under other income

Other related-party transactions

Excluding the amounts indicated above, the other related-party transactions for the periods ended June 30, 2022 and 2021 were as follows:

Other transactions with Casino group subsidiaries:

(in thousands of euros)	Income	Expenses	Payables	Receivables
	concerning related parties			
2021	6,911	-390	942	710
2022	**5,525**	**-81**	**-**	**-**

These transactions primarily include service charges and work charged back to the tenants concerned.

The Casino group subsidiaries are no longer considered as related parties from April 28, 2022, the date when the company La Forézienne de Participations, a non-independent director of the Casino group, resigned from its position on the Mercialys Group's Board of Directors.

Other transactions with associates:

(in thousands of euros)	Income	Expenses	Payables	Receivables
	concerning related parties			
2021	191	-119	31	971
2022	**463**	**-594**	**2,369**	**1,438**

Note 21: Off-balance sheet commitments

The Group's commitments at June 30, 2022 are those mentioned in the annual financial statements for the year ended December 31, 2021, 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 had 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 had the option to exercise before April 30, 2022. Mercialys did not exercise this option.

Note 22: Identification of the consolidating company

During its meeting on April 28, 2022, following the General Meeting, the Board of Directors was informed that the company La Forézienne de Participations, a non-independent director, was resigning from its position as a director. This resignation took effect following this Board meeting. This resignation follows the Casino group's divestment of its remaining interest in Mercialys' capital, as announced on April 4, 2022. As a result, the Mercialys Group is no longer consolidated in the Casino group's accounts.

Note 23: Subsequent events

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

Following this change, the Company's Board of Directors has eight members, with 63% independent directors.

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 2022 half-year financial information

For the period from January 1, 2022 to June 30, 2022

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, 2022 to June 30, 2022, as appended to this report;
- the verification of the information presented in the half-year activity report.

These condensed consolidated half-year financial statements were prepared under the responsibility of your 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 the professional standards applicable in France.

A limited review primarily involves holding discussions with the members of the management team in charge of accounting and financial aspects, and applying analytical procedures. Such a review is less comprehensive than the investigations required for a full audit under French industry standards. As such, the assurances obtained through a limited review that the accounts in general are free from any material misstatements represent moderated assurances, lesser than those obtained with a full 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 have not been 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 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 do not have any observations to make regarding its fair presentation and consistency with the condensed consolidated half-year financial statements.

Lyon and Paris-La Défense, July 27, 2022

The Statutory Auditors

KPMG S.A.	Ernst & Young et Autres
Régis Chemouny	Sylvain Lauria
Associé	*Associé*

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

MERCIALYS

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 that the enclosed interim financial review gives a true and fair view of key events for 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 27, 2022

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.