

## 2020 first-quarter activity

### Satisfactory start to the year, before the shock generated by the covid-19 epidemic

Organic growth not representative of the coming quarters:  
**+3.1%** including indexation, **+1.2%** excluding indexation

Mercialys is preparing its centers for the exit from the lockdown with a view to ensuring the safety of its employees, its sites' retailers and their visitors, as well as a sustainable resumption of activity

Vincent Ravat, Mercialis' Chief Executive Officer: "2020 saw a satisfactory start, achieving organic growth in line with trends from the previous quarters. However, retailers' activities were suspended midway through March following the French Government's unprecedented decision, in response to the spread of the epidemic, to close all non-essential stores and lock down the population. Since then, Mercialis has been focusing all its efforts, strictly in accordance with the health measures applicable, on ensuring the best possible continuity for its activity. All the sites from our portfolio are currently open because they include retailers who are authorized to continue trading. The Company is also maintaining regular dialogue with all its tenants, looking for solutions to ensure the sustainability of everyone's activities.

The figures for the first quarter of 2020 will not be representative of the full year. Mercialis has already indicated that, to date, it was not possible for it to quantify the impact of this crisis on its annual performance. Greater visibility will be needed concerning the conditions for exiting the lockdown, which will in principle be rolled out gradually from May 11, 2020, in order to draw up new guidance."

### I. +3.1% organic growth in invoiced rents for the first quarter, not representative of the coming months

Mercialys' business progressed in the first quarter of 2020, achieving **organic growth** of +3.1%, with +1.9% for indexation and +1.2% excluding indexation. **Invoiced rents** climbed to Euro 46.5 million, up +0.4% compared with the first quarter of 2019 after factoring in scope effects.

<i>(In thousands of euros)</i>	Year to end-March 2019	Year to end-March 2020	Change Current basis (%)	Change Like-for-like basis (%)
Invoiced rents	46,312	46,518	<b>+0.4%</b>	<b>+3.1%</b>
Lease rights	820	632	<b>-22.9%</b>	
<b>Rental revenues</b>	<b>47,132</b>	<b>47,150</b>	<b>0.0%</b>	

The change in invoiced rents reflects the following factors:

- Organic growth: **+3.1 points**;
- Impact of assets sold in 2019: **-2.4 points**;
- Other effects, primarily including strategic vacancies linked to current redevelopment programs: **-0.2 points**.

Like-for-like, invoiced rents are up **+3.1%**, including:

- **+1.9 points** for indexation. The level of indexation is expected to decrease in 2020, moving towards an estimated impact of around +1.5%. This trend is linked in particular to a slowdown in the rate of growth for the French commercial rent index (ILC) in 2019;
- **+1.2 points** for actions carried out on the portfolio.

**Lease rights** and despecialization indemnities received over the period came to Euro 0.6 million, compared with Euro 0.8 million for the first quarter of 2019, after factoring in the deferrals applicable under IFRS.

**Rental revenues** came to Euro 47.2 million at March 31, 2020, stable compared with March 31, 2019.

The **recovery rate** for the first quarter of 2020 was 94%. This rate strictly concerns the first three months of 2020 and is not comparable with the higher rates usually reported by Mercialis, which are calculated on a rolling 12-month basis.

## II. Unprecedented suspension of retailers' activities from mid-March

The operational indicators for Mercialis centers showed trends in line with expectations through to March 15, 2020, the date of the French Government's decision to **close all non-essential stores**. As a result, aggregate **footfall** in Mercialis shopping centers<sup>1</sup> from January 1 to March 31, 2020 came to -13.5%, while the CNCC<sup>2</sup> national index recorded -15.1% over the same period. Until March 15, footfall at Mercialis sites was virtually stable compared with the same period last year, reflecting the impact of the concentration of the sales period, from 2020, over four weeks compared with six weeks previously, as well as the calendar effect for February with the leap year. However, the last two weeks of March were characterized by a major trend reversal, with footfall dropping -70.7% in the week following the start of the lockdown.

Thanks to their systematic anchoring with a large food store and their retail mixes that include a wide selection of essential day-to-day stores (pharmacies, telecoms, stationery, tobacco, bank branches, opticians, bakeries, wine stores, frozen food, take-out food, auto repairs, etc.), Mercialis' shopping centers and high-street retail assets **have all continued to operate since the March 15 decree came into force**. This decree allows certain categories of stores, representing **almost 40% of the Company's total rental base**, to continue trading. While certain retailers have not been able to or have not wanted to remain open, the food-anchored tenants, which represent 26% of the Company's annualized rental income, are systematically continuing to operate.

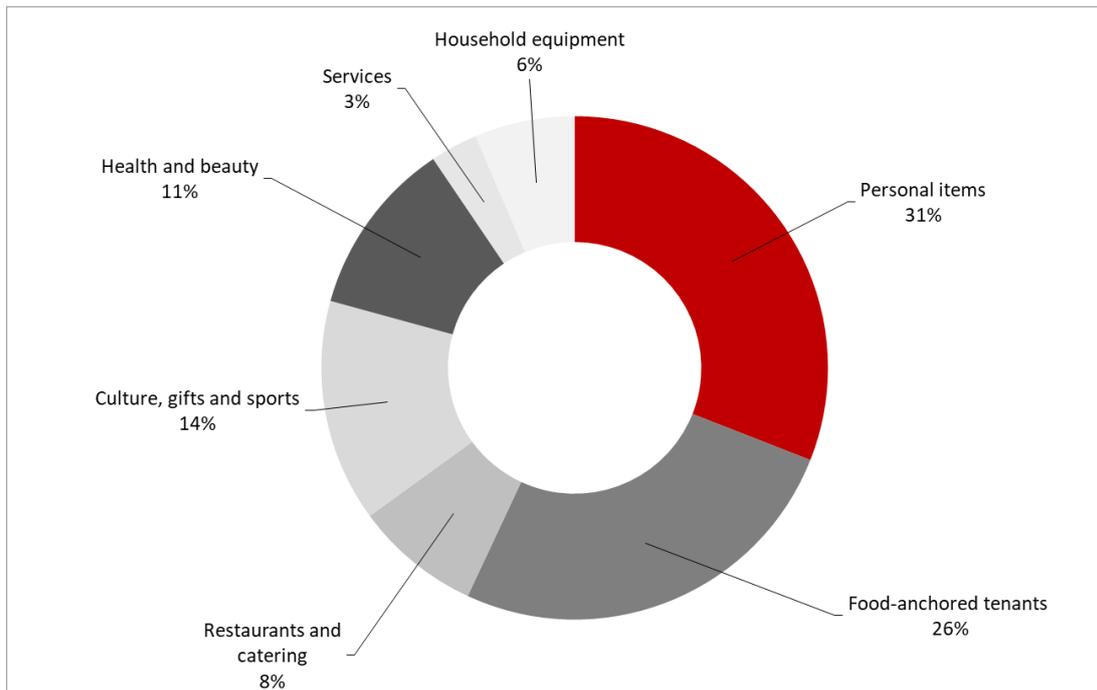
Aggregate **retailer sales**<sup>1</sup> were also stable for January and February 2020, compared with the same period in 2019. The CNCC national index<sup>2</sup> contracted by -1.6% over the same period. The scale of the slowdown in activity for retailers in March is still unknown on the date of this press release due to the structural one-month time lag for reporting this indicator.

April's footfall figures continue to show a marked negative trend, with the French lockdown set to continue until May 11, according to the French President's latest official announcement. To date, the French Government has not stated whether the gradual exit from the lockdown from this date will allow all the stores in shopping centers to reopen. Bars and restaurants look certain to remain closed to begin with. This business segment, excluding bakeries, fast food and take-out food, represents just 3% of Mercialis' annualized rental income. The upturn in retailer sales, from this date, will reflect the speed of the economic recovery.

<sup>1</sup> Mercialis' large centers and main convenience shopping centers based on a constant surface area, representing nearly 90% of the value of the Company's shopping centers

<sup>2</sup> CNCC index – all centers, comparable scope

**Breakdown of Mercialys' contractual rents on an annualized basis by business sector at December 31, 2019**



**III. Mercialys mobilized for all its stakeholders in this crisis context**

Faced with this unprecedented situation, Mercialys has capitalized on its adaptability and responsiveness to meet the challenges resulting from this health crisis with a view to effectively safeguarding its business and its relationships with all its stakeholders.

From a financial perspective, in line with its commitment to transparency, the Company published an update on the situation for the markets on March 16 and announced on March 23 that its 2020 guidance was no longer applicable. On April 1, Mercialys also officially confirmed its decision to hold its General Meeting as a closed session, while announcing, following the French authorities' appeal and in line with a civic-minded spirit to support the national solidarity effort, the moderation of its dividend to the amount corresponding strictly to its distribution requirements under the "SIIC" tax system for real estate investment trusts. Alongside this, the Company has suspended its investments, exclusively maintaining the spending required for site maintenance, whose level is structurally managed very effectively (Euro 9.5 million in 2019). Mercialys has a good level of financial resources, with Euro 410 million of undrawn financing and Euro 270 million of cash at end-March 2020, which notably includes the rent paid in the first quarter of 2020. These resources largely cover the outstanding commercial paper amounts and no further repayments are scheduled before the Euro 750 million bond maturing in March 2023.

Since the start of the crisis, Mercialys has also established regular dialogue with its tenant retailers and is looking into appropriate solutions, on a case-by-case basis, to ensure the sustainability of their activities at sites across its portfolio.

From an operational perspective, Mercialys' priority, since the start of the crisis, has been to maintain an optimal level of activity, while ensuring the health and safety of its customers and employees. That is why, before the general lockdown, the Company put in place measures for all its employees to work from home, with just 15% of its staff occasionally exempted from this requirement so that they can visit the centers and ensure that the right conditions are in place for the retailers that are open to operate. Furthermore, Mercialys has not used the partial unemployment arrangements introduced and is maintaining a strong sense of unity through various steps, including a dedicated unit to provide information and listen to staff, regular updates from the management team, initiatives

to raise awareness of how to protect themselves against coronavirus, the organization of remote sports sessions, etc.

In all the areas where it operates, the Company is maintaining regular links with its end customers by offering appropriate content for the situation (e.g. entertainment for children), thanks to the tools from its powerful digital ecosystem: activities on social media, mailings, information and loyalty programs. In addition, the Company is working to support local solidarity through several operations to maintain links with elderly people in nursing and retirement homes, to provide shelter for women victims of domestic violence, and to donate products and equipment for hospitals and pharmacies in particular.

Despite the changing context of the health crisis, Mercialys is planning ahead for its response to the various scenarios for the exit from this crisis. The Company's model includes major strategic assets to respond to the new challenges that will be faced, such as pricing accessibility and the diversification of retail mixes, with a strong focus on staple products, an advanced strategy for digitalization and innovative services, as well as strong local roots and leading retail positions in its catchment areas.

The Company is already preparing its sites for the process to exit the lockdown, which could be rolled out from May 11 in line with the public authorities' guidelines. To ensure everyone's safety, it is putting in place the following measures, which will be adapted in accordance with future government guidelines. Firstly, the reinforced and continuous cleaning and disinfection of all areas, equipment and materials in contact with the public (which is already in place, as Mercialys' sites are open). Secondly, controlling visitor flows to ensure a low density of people present at the same time, thanks in particular to markings on the ground to organize queues in accordance with social distancing guidelines. Lastly, orders have been placed to set up distributors for alcohol-based hand sanitizer, to enable everyone - employees and customers - to wear gloves and masks, and to check customers' temperatures with contactless laser devices if this was to become necessary.

#### **IV. Dividend moderated to Euro 0.95 per share and full-year guidance to be updated as soon as visibility allows**

As announced in the press release from April 1, 2020, Mercialys' Board of Directors decided, during an extraordinary session, to respond to the French Government's appeal by moderating the proposed dividend for 2019.

A proposal will therefore be submitted at the General Meeting on April 23, 2020 for a dividend of Euro 0.95 per share, with this amount corresponding strictly to its distribution requirements under the "SIIC" tax system for real estate investment trusts.

Considering the interim dividend of Euro 0.47 per share paid on October 23, 2019, the balance for the proposed dividend of Euro 0.95 per share will therefore be Euro 0.48 per share, subject to approval by the General Meeting on April 23 (3<sup>rd</sup> resolution). The ex-dividend and payment dates will remain unchanged, set respectively for April 27 and 29, 2020.

Lastly, with regard to its 2020 full-year guidance, Mercialys does not at this stage have sufficient visibility allowing it to anticipate its performance with a satisfactory level of certainty. The Company undertakes to provide an update on these elements as soon as the stabilization of the operational context allows it to do so.

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This press release is available on [www.mercialys.com](http://www.mercialys.com)

**Analysts / investors / media contact:**

Alexandre Leroy

Tel: +33(0)1 53 65 24 39

Email: [aleroy@mercialys.com](mailto:aleroy@mercialys.com)

**About Mercialys**

Mercialys is one of France's leading real estate companies, focused exclusively on shopping centers and high-street retail assets. At December 31, 2019, Mercialys had a portfolio of 2,144 leases, representing a rental value of Euro 180.6 million on an annualized basis. At December 31, 2019, it owned properties with an estimated value of Euro 3.6 billion (including transfer taxes). Mercialys has had "SIIC" real estate investment trust (REIT) tax status since November 1, 2005 and has been listed on Euronext Paris Compartment A (ticker: MERY) since its initial public offering on October 12, 2005. At December 31, 2019, there were 92,049,169 shares outstanding.

**IMPORTANT INFORMATION**

*This press release contains certain forward-looking statements regarding future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to Mercialys' Universal Registration Document available at [www.mercialys.com](http://www.mercialys.com) for the year ended December 31, 2019 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business. Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstances that might cause these statements to be revised.*

MERCIALYS RENTAL REVENUES

2019	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Q1	Q2	Q3	Q4
Invoiced rents	46,312	93,843	139,739	188,849	46,312	47,531	45,896	49,110
Lease rights	820	1,644	2,311	3,003	820	824	667	692
<b>Rental revenues</b>	<b>47,132</b>	<b>95,487</b>	<b>142,050</b>	<b>191,853</b>	<b>47,132</b>	<b>48,355</b>	<b>46,563</b>	<b>49,803</b>
Change in invoiced rents	+2.5%	+2.7%	+2.4%	+2.0%	+2.5%	+2.9%	+1.8%	+0.7%
Change in rental revenues	+3.5%	+3.6%	+3.1%	+2.4%	+3.5%	+3.8%	+2.1%	+0.5%

2020	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Q1	Q2	Q3	Q4
Invoiced rents	46,518				46,518			
Lease rights	632				632			
<b>Rental revenues</b>	<b>47,150</b>				<b>47,150</b>			
Change in invoiced rents	+0.4%				+0.4%			
Change in rental revenues	0.0%				0.0%			