MERCIALYS

PRESS RELEASE

Paris, February 14, 2022

2021 full-year results

- **Very sound balance sheet enabling the Company to position itself for new investments.** Mercialys has continued moving forward with its divestment strategy, with Euro 110 million of sales and preliminary sales agreements at end-2021. The Company has continued to scale back its exposure to its primary tenant and further consolidated its balance sheet, which shows a very optimized loan to value ratio excluding transfer taxes of 36.7%. These developments are enabling Mercialys **to relaunch a strategy for growth**, built around four major pillars over the medium term: developing services (particularly digital), capitalizing on client knowledge, capitalizing on all spaces, implementing its development pipeline alongside opportunities for targeted and accretive acquisitions.
- **Resilient portfolio value confirmed once again through asset divestments.** Limited contraction in the portfolio value including transfer taxes, with -0.6% like-for-like over six months. EPRA NDV of Euro 17.60 per share, down -4.5% over the year, but up +2.5% in the second half of the year.
- **Level of retailer sales returning to the normalized level from 2019** and footfall representing 86% of the 2019 basis, highlighting the outstanding resilience of the sites, despite major operating constraints during the periods when they were open. The marked improvement in the current financial vacancy rate, from 3.8% at end-2020 to 3.2% at end-2021, also illustrates the performance achieved by the assets.
- **Organic rental growth of +3.0%** in 2021, reflecting the contrasting impacts of the health crisis. **Very strong turnaround in the EBITDA margin**, up from 74.8% in 2020 to 84.0% in 2021.
- **Funds from operations (FFO) are up +6.5% (+5.0% per share), significantly higher than the target** to be at least stable versus 2020.
- **Sustained yield level, with a proposed dividend of Euro 0.92 per share** for 2021, representing 85% of FFO for the year and a yield of 10.7% on the closing share price from end-2021.
- **2022 objectives:** excluding the health situation's potential impacts on operations, Mercialys is targeting growth of at least +2.0% in funds from operations (FFO) per share, with the dividend to range from 85% to 95% of 2022 FFO.

	Dec 31, 2020	Dec 31, 2021	Change (%)
Organic growth in invoiced rents including indexation	-7.0%	+3.0%	-
EBITDA (€m)	131.2	144.7	+10.3%
EBITDA margin	*74.8%*	*84.0%*	-
Funds from operations, FFO (€m)	**95.5**	**101.8**	**+6.5%**
ICR (EBITDA / net finance costs)	5.0x	5.1x	-
LTV (excluding transfer taxes)	38.1%	36.7%	-
LTV (including transfer taxes)	35.8%	34.4%	-
Portfolio value including transfer taxes (€m)	3,258.3	3,138.2	-2.8% (-0.6% H2) [1]
EPRA NRV (€/share)	21.18	20.51	-3.2%
EPRA NTA (€/share)	19.04	18.39	-3.4%
EPRA NDV (€/share)	18.42	17.60	-4.5%
Dividend (€/share)	**0.43**	**0.92[2]**	**-**

[1] Like-for-like change
[2] Subject to approval by the General Meeting on April 28, 2022

I. Contrasting impacts of the health crisis in Mercialys' accounts for 2021

As in 2020, the shopping center sector was significantly affected in 2021 by the health crisis and the measures put in place by the French government. From January 31, retailers classed as "non-essential" in shopping centers initially with a gross leasable area of over 20,000 sq.m, then 10,000 sq.m (from March 6) and finally all shopping centers (from April 3) were ordered to close until May 19, 2021. Alongside this, sit-down restaurants, which had been closed since the fourth quarter of 2020, were only able to open again without specific restrictions from June 30, 2021. In addition, the level of operational activity for nine Mercialys shopping centers was negatively affected for several weeks during the third quarter of 2021, primarily in August, due to the French State's introduction of a requirement to show a "health pass" to access certain sites.

These constraints affected the profitability of retailers that had already been impacted by these same measures in 2020, and affected all of the collections for rent, charges and work for 2021. However, the French government made a public commitment to put in place support packages, in addition to the solidarity fund, for retailers that were ordered to close during the first half of 2021. A decree was published on November 16, 2021, introducing support for rent or fees and charges for certain retail and service activities that were forbidden from welcoming members of the public with a view to preventing the spread of the Covid-19 epidemic. These measures are expected to benefit the collection rate for retail property companies.

Impacts of the support measures granted to tenants by Mercialys for the two lockdowns in 2020 on the accounts at end-December 2021

The continued health crisis in 2021 impacted the operational indicators and the accounts for the year.

Firstly, the retailer support measures rolled out by Mercialys for the two lockdown phases in 2020.

On the one hand, Mercialys had set a maximum support budget of **Euro 13.5 million** to help its tenants faced with the economic impacts of the **first lockdown in 2020** (March 15 to May 11). At end-December 2020, the negotiations with retailers relating to the first lockdown led to agreements being signed for a total of Euro 9.4 million. The accounts at end-December 2021 reflect the progress made with these negotiations as follows:

- **Euro 2.0 million** of new relief granted and to be awarded, with 100% recognized in the accounts at December 31, 2021 under invoiced rents. As these relief measures relate to doubtful receivables covered by provisions in Mercialys' accounts at end-December 2020, they have resulted in reversals of provisions for doubtful receivables for the corresponding amounts. As a result, these rent relief measures are neutral in terms of the Company's results. The balance of the Euro 13.5 million support budget for the first lockdown, with Euro 2.1 million recorded in the 2020 accounts under the impairment of doubtful receivables, may be subject to the same treatment if negotiations with the remaining retailers are finalized;
- **Euro 1.5 million** impact for items being spread in the accounts, recognized under invoiced rents, in connection with the negotiations completed in 2020. For reference, Euro 6.4 million of negotiations from 2020 with arrangements negotiated in exchange were spread in the accounts over the remaining firm term of the leases, with Euro 1.1 million already recognized in the accounts at end-December 2020. The recognition of the remaining Euro 3.8 million will be spread over 2022 to 2026, with Euro 1.4 million, Euro 1.3 million, Euro 0.6 million, Euro 0.3 million and Euro 0.1 million respectively.

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

- In line with the French government's recommendations, Mercialys had offered to waive part of their 2020 fourth-quarter rent for the retailers affected by the second lockdown in 2020. The impact of this measure was estimated at **Euro 6.3 million** and recognized in full in the accounts at end-December 2020 under invoiced rents as provisions for relief to be granted. During 2021, the negotiations with retailers resulted in an effective amount of relief granted or to be awarded of Euro 4.8 million, lower than initially estimated by Mercialys. The reversal of provisions for relief to be granted therefore led to **Euro 1.5 million** of net income under invoiced rents at end-December 2021 for the section of these provisions that were no longer applicable;
- As it is not in a position to quantify the specific support measures for sit-down restaurants, Mercialys' end-December 2020 accounts also included **Euro 0.5 million** of provisions for the impairment of doubtful receivables associated with this segment's arrears for the month of November 2020. The total amount of support granted within this framework during 2021 came to Euro 0.3 million, once again resulting in net income for the amount of the **Euro 0.2 million** differential that was no longer applicable, when reversing the provisions for the impairment of doubtful receivables;
- Lastly, a tax credit mechanism was introduced by the French government in 2020 for the relief granted by landlords in connection with the second lockdown, with various restrictions for each type of tenant and requirements for tenants to provide specific information. Mercialys had not recognized any impact for this mechanism in its accounts at December 31, 2020. In view of the aforementioned support measures put in place during 2021 for the second lockdown in 2020, the Company recorded **Euro 1.4 million** of income reflecting this tax credit under net rental income in its accounts at December 31, 2021.

In addition, to cover any residual risk concerning arrears (rent and charges) from the second and third quarters of 2020, Mercialys recorded Euro 13.2 million of exceptional provisions at end-December 2020, including the Euro 4.1 million balance from the support budget not yet awarded at the time in connection with the first lockdown.

In 2021, Mercialys continued moving forward with negotiations with its retailers and its collection actions for rent and charges billed for the second and third quarters of 2020. The resolution of these arrears made it possible to generate income linked to the reversal of provisions for the impairment of doubtful receivables concerning the Euro 13.2 million of exceptional provisions recorded at end-December 2020, with **Euro 7.2 million** in the accounts at end-December 2021. The remaining amount of these exceptional provisions came to Euro 4.0 million at end-2021.

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

	Gross collection rate		Collection rate including the rent relief already granted or still to be awarded	Collection rate including the rent relief already granted or still to be awarded and the provisions for impairment of doubtful receivables
	Dec 31, 2020	Dec 31, 2021	Dec 31, 2021	Dec 31, 2021
1st quarter of 2020	97.4%	98.2%	99.5%	99.5%
2nd quarter of 2020	63.9%	73.6%	90.5%	100.0%
3rd quarter of 2020	93.4%	96.9%	96.9%	100.0%
4th quarter of 2020	86.2%	91.2%	98.6%	100.0%
2020 full year	**85.3%**	**90.1%**	**96.3%**	**99.9%**

Exceptional provision for 2021 to mitigate the residual risk linked to the health situation in 2021

Lastly, as mentioned above, in view of the government arrangements intended to enable eligible retailers to specifically pay their rent and charges for the periods when they were ordered to close in 2021, Mercialys has not determined any additional support measures.

However, with the ongoing health crisis and its potential impacts weakening retailers, the Company considered it prudent to record an exceptional provision for arrears (rent and charges) for the whole of 2021. This provision aims to cover potential defaults, which could notably be seen if the various public support measures were discontinued and is not intended to grant relief measures to retailers or specific categories of retailers. Its total amount of Euro 7.8 million represents around one month of rent billed for 60% of the rental base, with this rate corresponding to the base of retailers closed during the lockdown periods.

The collection rate for 2021 is broken down for each quarter in the following table. As Mercialys has not granted any rent relief to its tenants for this period, this represents a “gross” collection rate, as defined previously. The residual risk concerning the 2021 receivables not covered by the exceptional provision and by the standard provisions for doubtful receivables totaled Euro 13.1 million at December 31, 2021.

	Gross collection rate	Residual arrears for rent and charges excluding tax (€m)
	Dec 31, 2021	Dec 31, 2021 (excluding provisions)
1st quarter of 2021	86.7%	7.2
2nd quarter of 2021	80.9%	9.9
3rd quarter of 2021	95.3%	2.5
4th quarter of 2021	92.2%	4.3
2021 full year	**88.8%**	**24.0**

Since December 31, 2021, the closing date for these annual financial statements, an additional Euro 4.4 million of rent and charges have been collected, taking the total collection rate for 2021 up to 91.0%.

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

Impacts	**Period concerned**	**Profit and loss heading**	**Amount before potential deferral (€m)**	**Treatment in profit and loss (€m)**
Negotiations finalized	1st lockdown	Invoiced rents	-2.0	-3.5 [a]
Negotiations finalized associated with the documentation to be received from tenants	2nd lockdown	Invoiced rents	+1.1	+1.1 [b]
Subtotal			**-0.9**	**-2.4**
Arrears relating to the 2nd and 3rd quarters	1st lockdown	Provisions for doubtful receivables	+9.2	+9.2 [c]
Arrears for November relating to sit-down restaurants	2nd lockdown	Provisions for doubtful receivables	+0.5	+0.5 [d]
Subtotal			**+9.7**	**+9.7**
Tax credit	2nd lockdown	Net rental income	+1.4	+1.4 [e]
Exceptional provision	2021	Provisions for doubtful receivables	-7.8	-7.8
Total			**+2.4**	**+1.0**

a) Euro -3.5 million comprising Euro -2.0 million for new relief granted, with 100% recognized in the accounts at December 31, 2021 for the first lockdown from 2020, and Euro -1.5 million for amounts spread in the accounts for the 2020 negotiations relating to the same lockdown;
b) Euro +1.1 million comprising Euro -4.8 million for relief granted for the negotiations concerning the second lockdown, Euro +6.3 million for the reversal of provisions for relief to be granted as a result of this (therefore generating Euro +1.5 million of net income for the section that was no longer applicable) and Euro -0.3 million for the relief granted and to be awarded for the month of November 2020 for sit-down restaurants;
c) Euro +9.2 million comprising Euro +2.0 million for the reversal of provisions for doubtful receivables resulting from the new relief granted for the first lockdown in 2020, and Euro +7.2 million for the reversal of provisions for doubtful receivables relating to the additional collection for 2020;
d) Euro +0.5 million for the reversal of provisions for doubtful receivables relating to rent for the month of November 2020 for sit-down restaurants (therefore generating Euro +0.2 million of net income for the section that was no longer applicable);
e) Euro +1.4 million for the tax credit recognized to date in connection with the documentation to be provided by retailers that benefited from rent relief for the second lockdown in 2020.

II. 2021 business and results

Mercialys' shopping centers once again demonstrated their strong positions in 2021, illustrated by the change in footfall and retailer sales, which were both close to their standard levels from 2019.

In 2021, **footfall** at Mercialys shopping centers came to **86%** of the normalized level for 2019, which represents an excellent performance by Mercialys' sites considering the major operating constraints in place during the periods when they were open:

- curfew (from 6pm from January 2 to March 20, then 7pm through to May 19, then 9pm until June 9 and, lastly, 11pm until June 20),
- deferral of the sales period (from the beginning to the end of January 2021, continuing through February, when many shopping centers were closed),
- rollout of the "health pass" in August 2021.

Footfall, excluding the periods of government-ordered closures, for the year to end-December 2021 represented **94%** of the footfall for its portfolio that was open in 2020.
The factors behind this contraction include an unfavorable base effect, resulting from the very strong upturn in visits after centers reopened following each of the two lockdowns in 2020, as well as the negative impact of the "health pass" in 2021.

It is important to note that the analysis of this indicator is complex as the government-ordered closures of "non-essential" stores concerned different periods and different categories of shopping centers in 2020 and 2021.
That is why the change in footfall has been analyzed over the same weeks that were open for the three years (2019, standard year, 2020 and 2021).

The national Quantaflow panel shows that 2021 footfall, based on the same parameters, represented around **84%** of the footfall from 2019 and 99% of 2020 footfall, while noting that the basis for comparison with 2020 was marked by the deferred reopening of large shopping centers.

Change in shopping center footfall in 2021[3] (source: Mercialys, Quantaflow)

	2021 vs. 2020	2020 vs. 2019	2021 vs. 2019
Change over 7 months open[4]	-6.2%	-8.5%	-14.2%
Change over 12 months[5]	-4.4%	-20.7%	-24.2%

In 2021, **full-year retailer sales** across Mercialys' portfolio came to nearly **99%** of the normalized level from 2019 over the comparable opening periods. Retailer sales contracted slightly by -2.8% versus 2020, with a less favorable trend than the national panel (CNCC), which recorded an increase of +1.9%. Once again, the deferred reopenings for the different categories of shopping centers in 2020 must be taken into consideration.

Across Mercialys' assets, purchases are driven primarily by satisfying utilitarian needs, with the health crisis leading to a stronger focus on efficiency and practicality, which accounts for part of the positive differential between the level of retailer sales and footfall compared with the normalized level from 2019.

[3] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 85% of the value of the Company's shopping centers
[4] Scope including the weekly change concerning the months of operations without shopping center closures in 2019, 2020 and 2021: January, June, July, August, September, October and December
[5] Scope including 12 months of operations for 2019, 2020 and 2021

Change in retailer sales for Mercialys' portfolio in 2021[6]

	2021 vs. 2020	2020 vs. 2019	2021 vs. 2019
Change over 7 months open[7]	-2.8%	+1.4%	-1.4%
Change over 12 months[8]	-3.3%	-17.8%	-20.5%

The analysis of the **occupancy cost ratio**[9] is subject to the same limitations as the sales analysis due to the periods when stores were ordered to close. Furthermore, as certain retailers' activities may show strong seasonality during the year, especially in the fourth quarter, any analysis for periods of less than one year is more complex and potentially not relevant. At December 31, 2019, this ratio showed a very moderate level of 10.4%.

The **current financial vacancy rate**[10] came to 3.2%, significantly lower than at end-December 2020 (3.8%), end-June 2021 (4.0%) and end-September 2021 (3.4%), highlighting the appeal of the Company's portfolio of assets.

Invoiced rents came to Euro 170.4 million, down -1.5% on a current basis, but up +3.0% like-for-like. These changes reflect the following elements:

	Year to end-December 2020		Year to end-December 2021	
Indexation	+1.6 pp	+€2.9m	+0.3 pp	+€0.4m
Contribution by Casual Leasing	-0.8 pp	-€1.5m	+0.2 pp	€+0.4m
Contribution by variable rents	-0.9 pp	-€1.8m	+0.05 pp	+€0.1m
Actions carried out on the portfolio	-1.3 pp	-€2.5m	-2.1 pp	-€3.7m
Accounting impact of "Covid-19 rent relief" granted to retailers	-5.5 pp	-€10.4m	+4.6 pp	+€8.0m
Like-for-like growth	**-7.0 pp**	**-€13.2m**	**+3.0 pp**	**+€5.3m**
Asset acquisitions and sales	-1.3 pp	-€2.4m	-4.5 pp	-€7.7m
Other effects	-0.2 pp	-€0.3m	-0.1 pp	-€0.1m
Growth on a current basis	**-8.4 pp**	**-€15.9m**	**-1.5 pp**	**-€2.6m**

The turnaround in organic growth in 2021, from -6.0% at end-March to -4.0% at end-June, -2.9% at end-September and +3.0% at end-December, reflects the robust level of letting activity despite "non-essential" stores being closed for 3.5 months during the first half of the year, as well as base effects concerning the impacts of the health crisis, particularly in relation to the fourth quarter of 2020. These elements, presented in detail in section I of this press release, came to Euro -10.4 million in invoiced rents in 2020 and Euro -2.4 million in 2021, with a Euro +8.0 million change reflected in organic growth.

Rental revenues came to Euro 172.2 million, down -1.8% from 2020, reflecting the change in invoiced rents, including the scope effects, and the drop in lease rights and despecialization indemnities.

Net rental income is up +8.6% to Euro 160.0 million. The change compared with end-2020 is linked to very significant base effects, with Euro 13.7 million of provisions recorded for the impairment of trade receivables due to the impact of the health crisis in 2020. In 2021, Euro 9.7 million of these provisions from 2020 were reversed as a result of both the collection operations completed and the rent relief granted. Alongside this, an exceptional provision for Euro 7.8 million was recorded in the 2021 accounts concerning arrears for rent and charges for the year.

[6] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 85% of the value of the Company's shopping centers
[7] Scope including the monthly change concerning the months of operations without shopping center closures in 2019, 2020 and 2021: January, June, July, August, September, October and December
[8] Scope including 12 months of operations for 2019, 2020 and 2021
[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
[10] The occupancy rate, as with Mercialys' vacancy rate, does not include agreements relating to the Casual Leasing business

These various effects are presented in detail in section I of this press release. Lastly, Mercialys recorded Euro 1.4 million of income in 2021 relating to the tax credit for landlords that granted rent relief as recommended by the French government in relation to the second lockdown from 2020.

EBITDA totaled Euro 144.7 million, up +10.3% from 2020. The EBITDA margin came to 84.0% (vs. 74.8% for 2020), impacted by the effects of changes in net rental income. The Company has also made major efforts to manage its overheads effectively, despite the cost inflation resulting from the requirements involved with managing the effects of the health crisis, as well as initiatives to bring various functions back in-house.

The **net financial expenses** used to calculate funds from operations (FFO) came to Euro 32.8 million in 2021, significantly higher than 2020 (Euro 25.7 million), linked primarily to the full-year impact of the refinancing operation carried out in July 2020. These same impacts are reflected in the **real average cost of drawn debt**, which was 2.0% for the full year in 2021, virtually stable compared with end-June 2021 (1.9%) and up compared with end-2020 (1.4%[11]).

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro -1.4 million, stable compared with 2020, and primarily include the net impacts of provisions, as well as the impact of the Ocitô project.

Tax represents a Euro -0.8 million expense at end-December 2021, compared with Euro -2.0 million at end-December 2020. This amount corresponds primarily to a CVAE corporate value-added tax expense.

The **share of net income from associates and joint ventures** (excluding capital gains, amortization and impairment) came to Euro 3.6 million at December 31, 2021, compared with Euro 2.2 million at December 31, 2020. The change in this share over the period reflects the assets sold and acquired by SCI AMR at end-December 2020, and the dilution of Mercialys' interest in this company (from 39.9% to 25.0%), as well as the impact of rent relief granted by associates in connection with the health crisis.

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro -10.5 million for 2021, compared with Euro -9.9 million in 2020.

[11] This rate does not include the net proceeds linked to the bond redemption premium, the bond redemption costs, the proceeds from unwinding swaps and the exceptional amortization relating to the partial redemption of the 2023 issue

Funds from operations (FFO[12]) are up +6.5% to Euro 101.8 million. The Company's resilient operational performance enabled it to record Euro 1.10 of FFO per share[13], an increase of +5.0%, with this performance significantly exceeding the target set for FFO per share to be at least stable in 2021 versus 2020.

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
Invoiced rents	**172,911**	**170,352**	**-1.5%**
Lease rights and despecialization indemnities	2,529	1,879	-25.7%
Rental revenues	**175,440**	**172,232**	**-1.8%**
Non-recovered building service charges and property taxes and other net property operating expenses	-28,084	-12,188	-56.6%
Net rental income	**147,357**	**160,043**	**+8.6%**
Management, administrative and other activities income	3,035	2,801	-7.7%
Other income and expenses	-6,096	-3,394	-44.3%
Personnel expenses	-13,121	-14,763	+12.5%
EBITDA	**131,174**	**144,687**	**+10.3%**
EBITDA margin (% of rental revenues)	*74.8%*	*84.0%*	-
Net financial items (excluding non-recurring elements[14])	-25,748	-32,755	+27.2%
Reversals of / (Allowances for) provisions	1,343	-997	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-1,480	-1,419	-4.1%
Tax expense	-2,019	-848	-57.9%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	2,203	3,583	+62.6%
Non-controlling interests (excluding capital gains, amortization and impairment)	-9,932	-10,498	+5.7%
FFO	**95,541**	**101,754**	**+6.5%**
FFO per share [13] (in euros)	***1.04***	***1.10***	***+5.0%***

III. Well positioned in a retail market that is evolving, but within which the physical format is still relevant, Mercialys will capitalize on four core pillars to drive its growth over the medium term

These operational results highlight, following two years of the health crisis, the model's robustness, while the balance between tenants and the Company does not appear to have seen any significant changes.

Mercialys is continuing to develop strong competitive positions in buoyant peripheral areas. During the last few years, the appeal of these out-of-town locations in French regional cities has notably been reflected in housing construction trends, which have generally been more favorable for the regions that Mercialys' portfolio is positioned around compared with the national average.

Within these vibrant communities, Mercialys' retail sites are deeply anchored in everyday consumption practices. The classification of around 40% of the Company's rental base as "essential retail" during the various lockdowns highlights this core characteristic of recurrent visits. A survey conducted with around 4,000 clients registered for Mercialys' loyalty program in January 2022 also confirmed the shopping centers' appeal despite a health environment that was favorable for online purchases at the expense of physical retail. 59% of the clients surveyed said that they prefer to buy in-store, while 13% have a 50:50 split between in-store and online. This interest in physical retail is supported by their need to see the product (35% of respondents), the notion of proximity (27%), the ability to benefit from advice (15%), the activities and events organized (10%), and the commercial offers available (11%).

[12] FFO: Funds From Operations = net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects

[13] Calculated based on the average undiluted number of shares (basic), i.e. 92,839,729 shares

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

Alongside this, the criteria that might encourage clients to buy online are the practicality of this experience (27%), the absence of any physical store in their living area (22%), the availability of products (21%) and the pricing applied (29%).

These answers highlight the human factor's core positioning in terms of the desirability of physical retail, as well as the need for a combination between physical and digital in order to meet their expectations for practicality and product availability. This accounts for the success of "phygital" retailers: the market share gain seen for online sales by retailers, from 10% in 2019 to 13.4% in 2021[15], benefited from the restrictions linked to the health measures, as well as the ramping up of multichannel sales by traditional retailers. Online sales growth for traditional retailers significantly outpaced pure players on average (66% vs 18%) in 2021[16]. **These developments indicate that the future of retail will be hybrid, while ensuring the sustainability of the shopping center's role in the client journey.** They also show that it will be necessary to capitalize on client knowledge that is specific to retailers, as well as knowledge built up by the landlord, in order to ensure the continued appeal of sites and stores.
With a portfolio that has proven its resilience and a balance sheet that will enable it to move forward with investments again, Mercialys will continue to focus its efforts over the medium term on four key areas for development aimed at further strengthening the shopping centers' capabilities.

1. Developing services

Mercialys started to build its Ocitô service in 2019. This proprietary web and mobile marketplace enables consumers to buy food and non-food products online directly from their center's retailers. Mercialys shopping centers need to become, locally, a bridge between physical and digital retail.

In 2021, Mercialys continued to develop this service. 31 sites across the portfolio now offer Ocitô to their clients, with 308 retailers present. Mercialys will continue to bring more retailers on board in 2022 in order to further strengthen the appeal of the selection available.
Ocitô is designed to meet the need for hybrid retail among shopping center visitors in order to ramp up the capabilities of these sites and support retailers to develop a more extensive regional network, making it possible to optimize the spaces and their logistics, in addition to further strengthening the reversion potential for rents.

The operational feedback gained on Ocitô in 2020 and 2021 has made it possible to identify consumers' needs more effectively. On the one hand, the service is used in the vast majority of cases by clients from the catchment area, primarily through click and collect orders, with the proportion of home delivery requests remaining marginal. This trend is aligned with the fundamentals of physical retail at Mercialys centers: a practical aspect encouraging recurrent but short visits. On the other hand, orders shipped by post are in virtually all cases to destinations outside of the catchment area. Meeting this need through Ocitô enables retailers to access additional markets. The platform also provides access to e-commerce for independent retailers that have not developed this tool by themselves, while offering a channel that will generate additional traffic for retailers that have their own systems in place.

[15] FEVAD
[16] Knight Frank

2. Capitalizing on client knowledge

The development of Ocitô, based on a series of local marketplaces, is being made possible without extensive advertising investment through access to 1.4 million clients from Mercialys' loyalty base, as well as the SEO work carried out for the Ocitô site with the main search engines.
The client data collected directly by Mercialys, in accordance with GDPR[17], is rich on account of its features (contact data, visits, personal data, purchases, etc.) and the levels of analysis that it makes possible (data for Mercialys' entire portfolio, per business sector, per retailer, per shopping center, etc.). This rich data is intended to:

- effectively satisfy visitors by identifying their needs, missing services or offers, and potential irritants;
- support retailers through more targeted and therefore more efficient and effective client communications, recommendations for locations and comparative performance analysis;
- extend, over the medium term, the scope of this data, particularly in terms of clients preparing to make purchases, providing services and potentially monetizing certain aspects.

This data also makes it possible to optimize client transit times in shopping centers so that that they visit them more often, increasing both retailer sales and rental reversion potential.

3. Capitalizing on all spaces

Mercialys' multifunctionality strategy is focused on the digitalization of the retail offering across its sites, as well as capitalizing on all of their spaces, representing close to 815,000 sq.m. Efficient and effective use is a major challenge. The "Climate and Resilience Act" of August 22, 2021 aims to combat the proliferation of artificial ground cover and sets a target for "net zero artificialization" over time, which will support growth in the value of existing assets. Only projects with a sales area of less than 10,000 sq.m will be able to be carried out, subject to certain conditions (project's integration into regional regeneration or urban development sectors or development operations within an existing urban space, or offsetting with the transformation of artificial ground cover into non-artificial).

Restrictions concerning the potential for construction over the medium term will help develop the value of existing assets, which will need to offer a wider range of uses for their users, clients and retailers.
Building on the success of the first two Cap Cowork spaces in Angers and Grenoble, Mercialys continued to roll out this service in 2021 in Nîmes and Toulouse. Within three years, more than 5,000 sq.m of coworking offices will be opened across the portfolio, with expected revenues of Euro 1.5 million. They will be operated directly by Mercialys' teams, contributing to this activity's profitability.
Mercialys' development portfolio also includes healthcare centers, complementing the pharmacies that are already present at most of its shopping centers.

4. Implementing the development pipeline and positioning the Company on opportunities for targeted accretive acquisitions

Mercialys has financial flexibility in place that will enable it to resume an investment policy once the health situation has stabilized.

A growth strategy will be able to be rolled out through acquisitions or the development portfolio.

[17] General Data Protection Regulation

At end-December 2021, the Company's project portfolio represented Euro 493.8 million looking ahead to 2027, with around Euro 33.7 million of potential additional rental income, for a target average yield rate of 7%. This portfolio, which concerns 28 sites out of the 50 shopping centers held by Mercialys, includes retail space projects (redevelopments, extensions, retail parks), dining and leisure projects, and tertiary activity projects (housing, healthcare, coworking, etc.). This potential reconfiguration of sites will make it possible to ensure their continued appeal looking beyond purely convenience retail aspects, while ensuring the sustainability of their strong positioning in their catchment areas and their cash flow profile over the long term.

(In millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost (%)	Completion date
COMMITTED PROJECTS[18]	**19.9**	**18.5**	**0.5**	**na**	**2022 / 2026**
Dining and leisure	2.1	1.2	0.1	6.5%	2022 / 2023
Tertiary activities	17.8	17.3	0.4	na	2026
CONTROLLED PROJECTS	**125.4**	**121.0**	**8.8**	**7%**	**2022 / 2025**
Retail	81.1	76.8	5.7	7%	2022 / 2025
Dining and leisure	0.1	0.1	0.0	7%	2022
Tertiary activities	44.3	44.2	3.1	7%	2022 / 2023
IDENTIFIED PROJECTS	**348.4**	**348.4**	**24.4**	**7%**	**2023 / 2027**
Retail	102.3	102.3	7.2	7%	2024 / 2026
Dining and leisure	35.0	35.0	2.5	7%	2025 / 2026
Tertiary activities	211.1	211.1	14.8	7%	2023 / 2027
Total[19]	**493.8**	**487.9**	**33.7**	**7%**	**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*

Mercialys' sound balance sheet could also enable it to carry out accretive external growth operations. These would be focused on retail property or related activities, including shopping centers, retail parks and hypermarkets. Lastly, Mercialys is capitalizing on its know-how by taking part in calls for tenders for mixed-use development projects organized by cities or local authorities looking to reposition their neighborhoods.

IV. Success of the divestment strategy, illustrating the assets' underlying value

In 2021, Mercialys sold Euro 28.0 million of assets and signed Euro 82.0 million of preliminary sales agreements

During the fourth quarter of 2021, Mercialys completed the sale of two assets: the Marseille Canebière Monoprix store and the Carré Duparc retail park in Sainte-Marie (Reunion Island). In addition, Mercialys sold various plots in jointly-owned properties at non-strategic and fragmented sites in 2021. The combined total of assets sold during the year came to Euro 28.0 million.

The Company also signed preliminary sales agreements without financing conditions for the Annecy and Saint-Etienne hypermarkets. These assets, acquired in 2014 and since subject to transformation work, illustrate Mercialys' value creation strategy.

[18] In the 2022 pipeline, the investments to be committed, for the dining and leisure section, correspond to the creation of two restaurants in the parking area at the Angers site and a food court at the Sainte-Marie site on Reunion Island. The tertiary activities primarily include the Saint-Denis mixed-use urban project, north of Paris, with an expected IRR of over 8%, as well as coworking spaces

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

These sales have also enabled Mercialys to continue reducing its exposure to its primary tenant, the Casino group (22.4% of Mercialys' total rental income at end-2021 and 20.7% proforma for these sales).

The Bordeaux Pessac shopping center, held by the OPCI fund UIR2, in which Mercialys has a 20% interest (this OPCI real estate investment fund is recorded in Mercialys' accounts under non-consolidated securities in non-current assets), was also subject to a preliminary sales agreement in 2021 and the corresponding condition precedent was lifted in January 2022.

Lastly, preliminary sales agreements were signed for various geographically dispersed assets in 2021.

These divestments represent a total volume of Euro 110 million including transfer taxes, with Euro 28.0 million of sales completed and Euro 82.0 million of preliminary sales agreements, with 94% no longer subject to conditions precedent to date.

Overall, the transaction values for the sales and preliminary sales agreements secured by Mercialys (excluding UIR2) are slightly higher than the end-June 2021 appraisals.

These divestments are in line with Mercialys' asset rotation strategy and the portfolio's realignment around sites with potential for growth in the medium term. They will enable Mercialys to further consolidate its balance sheet and give it financial flexibility with a view to capitalizing on value-creating investment opportunities outside of the Company's current scope.

V. Portfolio and financial structure

EPRA Net Disposal Value (NDV) up +2.5% over six months and down -4.5% over 12 months

Mercialys' **portfolio value** came to Euro 3,138.2 million including transfer taxes, down -1.5% over six months and -3.7% over 12 months. Like-for-like[20], it is down -0.6% over six months and -2.8% over 12 months.
Excluding transfer taxes, the portfolio value was Euro 2,945.1 million, also down -1.7% over six months and -3.9% over 12 months. Like-for-like[20], it is also down -0.9% over six months and -3.1% over 12 months.

At end-December 2021, Mercialys' portfolio mainly comprised 50 shopping centers[21], with 25 large regional shopping centers and 25 leading local retail sites.

The **average appraisal yield rate** was 5.71% at December 31, 2021, compared with 5.74% at June 30, 2021 and 5.72% at December 31, 2020.

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

	EPRA NRV			EPRA NTA			EPRA NDV		
	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
€ / share	21.18	20.32	20.51	19.04	18.26	18.39	18.42	17.17	17.60
Change over 6 months	-3.7%	-4.1%	+1.0%	-3.3%	-4.1%	+0.7%	-7.4%	-6.8%	+2.5%
Change over 12 months	-7.4%	-7.6%	-3.2%	-7.1%	-7.2%	-3.4%	-7.9%	-13.7%	-4.5%

[20] Sites on a constant scope and a constant surface area basis
[21] Added to these are three geographically dispersed assets with a total appraisal value including transfer taxes of Euro 8.5 million

The **EPRA NDV** came to Euro 17.60 per share, up +2.5% over six months and down -4.5% over 12 months. The Euro -0.82 per share change over 12 months takes into account the following impacts:

- dividend payment: Euro -0.42;
- funds from operations (FFO): Euro +1.09;
- change in unrealized capital gains (i.e. difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes): Euro -0.98, including a yield effect for Euro -0.08, a rent effect for Euro -0.92 and other effects[22] for Euro +0.02;
- change in fair value of fixed-rate debt: Euro -0.33;
- change in fair value of other items: Euro +0.01;
- the capital increase in connection with the option for the 2021 dividend to be paid in shares, as well as the change in treasury shares: Euro -0.18.

Balance sheet with a very defensive profile, enabling Mercialys to position itself on new investments or acquisitions

Mercialys has continued to optimize the management of its bond maturities and, in 2021, redeemed Euro 99.2 million of the bond issue maturing in March 2023, reducing the outstanding nominal amount to Euro 469.5 million. These bonds were canceled in the Company's books. During the first quarter of 2022, Mercialys aims to complete the early refinancing of the bond issue due to mature in March 2023 by exercising its make-whole early redemption option, which would require new financing to be issued. The Company could also launch the refinancing of other bond maturities, including the July 2020 issue for a nominal total of Euro 300 million.

Alongside this, Mercialys has extended and further strengthened its undrawn liquidity arrangements. These arrangements, based on bilateral facilities and a revolving credit facility, were increased by Euro 75 million during the year, including a new Euro 50 million line set up, and the maturity of 92% of the available lines at end-2020 was extended in 2021. In addition, Mercialys began working in 2021 to set up environmentally responsible financing, with environmental clauses incorporated into four undrawn bilateral lines representing a combined total of Euro 165 million.
This development will enable the Company to extinguish various lines due to mature with a banking partner that now has only a limited presence in France for a total of Euro 75 million, and, from the first quarter of 2022, to terminate the current account advance made available by the Casino group for Euro 35 million before it was due to mature in December 2022.

At end-December 2021, **drawn debt** represented Euro 1,354.5 million, made up of three bond issues and a private placement, with a residual nominal amount of Euro 1,219.5 million, as well as commercial paper, with Euro 135 million outstanding at end-December 2021.

The **real average cost of drawn debt** was **2.0%**[23] for the full year in 2021, virtually stable compared with end-June 2021 (1.9%) and significantly higher than the full-year figure for 2020 (1.4%). This change primarily reflects the full-year impact of the bond refinancing operation carried out in July 2020.

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

[23] This rate does not include the net expense linked to the bond redemption premium, the bond redemption costs, the proceeds from unwinding swaps and the exceptional amortization relating to the partial redemption of the 2023 issue

The **average maturity of drawn debt** was 3.2 years at December 31, 2021, compared with 3.6 years at end-June 2021 and 3.5 years at end-December 2020.

Mercialys has a healthy financial structure, with an **LTV ratio excluding transfer taxes**[24] of 36.7% at December 31, 2021 (compared with 38.3% at June 30, 2021 and 38.1% at December 31, 2020) and an **LTV ratio including transfer taxes** of 34.4% on the same date (versus 36.0% at June 30, 2021 and 35.8% at December 31, 2020). The Company has significantly optimized its financial structure through the effective management of its investments and its active divestment policy, implemented under very satisfactory valuation conditions, despite an investment market that continued to be affected by the uncertain health context and a collection rate that did not yet seem to be fully normalized at end-2021.

The **ICR**[25] was 5.1x at December 31, 2021, compared with 5.6x at June 30, 2021 and 5.0x at December 31, 2020, reflecting the impacts of the health crisis on EBITDA and the impacts of the July 2020 bond refinancing on financial expenses.

On May 19, 2021, Standard & Poor's confirmed its **BBB** rating for Mercialys, while its outlook was upgraded from negative to **stable** on September 13, 2021.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**, with a hedged or fixed-rate debt position (including commercial paper) representing 86% at end-December 2021, compared with 87% at end-June 2021 and 92% at end-December 2020.

VI. Outlook and dividend

Outlook for 2022

Excluding the health situation's potential impacts on its operations, Mercialys has set the following objectives for 2022:

- 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.

[24] LTV (Loan To Value): net financial debt / (portfolio market value excluding transfer taxes + market value of investments in associates for Euro 55.8 million in 2021 and Euro 56.4 million in 2020, since the value of the portfolio held by associates is not included in the appraisal value)

[25] ICR (Interest Coverage Ratio): EBITDA / net finance costs

Dividend for 2021

Mercialys' Board of Directors will submit a proposal at the General Meeting on April 28, 2022 for a dividend of **Euro 0.92 per share**, compared with a limited dividend of Euro 0.43 per share for 2020. The payout corresponds to 85% of 2021 FFO and offers a yield of 5.2% on the NDV of Euro 17.60 per share at end-2021 and 10.7% on the year's closing price.

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

- property rental or sub-letting operations (including dividends paid by the subsidiaries subject to the SIIC system), i.e. Euro 0.39 per share;
- the distribution based on 70% of exempt profits for 2021 from the disposal of properties and investments in real estate companies, i.e. Euro 0.01 per share;
- the distribution based on 70% of exempt profits for 2020 from the disposal of properties and investments in real estate companies, i.e. Euro 0.38 per share;
- the distribution of exempt income recorded on the Company's balance sheet for Euro 0.14 per share.

The ex-dividend date is May 3, 2022, and the dividend will be paid on May 5, 2022.

* * *

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

Analysts and investors contact
Luce-Marie de Fontaines
Tel: +33 (0)1 82 82 75 63
Email: ldefontaines@mercialys.com

About Mercialys

Mercialys is one of France's leading real estate companies. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends, on its own behalf and for third parties. At December 31, 2021, Mercialys had a real estate portfolio valued at Euro 3.1 billion (including transfer taxes). Its portfolio of 2,134 leases represents an annualized rental base of Euro 168.8 million. Mercialys has been listed on the stock market since October 12, 2005 (ticker: MERY) and has "SIIC" real estate investment trust (REIT) tax status. Part of the SBF 120 and Euronext Paris Compartment B, it had 93,886,501 shares outstanding at December 31, 2021.

APPENDIX TO THE PRESS RELEASE

Financial report

Financial report

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and applicable at December 31, 2021. These standards are available on the European Commission website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en. The accounting policies set out below were applied consistently to all the periods presented in the consolidated financial statements, after taking into account, or with the exception of, the new standards and interpretations described below.

1. Financial statements

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

1.1. Consolidated income statement

(In thousands of euros)	December 31, 2021	December 31, 2020
Rental revenues	**172,232**	**175,440**
Service charges and property tax	(45,260)	(44,390)
Charges and taxes billed to tenants	38,476	38,555
Net property operating expenses	(5,403)	(22,248)
Net rental income	**160,043**	**147,357**
Management, administrative and other activities income	2,801	3,035
Other income	1,559	53
Other expenses	(4,953)	(6,150)
Personnel expenses	(14,763)	(13,121)
Depreciation and amortization	(39,157)	(40,777)
Reversals of / (Allowances for) provisions	(997)	1,343
Other operating income	28,760	242,125
Other operating expenses	(29,810)	(209,381)
Operating income	**103,484**	**124,484**
Income from cash and cash equivalents	177	61
Gross finance costs	(30,842)	(21,891)
(Expenses) / Income from net financial debt	**(30,665)**	**(21,830)**
Other financial income	296	233
Other financial expenses	(3,466)	(3,024)
Net financial items	**(33,835)**	**(24,621)**
Tax expense	(848)	(2,019)
Share of net income from associates and joint ventures	2,264	(3,695)
Consolidated net income	**71,065**	**94,148**
Attributable to non-controlling interests	8,882	8,316
Attributable to owners of the parent	62,183	85,833
Earnings per share[26]		
Net income attributable to owners of the parent (in euros)	0.67	0.94
Diluted net income attributable to owners of the parent (in euros)	0.67	0.94

[26] Based on the weighted average number of shares over the period adjusted for treasury shares
Undiluted weighted average number of shares in 2021 = 92,839,729 shares
Fully diluted weighted average number of shares in 2021 = 92,839,729 shares

1.2. Consolidated statement of financial position

ASSETS *(in thousands of euros)*	**Dec 31, 2021**	**Dec 31, 2020**
Intangible assets	5,028	4,052
Property, plant and equipment other than investment property	6,922	1,605
Investment property	1,935,117	2,050,907
Right-of-use assets	8,590	8,902
Investments in associates	37,907	38,918
Other non-current assets	50,733	73,865
Deferred tax assets	1,346	1,728
Non-current assets	**2,045,642**	**2,179,976**
Trade receivables	36,865	38,217
Other current assets	34,595	40,660
Cash and cash equivalents	257,178	464,611
Investment property held for sale	60,086	111
Current assets	388,724	**543,599**
Total assets	**2,434,366**	**2,723,575**

EQUITY AND LIABILITIES (in thousands of euros)	**Dec 31, 2021**	**Dec 31, 2020**
Share capital	93,887	92,049
Additional paid-in capital, treasury shares and other reserves	649,231	600,875
Equity attributable to owners of the parent	743,118	692,925
Non-controlling interests	202,011	202,193
Equity	**945,129**	**895,118**
Non-current provisions	1,008	1,207
Non-current financial liabilities	1,237,101	1,355,914
Deposits and guarantees	23,003	22,295
Non-current lease liabilities	8,353	8,655
Other non-current liabilities	5,716	15,311
Non-current liabilities	**1,275,181**	**1,403,381**
Trade payables	16,477	15,394
Current financial liabilities	150,144	348,553
Current lease liabilities	1,030	985
Current provisions	11,443	9,942
Other current liabilities	34,826	50,193
Current tax liabilities	136	9
Current liabilities	**214,056**	**425,076**
Total equity and liabilities	**2,434,366**	**2,723,575**

1.3. Consolidated cash flow statement

(In thousands of euros)	Dec 31, 2021	Dec 31, 2020
Net income, attributable to owners of the parent	62,183	85,833
Non-controlling interests	8,882	8,316
Consolidated net income	**71,065**	**94,148**
Depreciation, amortization (1) and provisions, net of reversals	49,249	53,372
Calculated expenses/(income) relating to stock options and similar	(47)	24
Other calculated expenses/(income) (2)	(1,280)	(2,419)
Share of net income from associates and joint ventures	(2,264)	3,695
Dividends received from associates and joint ventures	3,014	6,234
Income from asset disposals	(8,962)	(47,542)
Expenses/(income) from net financial debt	30,665	21,830
Net financial interest in respect of lease agreements	295	334
Tax expense (including deferred tax)	848	2,019
Cash flow	**142,583**	**131,695**
Taxes received/(paid)	(409)	(3,298)
Change in working capital requirement relating to operations, excluding deposits and guarantees (3)	(7,141)	5,696
Change in deposits and guarantees	708	792
Net cash flow from operating activities	**135,742**	**134,885**
Cash payments on acquisitions of (4):		
investment properties and other fixed assets	(15,913)	(61,593)
non-current financial assets	(115)	(1,833)
Cash receipts on disposals of (4):		
investment properties and other fixed assets	30,746	188,386
non-current financial assets	5	-
Investments in associates and joint ventures	-	-
Impact of changes in scope with change of control	-	-
Change in loans and advances granted	-	1,799
Net cash flow from investing activities	**14,724**	**126,757**
Dividends paid to shareholders of the parent company (final)	(22,398)	(43,957)
Dividends paid to shareholders of the parent company (interim)	-	-
Dividends paid to non-controlling interests	(9,063)	(8,194)
Capital increase and reduction	-	(1)
Other transactions with shareholders	-	-
Changes in treasury shares	264	(1,825)
Increase in borrowings and financial debt	230,000	1,097,167
Decrease in borrowings and financial debt	(526,700)	(901,800)
Repayment of lease liabilities	(985)	(959)
Interest received	16,359	23,447
Interest paid	(45,474)	(32,933)
Net cash flow from financing activities	**(357,999)**	**130,947**
Change in cash position	**(207,529)**	**392,588**
Net cash at beginning of year	464,600	72,012
Net cash at end of year	257,071	464,600
of which cash and cash equivalents	257,178	464,611
of which bank overdrafts	(108)	(11)

(1)	*Depreciation and amortization exclude the impact of impairments on current assets*		
(2)	*Other calculated expenses and income mainly comprise:*		
	- discounting adjustments to construction leases	*(318)*	*(340)*
	- lease rights received from tenants and spread over the firm term of the lease	*(1,848)*	*(2,472)*
	- financial expenses spread out	*697*	*434*
	- interest on non-cash loans	*54*	*24*
(3)	*The change in working capital requirements breaks down as follows:*		
	- trade receivables	*3,375*	*(31,420)*
	- trade payables	*1,087*	*1,555*
	- other receivables and payables	*(11,603)*	*35,561*
	Total working capital requirements	***(7,141)***	***5,696***

(4) At December 31st, 2020, the cash payments on acquisitions and the cash receipts on disposals amounts are presented in gross values excluding the impact of the exchange between Mercialys and SCI AMR concerning the Gassin (sale), Montauban and Valence 2 (acquisitions) real estate assets, which led to the payment of a Euro 37 million balance to Mercialys

2. Key developments in 2021

Impacts relating to the Covid-19 pandemic

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

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

On May 19, the French government authorized the reopening of "non-essential" stores. Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding indoor sit-down dining), in accordance with strict health protocols and restrictions on minimum space ratios. Indoor restaurants were able to reopen from June 9, subject to various health measures and minimum space ratios. These restrictions on minimum space ratios were lifted on June 30, 2021 for venues open to the public, and France has not been subject to any curfew measures since June 20, 2021. However, the level of operational activity for nine Mercialys shopping centers was negatively affected for several weeks during the third quarter of 2021, primarily in August, due to the French State's introduction of a requirement to show a "health pass" to access certain sites.

This latest order to close stores may have affected the profitability of retailers that were already impacted by these same measures in 2020, and affected the collection rate for rent, charges and work for the first half of 2021. However, the French government made a public commitment to put in place support packages, in addition to the solidarity fund, that will notably enable retailers that were ordered to close to honor their rent payments. A decree was published on November 16, 2021, introducing support for rent or fees and charges for certain retail and service activities that were forbidden from welcoming members of the public with a view to preventing the spread of the Covid-19 epidemic. These support measures aim to enable retailers to honor their payments for rent and charges for the period when shopping centers were closed during the first half of 2021, which will benefit the collection rate for retail property companies. As a result, Mercialys has not written off any receivables for the period of government-ordered closures.

Alongside this, Mercialys continued to formalize and put in place the support measures granted to its tenants in 2021 for the government-ordered closure periods in 2020.

Concerning the safety of the Company's employees, the arrangements for working from home, which had already been strengthened in 2020, were maintained in 2021 and adapted in line with changes in the health situation and the recommendations issued by the French Ministry of Labor, Employment and Economic Inclusion.

Company's financing and balance sheet

Mercialys has extended the maturity of its undrawn financing facilities. On the one hand, through the Euro 225 million revolving bank credit facility, with 80% extended to December 2024, compared with December 2022 previously. On the other hand, through the one-year extension of an undrawn Euro 25 million bilateral bank line. In addition, through the determination of new firm maturities of five years and three years respectively on one and two undrawn bilateral facilities, two of which saw their amounts increased, for a combined total of Euro 115 million, versus Euro 90 million previously. Lastly, through a new undrawn bilateral line set up for Euro 50 million. The Company launched work to set up a more environmentally responsible financing structure, with environmental clauses incorporated into four undrawn bilateral lines representing a combined total of Euro 165 million.

The Company's undrawn financial resources totaled Euro 480 million at December 31, 2021, compared with Euro 405 million at end-December 2020. This change will enable the Company to extinguish various lines due to mature with a banking partner that now has only a limited presence in France for a total of Euro 75 million, and, from the first quarter of 2022, to terminate the current account advance made available by the Casino group for Euro 35 million before it was due to mature in December 2022. The Company has also continued to optimize the management of its bond maturities and, in 2021, redeemed Euro 99.2 million of the bond issue maturing in March 2023. These bonds are canceled in the Company's books. The outstanding amount of the bond issue maturing in March 2023 therefore represented Euro 469.5 million at end-2021.

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

Following the exercising of this option for payment in shares, the Casino Group dropped below the threshold representing 20% of Mercialys' capital and voting rights, and indicated on May 31, 2021 that it held 18,559,506 Mercialys shares, representing 19.77% of the Company's capital and 19.82% of its voting rights. In December 2021, the Casino Group indicated that it had sold 3% of Mercialys' capital through a total return swap (TRS) maturing in March 2022, taking the Group's interest in Mercialys to 16.77% of the capital and 16.86% of voting rights.

Sales operations

During the fourth quarter of 2021, Mercialys completed the sale of two assets: the Marseille Canebière Monoprix store and the Carré Duparc retail park in Sainte-Marie (Reunion Island). The Company also signed preliminary sales agreements without financing conditions for the Annecy and Saint-Etienne hypermarkets. These assets illustrate Mercialys' value creation strategy. They had been transformed since their acquisition in 2014. In addition, Mercialys has sold or signed sales commitments for various plots at non-strategic and fragmented sites. Lastly, the Bordeaux Pessac shopping center, held by the OPCI fund UIR2, in which Mercialys has a 20% interest (this OPCI real estate investment fund is recorded in Mercialys' accounts under non-consolidated securities in non-current assets), was also subject to a preliminary sales agreement in 2021 and the corresponding condition precedent was lifted in January 2022.

These divestments represent a total volume of Euro 110 million including transfer taxes, with Euro 28.0 million of sales completed and Euro 82.0 million of preliminary sales agreements, with 94% no longer subject to conditions precedent on this document's publication date.

Overall, the transaction values for the sales and preliminary sales agreements secured by Mercialys (excluding UIR2) are slightly higher than the end-June 2021 appraisals.

3. Summary of the main key indicators for the period

	Dec 31, 2021
Organic growth in invoiced rents	**+3.0%**
EBITDA[27]	**Euro 144.7 million**
EBITDA / rental revenues	*84.0%*
Funds from operations (FFO[28])	**Euro 101.8 million**
Funds from operations[29] (FFO) per share	**Euro 1.10**
Fair value of the portfolio (including transfer taxes)	**Euro 3,138.2 million**
Change vs. Dec 31, 2020 (current basis)	*-3.7%*
Change vs. Dec 31, 2020 (like-for-like)	*-2.8%*
EPRA NDV per share	**Euro 17.60**
Change vs. Dec 31, 2020	*-4.5%*
Loan to Value (LTV) – excluding transfer taxes	**36.7%**

4. Review of activity

4.1. Main management indicators

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

At January 31, 2022	Number of leases	Annual MGR* + variable rents (€m)	Share of leases expiring (% annual MGR + variable)
Expired at December 31, 2021	328	18.1	10.7%
2022	159	8.3	4.9%
2023	110	7.8	4.6%
2024	150	9.2	5.5%
2025	129	7.6	4.5%
2026	196	20.7	12.2%
2027	218	38.2	22.6%
2028	211	14.9	8.8%
2029	183	11.2	6.6%
2030	262	23.2	13.7%
2031 and beyond	188	9.6	5.7%
Total	**2,134**	**168.8**	**100.0%**

** MGR: minimum guaranteed rent*

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.

[27] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses

[28] FFO: Funds From Operations = net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects

[29] Calculated based on the average undiluted number of shares (basic), i.e. 92,839,729 shares

Negotiations with the retailers continued to move forward in 2021 with a view to securing Mercialys' rental flows. Taking into account all of the lease renewals and relettings during the year, whereas at the end of 2020 the leases expired or due to expire at December 31, 2021 represented 20.9% of the Company's total rental base, they were down to just 10.7% at end-January 2022.

As part of the negotiations with retailers concerning the store closures and lockdown phases, in exchange for the rent relief granted, Mercialys was often able to obtain extensions of the firm term of leases (tenants waiving or deferring their next three-year break, renewing their lease early or signing a new lease), achieving an extension of the average firm term of leases across its portfolio by 9.1 months at December 31, 2021, ensuring the sustainability of its rental flows.

- The **collection rate** is still impacted by the health crisis. The shopping center sector in France was significantly affected, from January 2021, by the government measures relating to the health crisis. Meanwhile, the French government made a commitment to put in place support packages, in addition to the solidarity fund and the mechanism covering fixed costs, which should notably enable tenants that were ordered to close to honor their rent payments. Following the signing of the corresponding decree in November 2021, eligible retailers will receive compensation from the government in February 2022. The delays with rolling out these support measures impacted the collection rate for rent and charges for 2021. In view of the government arrangements intended to enable retailers to specifically pay their rent and charges for the periods when they were ordered to close in 2021, Mercialys has not determined any additional support measures. For all the rent and charges (excluding tax) billed by Mercialys, the collection rate came to 88.8% at end-December 2021.
  The gross collection rate for 2020 was 90.1% at end-December 2021. Restated for the rent relief already granted or to be awarded and provisions for doubtful receivables, this rate came to 99.9%.

- The **current financial vacancy rate** - which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans - came to 3.2%[30] at December 31, 2021, significantly lower than at end-December 2020 (3.8%), end-June 2021 (4.0%) and end-September 2021 (3.4%), highlighting the appeal of Mercialys' sites.

- The **total vacancy rate**[31] was 4.9% at December 31, 2021, once again showing a marked reduction compared with end-2020 (5.4%), end-June 2021 (5.7%) and end-September 2021 (5.0%).

- The **reversion** achieved on renewals and relettings came to an average of -3.0% (-1.8% excluding the retailer Camaïeu, which was subject to liquidation proceedings and a takeover by a new investor). This shows a significant sequential improvement compared with -6.5% for the year to end-June 2021 (-5.4% excluding Camaïeu) and -3.6% for the year to end-September 2021 (-2.0% excluding Camaïeu).

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

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

- The analysis of the **occupancy cost ratio**[32] is ineffective for the full year in 2021 due to the periods when stores were ordered to close. Furthermore, as certain retailers' activities may show strong seasonality during the year, especially in the fourth quarter, any analysis for periods of less than one year is even more complex and potentially not relevant. At December 31, 2019, this ratio showed a very moderate level of 10.4%.

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

Casino Group retailers accounted for 22.4% of total rental income at December 31, 2021, down slightly from June 30, 2021 (22.6%) and December 31, 2020 (22.7%). This change is linked in particular to the sale of the Marseille Monoprix store in the fourth quarter of 2021.
This consolidated accounting exposure is calculated factoring in all of the rent paid by Casino Group retailers. Adjusted downwards for the 49% minority interest held by BNP Paribas REIM in SAS Hyperthetis Participations and SAS Immosiris, which together own a total of 10 hypermarkets operating under the Géant Casino banner and adjusted upwards for Mercialys' 25% minority interest in SCI AMR, which holds three Monoprix stores and two hypermarkets operating under the Géant Casino banner, Mercialys' economic exposure to rent from retailers operated by the Casino Group is 19.6%.

Exposure to the Casino Group will continue to be scaled back in 2022 (20.7% proforma) through the completion of the sales of two hypermarkets (Saint Etienne and Annecy).

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

Schedule for key Casino group leases

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Grenoble	100%	Monoprix	02/2010	02/2022	3 - 6 - 9 - 12 commercial lease
Saint-Étienne	100%	Hypermarket	07/2014	06/2026	3 - 6 - 9 - 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Annecy	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Lanester	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
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

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

H&M Group lease schedule

Site	Lease start date	Lease end date	Lease characteristics
Grenoble	05/2010	05/2020	3 - 6 - 9 - 10
Marseille	04/2011	04/2021	3 - 6 - 9 - 10
Angers	07/2011	07/2021	3 - 6 - 9 - 10
Clermont-Ferrand	08/2013	08/2023	3 - 6 - 9 - 10
Mandelieu	01/2016	01/2028	12-year commercial lease, 6-year firm period
Brest	02/2016	02/2028	12-year commercial lease, 6-year firm period
Lanester	07/2016	07/2028	12-year commercial lease, 6-year firm period
Toulouse	07/2016	07/2028	12-year commercial lease, 6-year firm period
Aix-en-Provence	08/2016	08/2028	12-year commercial lease, 6-year firm period
Besançon	12/2016	12/2028	12-year commercial lease, 6-year firm period
Quimper	05/2017	05/2029	3 - 6 - 9 - 12
Morlaix	07/2017	07/2029	12-year commercial lease, 6-year firm period
Narbonne	07/2017	07/2029	12-year commercial lease, 6-year firm period
Nîmes	08/2017	07/2029	12-year commercial lease, 6-year firm period

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

	Number of leases	Annual MGR* + variable rents (€m)	Percentage of rent (%)	
	Dec 31, 2021	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021
National and international retailers	1,454	108.4	64.6%	64.2%
Local retailers	629	22.6	12.7%	13.4%
Casino cafeterias / restaurants	2	0.2	0.6%	0.1%
Monoprix	1	1.2	1.0%	0.7%
Géant Casino and other entities	48	36.4	21.1%	21.6%
Total	**2,134**	**168.8**	**100.0%**	**100.0%**

** MGR: minimum guaranteed rent*

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

	Percentage of rent (%)	
	Dec 31, 2020	Dec 31, 2021
Restaurants and catering	8.6%	8.4%
Health and beauty	12.3%	12.6%
Culture, gifts and sports	16.0%	16.3%
Personal items	31.5%	30.5%
Household equipment	6.9%	7.2%
Food-anchored tenants	21.5%	21.8%
Services	3.2%	3.2%
Total	**100.0%**	**100.0%**

The **rental income structure** at December 31, 2021 shows that the majority of leases, in terms of overall rental income, include a variable clause. However, the vast majority of leases include a guaranteed minimum rent or do not have a variable clause (98.0% in terms of overall rents):

	Number of leases	Annual MGR + variable (€m)	Percentage of rent (%)	
	Dec 31, 2021	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021
Leases with variable clause	1,293	97.0	59%	58%
- of which MGR		*93.7*	*56%*	*56%*
- of which variable rent with MGR		*0.6*	*1%*	*0%*
- of which variable rent without MGR		*2.8*	*2%*	*2%*
Leases without variable clause	841	71.7	41%	42%
Total	**2,134**	**168.8**	**100%**	**100%**

The rental income structure at December 31, 2021 shows a predominant share of leases indexed against the French retail rent index (ILC). For the vast majority of Mercialys' leases, indexation corresponds to the change in this index between the second quarters of N-2 and N-1 and the third quarters of N-2 and N-1.

	Number of leases	Annual MGR + variable (€m)	Percentage of rent (%)	
	Dec 31, 2021	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021
Leases index-linked to the retail rent index (ILC)	1,769	156.4	94%	95%
Leases index-linked to the construction cost index (ICC)	131	6.5	5%	4%
Leases index-linked to the tertiary activities rent index (ILAT) and non-adjustable leases	214	2.5	1%	2%
Total	**2,114**	**165.4**	**100%**	**100%**

5. Review of consolidated results

5.1. Invoiced rents, rental revenues and net rental income

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

(In thousands of euros)	**Dec 31, 2020**	**Dec 31, 2021**	**Change (%)**
Invoiced rents	172,911	170,352	-1.5%
Lease rights and despecialization indemnities	2,529	1,879	-25.7%
Rental revenues	**175,440**	**172,232**	**-1.8%**
Property taxes	-14,248	-13,570	-4.8%
Rebilling to tenants	12,684	11,606	-8.5%
Non-recovered property taxes	**-1,564**	**-1,964**	**+25.6%**
Service charges	-30,142	-31,690	+5.1%
Rebilling to tenants	25,871	26,870	+3.9%
Non-recovered service charges	**-4,271**	**-4,821**	**+12.9%**
Management fees	-5,860	-6,306	+7.6%
Rebilling to tenants	4,585	4,183	-8.8%
Losses on and impairment of receivables	-19,694	-2,205	-88.8%
Other expenses	-1,279	-1,076	-15.9%
Net property operating expenses	**-22,248**	**-5,403**	**-75.7%**
Net rental income	**147,357**	**160,043**	**+8.6%**

The **-1.5 point** change in invoiced rents primarily reflects the following factors:

- the impact of indexation for **+0.3 points**, representing Euro 0.4 million;
- the upturn in the contribution by Casual Leasing despite the major opening restrictions for **+0.2 points**, representing Euro +0.4 million;
- the virtually stable level of variable rents in the context of the same opening restrictions for Euro 0.1 million;
- the actions carried out on the portfolio, including the deferral of rental measures due to the lockdown, for **-2.1 points**, representing Euro -3.7 million;
- the accounting impact of the rent relief granted to retailers in connection with the health crisis for **4.6 points**, representing Euro +8.0 million;
- the asset acquisitions and sales completed in 2020 and 2021 for **-4.5 points**, representing Euro -7.7 million;
- other effects primarily including strategic vacancies linked to current redevelopment programs for **-0.1 points**, representing Euro -0.1 million.

Taking into account the effects presented above, organic growth in invoiced rents shows an increase of **3.0 points**.

The turnaround in organic growth in 2021, from -6.0% at end-March to -4.0% at end-June, -2.9% at end-September and +3.0% at end-December, reflects the robust level of letting activity despite more than 3.5 months of closures during the first half of the year, as well as base effects concerning the impacts of the health crisis, particularly in relation to the fourth quarter of 2020.
As detailed in section I, the Company recorded Euro 3.0 million of relief without arrangements negotiated in exchange in 2020, with 100% recognized in the accounts, as well as a Euro 1.1 million impact for the relief measures spread over the firm term of the corresponding leases. In 2021, Mercialys recorded Euro 2.0 million for new relief granted, with 100% recognized in the accounts for the first lockdown from 2020, and Euro 1.5 million for amounts spread in the accounts for the 2020 negotiations relating to the same lockdown.

In addition, in 2020, Mercialys recorded Euro 6.3 million of relief granted in connection with the second lockdown from 2020. In 2021, Mercialys revised this estimated amount down from Euro 6.3 million to Euro 4.8 million, generating Euro +1.5 million of net income in invoiced rents, and recognized Euro 0.3 million for relief granted to restaurants for the second 2020 lockdown.
While the impacts of the health crisis on invoiced rents represented Euro -10.4 million in 2020, these effects came to Euro -2.4 million in the accounts for 2021, with a Euro +8.0 million change reflected in organic growth.

Lease rights and despecialization indemnities[33] received over the period came to Euro 0.7 million at December 31, 2021, compared with Euro 0.9 million at December 31, 2020, with the following breakdown:

- Euro 0.7 million of lease rights linked to reletting activities (vs. Euro 0.9 million in 2020);
- a non-significant amount of despecialization indemnities, as in 2020.

After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for 2021 totaled Euro 1.9 million, compared with Euro 2.5 million for 2020.

Rental revenues therefore came to Euro 172.2 million at December 31, 2021, down -1.8% from end-2020.

[33] 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

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

The costs included in the calculation of net rental income represent Euro 12.2 million for 2021, significantly lower than end-2020 (Euro 28.1 million), linked in particular to the impact of the reversal of provisions, resulting from relief measures granted to tenants as part of the health crisis support measures from 2020 that were finalized in 2021, as well as the reversal of provisions that were no longer applicable (see section I of this release).

Net rental income is up +8.6% to Euro 160.0 million. The change compared with end-2020 is linked to very significant base effects, with Euro 13.7 million of provisions recorded for the impairment of trade receivables due to the impact of the health crisis in 2020. In 2021, Euro 9.7 million of these provisions from 2020 were reversed as a result of both the collection operations completed and the rent relief granted.

Alongside this, an exceptional provision for Euro 7.8 million was recorded in the 2021 accounts concerning arrears for rent and charges for the year. These various effects are presented in detail in section I of this press release. Lastly, Mercialys recorded Euro 1.4 million of income in 2021 relating to the tax credit for landlords that granted rent relief as recommended by the French government in relation to the second lockdown from 2020. These various effects are presented in detail in section I of this press release.

5.2. Management income, operating costs and EBITDA

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
Net rental income	**147,357**	**160,043**	**+8.6%**
Management, administrative and other activities income	3,035	2,801	-7.7%
Other income and expenses	-6,096	-3,395	-44.3%
Personnel expenses	-13,121	-14,763	+12.5%
EBITDA	**131,174**	**144,687**	**+10.3%**
% rental revenues	***74.8%***	***84.0%***	***na***

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

Fees charged in 2021 totaled Euro 2.8 million, compared with Euro 3.0 million for 2020.

No **property development margin** was recorded in 2021.

The Euro 1.6 million of **other current income** recognized in 2021 includes dividends received from the OPCI fund created in partnership with Union Investment in 2011. Ownership of this OPCI real estate investment fund is split between Union Investment (80%) and Mercialys (20%), and it is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates this fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating income. A compensation payment, concerning a guarantee that Mercialys was covered by for the Arles site, was also recorded in 2021.

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 2021, these expenses totaled Euro 5.0 million, compared with Euro 6.1 million in 2020. This change notably takes into account the changes in the services covered by the Services Agreement, some of which ended in 2021, as well as the Company's committed efforts to moderating operating costs.

Personnel expenses totaled Euro 14.8 million in 2021, compared with Euro 13.1 million in 2020. For reference, Mercialys is continuing to gradually bring back in-house support activities that were previously outsourced under the Services Agreement signed with the Casino Group. In 2020, the IT support, HR support and real estate management control activities were brought back in-house. At the end of 2021, the insurance management and corporate legal activities were also brought back in-house. In addition, work was carried out in 2021 to prepare to bring the accounting, cash management, rental management, and technical and administrative management functions back in-house. These changes led to an increase in Mercialys' payroll, alongside a gradual reduction in billing under the Agreement recognized in other current expenses.

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

As a result, **EBITDA**[34] came to Euro 144.7 million in 2021, compared with Euro 131.2 million in 2020, up +10.3%. The EBITDA margin also shows a significant increase to 84.0%, compared with 74.8% at December 31, 2020.

5.3. Net financial items

Net financial income totaled Euro 33.8 million at December 31, 2021, compared with Euro 24.6 million at December 31, 2020. Restated for the impact of non-recurring items (hedging ineffectiveness, banking default risk, bond redemption premium, bond redemption costs, proceeds from the unwinding of swaps and exceptional amortization relating to the partial redemption of the 2023 issue), which represented a Euro -1.1 million net expense at end-December 2021, versus Euro +1.1 million of net income at end-December 2020, net financial income taken into account to calculate funds from operations (FFO) came to Euro 32.8 million at end-2021, compared with Euro 25.7 million at end-2020. This change primarily reflects the impact of the refinancing operation carried out in July 2020.

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

The following table presents a breakdown of net financial items:

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
Income from cash and cash equivalents *(a)*	**61**	**177**	na
Cost of debt taken out *(b)*	-31,450	-36,872	+17.2%
Impact of hedging instruments *(c)*	7,698	9,023	+17.2%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**-23,752**	**-27,849**	**+17.2%**
Exceptional amortization of costs relating to the early repayment of financial debt *(e)*	-2,544	-759	-70.2%
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**-26,296**	**-28,607**	**+8.8%**
Net finance costs *(g) = (a)+(f)* [35]	**-26,236**	**-28,431**	**+8.4%**
Cost of revolving credit facility and bilateral loans (undrawn) *(h)*	-2,724	-3,165	+16.2%
Other financial expenses *(i)*	-300	-300	-0.1%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-3,024**	**-3,465**	**+14.6%**
Non-recurring financial expenses (k)	**0**	**-2,235**	**na**
Other financial expenses *(l) = (j)+(k)*	**-3,024**	**-5,700**	**+88.5%**
Total financial expenses *(m) = (f)+(l)*	**-29,321**	**-34,307**	**+17.0%**
Income from associates	233	296	+27.8%
Other financial income	4,406	0	na
Other financial income *(n)*	**4,639**	**296**	**na**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**4,700**	**473**	**na**
NET FINANCIAL INCOME = *(m)+(o)*	**-24,621**	**-33,835**	**+37.4%**

[35] Net finance costs in 2020 and 2021, in accordance with the conditions for calculation set by the covenants for the Company's bank lines, do not take into account the Euro 4.4 million of net income for 2020 and the Euro 2.2 million net expense for 2021 linked to the bond redemption premiums, the bond redemption costs and the proceeds from unwinding swaps

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

5.4.1. Funds from operations (FFO)

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
EBITDA	**131,174**	**144,687**	**+10.3%**
Net financial income (excluding non-recurring items[36])	-25,748	-32,755	+27.2%
Reversals of / (Allowance for) provisions	1,343	-997	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-1,480	-1,419	-4.1%
Tax expense	-2,019	-848	-57.9%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	2,203	3,583	+62.6%
Non-controlling interests (excluding capital gains, amortization and impairment)	-9,932	-10,498	+5.7%
FFO	**95,541**	**101,754**	**+6.5%**
FFO per share[37]	***1.04***	***1.10***	***+5.0%***

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro -1.4 million (Euro -1.5 million at end-2020) and primarily include the net impacts of provisions, as well as the launch of the Ocitô and Cowork activities.

The tax regime for French SIIC (REIT) companies exempts them from paying tax on their income from real estate activities, provided that at least 95% of net income from rental revenues 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.

2021 recorded a **tax expense** of Euro -0.8 million, primarily comprising the CVAE corporate value-added tax. At end-2020, the tax expense was Euro -2.0 million.

The **share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)** came to Euro 3.6 million at December 31, 2021, compared with Euro 2.2 million at December 31, 2020. The companies consolidated under the equity method in Mercialys' consolidated financial statements are SCI AMR (created in partnership with Amundi Immobilier in 2013 and in which Mercialys has a 25% stake), SNC Aix2 (in which Mercialys acquired a 50% stake in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (in which Mercialys has a 40% stake), SCI Rennes Anglet (in which Mercialys has a 30% stake), and SAS Saint-Denis Genin (in which Mercialys has a 30% stake). The change in this share over the period reflects the assets sold at the end of December 2020 to SCI AMR, as well as the impact of rent relief granted by associates in connection with the health crisis, in addition to the impact of the collection in 2021 of rent and charges billed in 2020.

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro -10.5 million at December 31, 2021, compared with Euro -9.9 million at December 31, 2020. They are linked to the 49% stake held by BNP Paribas REIM France in the companies Hypertethis Participations and Immosiris. As Mercialys retains exclusive control, these subsidiaries are fully consolidated.

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

[37] Calculated based on the average undiluted number of shares (basic), i.e. 92,839,729 shares

In view of these items, **funds from operations (FFO)**, which correspond to net income before amortization, capital gains or losses on disposals net of associated costs, potential asset impairments and other non-recurring effects, came to Euro 101.8 million (versus Euro 95.5 million for 2020), up +6.5%. Considering the average number of shares (basic) at end-December, FFO represents Euro 1.10 per share at December 31, 2021, compared with Euro 1.04 per share at December 31, 2020, up +5.0%.

5.4.2. Net income attributable to owners of the parent

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
FFO	95,541	101,754	+6.5%
Depreciation and amortization	-40,777	-39,157	-4.0%
Other operating income and expenses	34,223	369	na
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	1,127	-1,080	na
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	-4,282	296	na
Net income attributable to owners of the parent	**85,833**	**62,183**	**-27.6%**

Depreciation and amortization came to Euro -39.2 million in 2021, down -4% from 2020 due to the assets sold, while investment remained at a very moderate level over the period.

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

Other operating income came to Euro 28.6 million at December 31, 2021, compared with Euro 240.7 million at December 31, 2020. This amount includes:

- income from asset sales completed over the period for Euro 27.7 million;
- income associated with reversals of provisions on assets sold for Euro 0.8 million.

Other operating expenses totaled Euro -28.2 million at December 31, 2021, compared with Euro 206.5 million at December 31, 2020. This amount mainly includes:

- the net book value of assets disposed of during 2021 and costs relating to these disposals for Euro -19.5 million;
- provisions recorded for the impairment of investment properties for Euro -8.7 million.

On this basis, the amount of net capital gains recorded in the consolidated financial statements at December 31, 2021 for asset disposals came to Euro 9.0 million (vs. Euro 47.5 million for 2020). Capital gains from asset disposals completed in 2021 and available for distribution at 70% with the SIIC status totaled Euro 8.5 million. As the sale that accounts for the majority of this capital gain was carried out by a Mercialys subsidiary, this subsidiary will pay a dividend to Mercialys in 2022 corresponding to this capital gain, which will in turn be distributed by Mercialys in 2023.

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 62.2 million for 2021, compared with Euro 85.8 million for 2020.

5.5. Financial structure

5.5.1. Debt cost and structure

At December 31, 2021, Mercialys' **drawn debt** totaled Euro 1,354.5 million, with the following breakdown:

- a bond issue with a residual nominal amount of Euro 469.5 million, with a fixed coupon of 1.787%, maturing in March 2023;
- a bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- a bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 4.625%, maturing in July 2027;
- a private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.00%, maturing in November 2027;
- Euro 135 million of outstanding commercial paper, with a slightly negative average rate.

Cash and cash equivalents came to Euro 257.1 million at December 31, 2021, compared with Euro 464.6 million at December 31, 2020. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- net cash flow from operating activities during the period: Euro +135.7 million;
- cash receipts / payments related to disposals / acquisitions of assets completed in 2021: Euro +14.7 million;
- dividend payments to parent company shareholders and non-controlling interests: Euro -31.5 million;
- issues and repayment of borrowings net of the change in outstanding commercial paper: Euro -296.7 million;
- net interest paid: Euro -29.1 million.

Net financial debt came to Euro 1,101.5 million at December 31, 2021, compared with Euro 1,188.8 million at December 31, 2020.

The **real average cost of drawn debt** at December 31, 2021 was 2.0%[38], virtually stable compared with end-June 2021 (1.9%) and significantly higher than the rate recorded in 2020 (1.4%[39]). This change primarily reflects the full-year impact of the refinancing operation carried out in July 2020.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**, with a hedged or fixed-rate debt position (including commercial paper) representing 86% at end-December 2021, compared with 87% at end-June 2021 and 92% at end-December 2020.

[38] This rate does not include the net expense linked to the bond redemption premium, the bond redemption costs, the proceeds from unwinding swaps and the exceptional amortization relating to the partial redemption of the 2023 issue.
[39] This rate does not include the net proceeds linked to the bond redemption premium, the bond redemption costs, the proceeds from unwinding swaps and the exceptional amortization relating to the partial redemption of the 2023 issue

5.5.2. Debt maturity and liquidity

The **average maturity of drawn debt** was 3.2 years at December 31, 2021, compared with 3.6 years at end-June 2021.

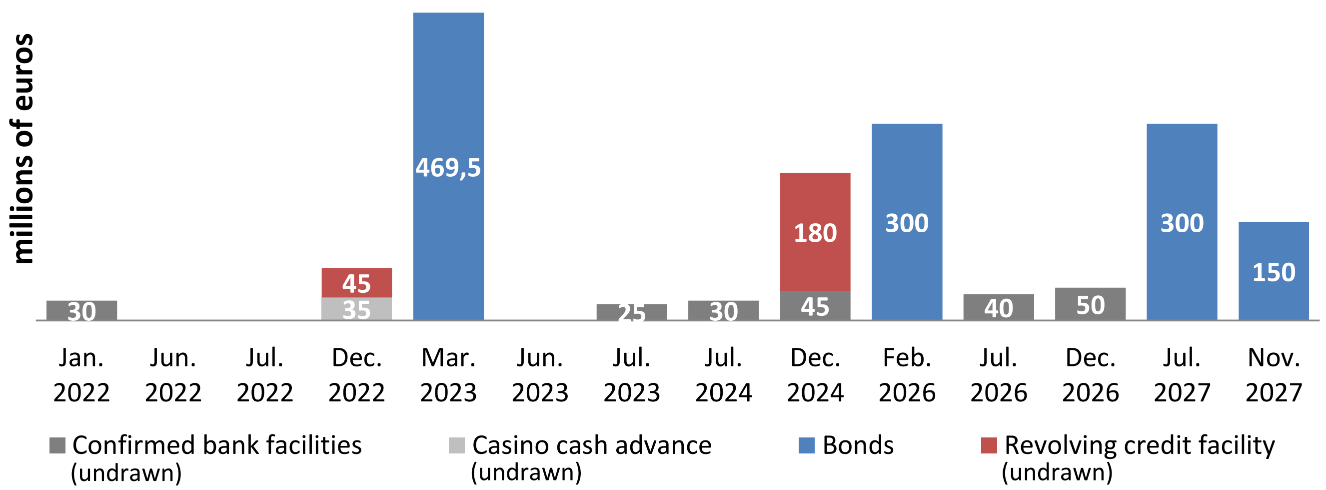
Mercialys also has Euro 480 million of **undrawn financial resources**, enabling it to benefit from a satisfactory level of liquidity:

- a Euro 225 million revolving bank credit facility, with 20% due in December 2022 and 80% in December 2024. The Euribor margin is 125 basis points (for a BBB rating); if undrawn, this facility is subject to payment of a non-use fee representing 40% of the margin;
- six bilateral confirmed bank facilities for a total amount of Euro 220 million, maturing between January 2022 and December 2026. The Euribor margins are 150 basis points or lower (for a BBB rating) or fixed rate; if undrawn, these facilities are subject to payment of a non-use fee representing up to 40% of the margins;
- a Casino current account advance for up to Euro 35 million, maturing at December 31, 2022. The Euribor margin is progressive; if undrawn, this facility is subject to payment of a non-use fee representing 40% of the margin.

The bilateral facility maturing in January 2022 and 20% of the RCF, representing a total of Euro 75 million, will not be renewed. In addition, during the first quarter of 2022, the current account advance made available by the Casino group for Euro 35 million was terminated ahead of schedule before it was due to mature in December 2022.

Mercialys also has a Euro 500 million commercial paper program, set up during the second half of 2012. It has been used for Euro 135 million (outstanding at December 31, 2021).

The following chart presents Mercialys' **bond debt maturity schedule and undrawn financial resources** (excluding commercial paper) at December 31, 2021:



5.5.3. Bank covenants and credit rating

Mercialys' financial position at December 31, 2021 satisfied all the various covenants included in the different credit agreements.

The **loan to value (LTV) ratio** excluding transfer taxes came to 36.7% at end-December 2021, compared with 38.1% at end-December 2020, well below the contractual covenants. An LTV covenant of less than 55% applies to 72% of the confirmed bank lines, with an LTV covenant of less than 50% for the other 28% of these facilities. The Company has improved its very balanced financial structure, with its management of liabilities and sales more than offsetting the effects of the economic and health crisis, which were reflected in a collection rate that had not yet normalized in 2021, as well as pressure on site appraisal values.

The LTV including transfer taxes was 34.4% at end-December 2021, compared with 36.0% at June 30, 2020 and 35.8% at end-December 2020.

	Dec 31, 2020	Dec 31, 2021
Net financial debt (in millions of euros)	1,188.8	1,101.5
Appraisal value excluding transfer taxes (in millions of euros)[40]	3,122.0	3,000.9
Loan to value (LTV) - excluding transfer taxes	**38.1%**	**36.7%**

Similarly, the **interest coverage ratio (ICR)** was 5.1x at end-December 2021, significantly higher than the contractual covenant (ICR > 2x), compared with 5.0x at end-December 2020.

	Dec 31, 2020	Dec 31, 2021
EBITDA (in millions of euros)	131.2	144.7
Net finance costs (in millions of euros)[41]	-26.2	-28.2
Interest coverage ratio (ICR)	**5.0x**	**5.1x**

The two other contractual covenants are also met:

- the **fair value of assets excluding transfer taxes** at December 31, 2021 was Euro 2.9 billion, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion);
- zero **pledged debt** at December 31, 2021 (below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%).

On May 19, 2021, Standard & Poor's confirmed its **BBB rating** for Mercialys, while its outlook was upgraded from negative to **stable** on September 13, 2021.

[40] Including the market value of investments in associates for Euro 55.8 million for 2021 and Euro 56.4 million for 2020, since the value of the portfolio held by associates is not included in the appraisal value

[41] Net finance costs in 2020 and 2021, in accordance with the conditions for calculation set by the covenants for the Company's bank lines, do not take into account the Euro 4.4 million of net income for 2020 and the Euro 2.2 million net expense for 2021 linked to the bond redemption premiums, the bond redemption costs and the proceeds from unwinding swaps

5.6. Equity and ownership structure

Consolidated equity totaled Euro 945.1 million at December 31, 2021, compared with Euro 895.1 million at December 31, 2020.

The main changes that affected consolidated equity during the year were as follows:
- net income for 2021: Euro +71.1 million;
- payment of the dividend for 2020 of Euro 0.43 per share (including an option for payment in shares) and dividends paid to non-controlling interests: Euro -48.6 million;
- capital increase following the option for the dividend to be paid in shares: Euro +17.1 million;
- transactions on treasury shares: Euro +0.3 million;
- change in fair value of financial assets and derivatives: Euro +10.1 million.

The **number of outstanding shares** at December 31, 2021 was 93,886,501, compared with 92,049,169 at December 31, 2020.

	2019	2020	2021
Number of shares outstanding			
- At start of period	92,049,169	92,049,169	92,049,169
- At end of period	92,049,169	92,049,169	93,886,501
Average number of shares outstanding	92,049,169	92,049,169	93,179,835
Average number of shares (basic)	**91,789,610**	**91,532,357**	**92,839,729**
Average number of shares (diluted)	**91,789,610**	**91,532,357**	**92,839,729**

At December 31, 2021, Mercialys' shareholding structure had the following breakdown: Casino Group (16.77%), Generali Group (7.85%), treasury stock (0.52%), other shareholders (74.85%).

5.7. Distribution

Mercialys' Board of Directors will submit a proposal at the General Meeting on April 28, 2022 for a dividend of **Euro 0.92 per share**, compared with Euro 0.43 per share for 2020. The payout corresponds to 85% of 2021 FFO and offers a yield of 5.2% on the NDV of Euro 17.60 per share at end-2021 and 10.7% on the year's closing price.

This proposed dividend is based on the distribution requirement with the SIIC tax status concerning exempt profits from:
- property rental or sub-letting operations (including dividends paid by the subsidiaries subject to the SIIC system), i.e. Euro 0.39 per share;
- the distribution based on 70% of exempt profits for 2021 from the disposal of properties and investments in real estate companies, i.e. Euro 0.01 per share;
- the distribution based on 70% of exempt profits for 2020 from the disposal of properties and investments in real estate companies, i.e. Euro 0.38 per share;
- the distribution of exempt income recorded on the Company's balance sheet for Euro 0.14 per share.

The ex-dividend date is May 3, 2022, and the dividend will be paid on May 5, 2022.

6. Changes in scope and valuation of the asset portfolio

6.1. Asset acquisitions

Acquisitions are presented in section IV (page 12 and following) of this press release.

6.2. Completion of extension or requalification projects

Project completions are presented in section IV (page 12 and following) of this press release.

6.3. Asset disposals

Disposals are presented in section IV (page 12 and following) of this press release.

6.4. Appraisal valuations and changes in scope

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

At December 31, 2021, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 35 sites at December 31, 2021, based on an on-site inspection of one site during the second half of 2021 and an update of the June 30, 2021 appraisals for the other sites. 11 on-site inspections were carried out during the first half of 2021;
- Catella Valuation conducted the appraisal of 15 sites at December 31, 2021, based on an on-site inspection of four sites during the second half of 2021 and an update of the June 30, 2021 appraisals for the other sites;
- Cushman & Wakefield conducted the appraisal of nine sites at December 31, 2021, based on an update of the appraisals carried out at June 30, 2021;
- CBRE conducted the appraisal of one site at December 31, 2021, based on an update of the appraisal carried out at June 30, 2021;
- Galtier performed the appraisal for Mercialys' remaining sites, i.e. two sites, at December 31, 2021, based on an update of the appraisals carried out at June 30, 2021.

On this basis, the **portfolio value** was Euro 3,138.2 million including transfer taxes at December 31, 2021, compared with Euro 3,258.3 million at December 31, 2020. Excluding transfer taxes, this value was Euro 2,945.1 million at end-2021, compared with Euro 3,065.6 million at end-2020.

The portfolio value including transfer taxes is therefore down -3.7% over 12 months (-2.8% like-for-like[42]) and -1.5% over six months (-0.6% like-for-like). The change in the portfolio value excluding transfer taxes is consistent with the same proportions (-1.7% over six months and -0.9% like-for-like).

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

The **average appraisal yield rate** was 5.71% at December 31, 2021, compared with 5.74% at June 30, 2021 and 5.72% at December 31, 2020.

Type of property	Average yield rate Dec 31, 2020	Average yield rate Jun 30, 2021	Average yield rate Dec 31, 2021
Regional and large shopping centers	5.44%	5.44%	5.43%
Neighborhood shopping centers	7.31%	7.45%	7.33%
Total portfolio [43]	**5.72%**	**5.74%**	**5.71%**

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at December 31, 2021, as well as the corresponding appraised rental income:

Type of property	Number of assets Dec 31, 2021	Appraisal value (excl. transfer taxes) Dec 31, 2021		Appraisal value (incl. transfer taxes) Dec 31, 2021		Gross leasable area Dec 31, 2021		Appraised potential net rental income	
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,499.7	84.9%	2,662.1	84.8%	640,783	78.8%	144.6	80.7%
Neighborhood shopping centers	25	437.4	14.9%	467.6	14.9%	171,133	21.0%	34.3	19.1%
Subtotal	**50**	**2,937.1**	**99.7%**	**3,129.7**	**99.7%**	**811,916**	**99.8%**	**178.9**	**99.8%**
Other sites [44]	3	8.0	0.3%	8.5	0.3%	1,414	0.2%	0.3	0.2%
Total	**53**	**2,945.1**	**100.0%**	**3,138.2**	**100.0%**	**813,330**	**100.0%**	**179.2**	**100.0%**

7. Outlook

Excluding the health situation's potential impacts on its operations, Mercialys has set the following objectives for 2022:

- 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.

8. Subsequent events

In January 2022, Mercialys canceled, ahead of schedule, the current account advance granted by the Casino Group (this line had never been drawn down) for a total of Euro 35 million.

9. EPRA performance measurements

Mercialys applies the EPRA[45] 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.

[43] Including other assets (independent cafeterias and other standalone sites).
[44] Including other assets (independent cafeterias and other standalone sites)
[45] European Public Real Estate Association

In its half-year financial report and its Universal Registration Document, Mercialys publishes all the EPRA indicators defined by the Best Practices Recommendations, which can be found on EPRA's website. The following table summarizes the EPRA indicators at end-December 2021, end-June 2021 and end-December 2020:

	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
EPRA earnings - Euros per share	1.04	0.60	1.10
EPRA NRV - Euros per share	21.18	20.32	20.51
EPRA NTA - Euros per share	19.04	18.26	18.39
EPRA NDV - Euros per share	18.42	17.17	17.60
EPRA net initial yield - %	5.28%	5.26%	5.24%
EPRA topped-up net initial yield - %	5.33%	5.32%	5.32%
EPRA vacancy rate - %	5.4%	5.7%	4.9%
EPRA cost ratio (including direct vacancy costs) - %	27.0%	11.7%	18.5%
EPRA cost ratio (excluding direct vacancy costs) - %	25.6%	9.8%	16.6%
EPRA capital expenditure - In millions of euros	61.6	6.6	15.9

9.1. EPRA earnings and earnings per share

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

(In millions of euros)	**Dec 31, 2020**	**Jun 30, 2021**	**Dec 31, 2021**
Net income attributable to owners of the parent	**85.8**	**31.4**	**62.2**
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	4.3	-0.1	-0.3
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	-1.1	-0.7	1.1
Other operating income and expenses	-34.2	5.6	-0.4
Depreciation and amortization	40.8	19.6	39.2
EPRA earnings	**95.5**	**55.7**	**101.8**
Average number of shares (basic)	91,532,357	92,136,487	92,839,729
EPRA earnings per share (in euros)	**1.04**	**0.60**	**1.10**

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.

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

(In millions of euros)	Dec 31, 2020 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**692.9**	**692.9**	**692.9**
Includes [46] / Excludes [47]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**692.9**	**692.9**	**692.9**
Includes [46]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,021.9	1,021.9	1,021.9
ii.b) Revaluation of IPUC [48] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [49]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases [50]	0.0	0.0	0.0
iv) Revaluation of trading properties [51]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,732.3**	**1,732.3**	**1,732.3**
Excludes [47]:			
v) Deferred tax in relation to fair value gains of IP [52]	0.0	0.0	
vi) Fair value of financial instruments	14.1	14.1	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-4.1	
Includes [46]:			
ix) Fair value of fixed interest rate debt			-45.9
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [53]	192.7	0.0	
NAV	**1,939.0**	**1,742.3**	**1,686.4**
Fully diluted number of shares	91,532,357	91,532,357	91,532,357
NAV per share (in euros)	**21.18**	**19.04**	**18.42**

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

(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[54] / Excludes[55]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**708.4**	**708.4**	**708.4**
Includes [54]:			
Ii.a) Revaluation of IP (if IAS 40 cost option is used)	974.3	974.3	974.3
ii.b) Revaluation of IPUC [56] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[57]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases[58]	0.0	0.0	0.0
iv) Revaluation of trading properties[59]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,700.2**	**1,700.2**	**1,700.2**
Excludes [55]:			
v) Deferred tax in relation to fair value gains of IP [60]	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 [54]:			
ix) Fair value of fixed interest rate debt			-92.1
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[61]	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**

[54] "Include" indicates that an asset (whether on or off-balance sheet) should be added to the shareholders' equity, whereas a liability should be deducted
[55] "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back
[56] Difference between development property held on the balance sheet at cost and fair value of that development property
[57] Revaluation of intangibles to be presented under adjustment (x) Revaluation of intangibles to fair value and not under this line
[58] Difference between finance lease receivables held on the balance sheet at amortized cost and the fair value of those finance lease receivables
[59] Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties
[60] Deferred tax adjustments are presented on page 15 of the EPRA Best Practices Recommendations Guidelines
[61] 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 [62] / Excludes [63]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**743.1**	**743.1**	**743.1**
Includes [62]:			
Ii.a) Revaluation of IP (if IAS 40 cost option is used)	957.5	957.5	957.5
ii.b) Revaluation of IPUC [64] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [65]	17.9	17.9	17.9
iii) Revaluation of tenant leases held as finance leases [66]	0.0	0.0	0.0
iv) Revaluation of trading properties [67]	2.1	2.1	2.1
EPRA diluted NAV at fair value	**1,720.6**	**1,720.6**	**1,720.6**
Excludes [63]:			
v) Deferred tax in relation to fair value gains of IP [68]	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 [62]:			
ix) Fair value of fixed interest rate debt			-76.5
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [69]	193.1	0.0	
NAV	**1,916.0**	**1,717.8**	**1,644.1**
Fully diluted number of shares	93,394,908	93,394,908	93,394,908
NAV per share (in euros)	**20.51**	**18.39**	**17.60**

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

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

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

(In million euros)	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
Investment property – wholly owned	3,065.6	2,996.6	2,945.1
Assets under development (-)	0.0	0.0	0.0
Completed property portfolio excluding transfer taxes	**3,065.6**	**2,996.6**	**2,945.1**
Transfer taxes	192.7	189.0	193.1
Completed property portfolio including transfer taxes	**3,258.3**	**3,185.6**	**3,138.2**
Annualized rental revenues [70]	178.5	174.2	171.2
Non-recoverable expenses (-)	-6.4	-6.6	-6.8
Annualized net rents	**172.1**	**167.6**	**164.4**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	1.7	1.9	2.5
Topped-up net annualized rent	**173.8**	**169.5**	**166.9**
EPRA Net Initial Yield	**5.28%**	**5.26%**	**5.24%**
EPRA "Topped-up" Net Initial Yield	**5.33%**	**5.32%**	**5.32%**

9.4. EPRA vacancy rate

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

The EPRA vacancy rate was 4.9% at end-December 2021, significantly lower than the level from end-June 2021 (5.7%) and end-December 2020 (5.4%). "Strategic" vacancies following decisions to facilitate extension or redevelopment plans represent 170bp within this vacancy rate.

(In million euros)	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
Rental value of vacant units	10.0	10.3	8.7
Rental value of the entire portfolio	183.9	180.6	179.3
EPRA vacancy rate	**5.4%**	**5.7%**	**4.9%**

[70] In 2020, annualized rental revenues included a normalized view of the Casual Leasing business, which was exceptionally affected by the health crisis. In 2021, the Casual Leasing business was affected by the shopping centers being closed for more than 3.5 months; however, the annualized rental revenues included in the NYI calculation correspond to the amounts recorded in the accounts

9.5. EPRA cost ratios

(In million euros)	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021	Comments
Administrative and operating expense line per IFRS income statement[71]	-19.2	-9.2	-19.7	Personnel expenses and other costs
Net service charge costs / fees	-5.8	-4.2	-6.8	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	-1.3	-0.5	-2.1	Rental management fees
Other income and expenses[72]	-21.0	4.1	-3.3	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	0.0	
Total	**-47.3**	**-9.9**	**-31.9**	
Adjustments to calculate the EPRA cost ratio exclude (if included above): - Depreciation and amortization	0.0	0.0	0.0	Depreciation and provisions for fixed assets
- Ground rent costs	0.0	0.0	0.0	Non-group rents paid
- Service charges recovered through comprehensive invoicing (with rent)	0.0	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-47.3**	**-9.9**	**-31.9**	**A**
Direct vacancy costs [73]	**2.5**	**1.6**	**3.3**	
EPRA costs (excluding vacancy costs) (B)	**-44.8**	**-8.3**	**-28.6**	**B**
Gross rental revenues less ground rent costs [74]	175.4	84.7	172.2	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)	**175.4**	**84.7**	**172.2**	**C**
EPRA cost ratio including direct vacancy costs	**-27.0%**	**-11.7%**	**-18.5%**	**A / C**
EPRA cost ratio excluding direct vacancy costs	**-25.6%**	**-9.8%**	**-16.6%**	**B / C**

[71] The administrative and operating expense line per IFRS income statement does not include personnel costs that are capitalized for projects or allocated to sales, for Euro 2.4 million at December 31, 2021, Euro 1.3 million at June 30, 2021 and Euro 1.4 million at December 31, 2020

[72] Other income and expenses for 2021 include various non-recurring impacts linked to the health crisis, as presented in section I of this press release

[73] 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

[74] Gross rental revenues should be calculated after deducting any ground rent payable. All service charges, management fees and other income in respect of property expenses must be added and not deducted. If the rent includes service charges, these should be restated to exclude them. Tenant incentives may be deducted from rental income, whereas any other costs should be recognized in line with IFRS requirements

9.6. EPRA capital expenditure

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

(In millions of euros)	Dec 31, 2020			Jun 30, 2021			Dec 31, 2021		
	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total
Acquisitions	44.8	0.0	44.8	0.4	0.0	0.4	1.5	0	1.5
Developments	7.8	0.0	7.8	0.3	0.0	0.3	2.8	0	2.8
Investment properties	8.0	0.0	8.0	5.8	0.0	5.8	9.4	0	9.4
Incremental lettable space	*3.3*	*0.0*	*3.3*	*1.8*	*0.0*	*1.8*	2.0	0	2.0
No incremental lettable space	*3.0*	*0.0*	*3.0*	*1.9*	*0.0*	*1.9*	4.1	0	4.1
Tenant incentives	*0.1*	*0.0*	*0.1*	*0.5*	*0.0*	*0.5*	1.2	0	1.2
Other material non-allocated types of expenditure	*1.6*	*0.0*	*1.6*	*1.6*	*0.0*	*1.6*	*2.0*	*0*	*2.0*
Capitalized interest (if applicable)	1.0	0.0	1.0	0.0	0.0	0.0	1.8	0	1.8
Total Capex	**61.6**	**0.0**	**61.6**	**6.5**	**0.0**	**6.5**	**15.5**	**0**	**15.5**
Conversion from accrual to cash basis	0.0	0.0	0.0	0.2	0.0	0.2	0.4	0	0.4
Total Capex on cash basis	**61.6**	**0.0**	**61.6**	**6.6**	**0.0**	**6.6**	**15.9**	**0**	**15.9**

Development capital expenditure notably concerns the development of strategic projects (Ocitô and coworking).

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

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