

Activity at end-September 2022

Sustained business trends, reflecting the Group's excellent fundamentals

**Invoiced rents up +4.3% like-for-like
(+1.7% on a current basis) to Euro 129 million**

Thanks to its retail mix that is effectively aligned with customers' expectations, including in an inflationary context, Mercialys recorded a satisfactory operational performance

The 2022 objectives are being maintained, with expected FFO per share growth of at least 2% and a payout ratio of between 85% and 95% of 2022 FFO

Vincent Ravat, Chief Executive Officer: "In an inflationary context, Mercialys' positioning offers both a sustainable level of rents for retailers and a retail mix that is focused on affordability for visitors. The Company's sites benefit from strong long-term features, illustrated at end-September 2022 by a virtually stable level of retailer sales compared with the normalized level from 2019, as well as an effectively managed vacancy rate and the positive reversion secured on rents. 2022 is also a key transition year for Mercialys, marked by significant changes to its shareholding structure, the completion of the process to bring activities back in-house, and the actions carried out to consolidate its balance sheet. The Company has robust fundamentals in place in a market environment that is volatile, but could open up opportunities for acquisitions. With this performance, Mercialys is able to confirm its full-year targets for 2022, with FFO per share growth of at least +2% and a dividend ranging from 85% to 95% of 2022 FFO".

I. Good business trends following on from the first half of the year

At end-September 2022, Mercialys' **invoiced rents** totaled Euro 129 million, up +1.7% on a current basis compared with end-September 2021 and +4.3% like-for-like.

| (In thousands of euros) | Year to end-September 2021 | Year to end-September 2022 | Change Current basis (%) | Change Like-for-like basis (%) |
|-------------------------|----------------------------|----------------------------|--------------------------|--------------------------------|
| Invoiced rents | 126,878 | 129,030 | +1.7% | +4.3% |
| Lease rights | 1,673 | 532 | -68.2% | |
| Rental revenues | 128,551 | 129,562 | +0.8% | |

The change in invoiced rents reflects the following factors:

| | Year to end-September 2022 | | (Recap) Year to end-June 2022 | |
|---|----------------------------|---------------|-------------------------------|---------------|
| Indexation | +1.9 pp | €2.4m | +1.9 pp | +€1.6m |
| Contribution by Casual Leasing | +1.1 pp | €1.4m | +1.6 pp | +€1.3m |
| Contribution by variable rents | -0.1 pp | -€0.1m | +0.1 pp | +€0.1m |
| Actions carried out on the portfolio | +0.5 pp | +€0.6m | +0.3 pp | +€0.2m |
| Accounting impact of "Covid-19 rent relief" granted to retailers for the 2020 lockdowns | +0.9 pp | +€1.1m | +1.4 pp | +€1.1m |
| Growth (like-for-like) | +4.3 pp | +€5.5m | +5.3 pp | +€4.4m |
| Asset acquisition and sales | -2.4 pp | -€3.0m | -2.0 pp | -€1.6m |
| Other effects | -0.3 pp | -€0.3m | -0.1 pp | -€0.1m |
| Growth (current basis) | +1.7 pp | +€2.2m | +3.2 pp | +€2.7m |

Invoiced rents benefited from indexation in similar proportions to the first half of 2022 (+1.9%). This trend is expected to continue over the full year, as indicated with the half-year results.

The contribution by Casual Leasing shows a significant increase to +1.1%, highlighting the interest among independent retailers, as well as national concepts for Mercialys' sites, helping renew the retail selection available in the centers. The rate of progress has slowed compared with end-June 2022 (+1.6%), with a normalization of the base effect, after the second quarter of 2021 had been marked by the government-ordered store closures.

The impact of actions carried out on the portfolio is accelerating, contributing +0.5% to growth in invoiced rents at end-September (vs. +0.3% at end-June).

Lastly, the accounting impact of the rent relief granted to retailers in connection with the health crisis is gradually decreasing, with an impact of +0.9% at end-September, versus +1.4% at end-June.

In total, organic growth in invoiced rents came to +4.3% at end-September 2022.

On a current basis, invoiced rents are up +1.7%, with the differential linked to scope effects. These result from the sales completed at the end of 2021 (Marseille Canebière Monoprix store and Carré Duparc retail park on Réunion Island) and in April 2022 (Géant Casino Annecy Seynod and Saint-Etienne Monthieu hypermarkets).

The **lease rights and despecialization indemnities**¹ received over the period were not particularly significant and came to Euro 0.5 million, compared with Euro 1.7 million at September 30, 2021.

Rental revenues totaled Euro 129.6 million at end-September 2022, up +0.8% compared with end-September 2021.

II. Relevance of the business model confirmed

The underlying trends for the retail sector in France are still resilient in the third quarter of 2022, particularly with household consumption stable overall in July (-0.9%) and August (+0%), in spite of the geopolitical risks linked to the conflict in Ukraine and the inflationary pressures.

Despite changing consumer habits, reflected in 2021 (during periods when stores were open) and again in 2022 with footfall levels that still came in significantly below the levels from 2019, retailer sales have almost returned to their normalized level from 2019, which highlights an excellent purchase transformation rate.

¹ Lease rights and despecialization indemnities take into account the deferrals applicable under IFRS.

In this context, Mercialys' portfolio successfully outperformed the national indexes:

- **Footfall** at Mercialys sites, for the year to end-September 2022, represented 89.0% of the normalized figure for 2019, outperforming the benchmark index (Quantaflow) by 90 basis points. The footfall trend has continued to improve compared to end-June (88.7%).
- Retailer **sales** across Mercialys' portfolio, for the year to end-August 2022, came to 98.5% of the normalized level from 2019, outperforming the national panel of the French regional retail federation (Fédération des Acteurs du Commerce dans les Territoires, previously CNCC), which came to 97.1% of the normalized level from 2019. As for footfall, the trend is still positive: retailer sales at Mercialys sites, for the year to end-June 2022, represented 98.1% of the normalized base from 2019.

The relevance of Mercialys' geographic positioning and its convenience retail business model based on affordable rents for retailers and a retail mix with affordable pricing for visitors enable the Company to secure its operational performance through different economic cycles, including the health crisis and the current inflationary environment.

Illustrating this, Mercialys has signed up Intersport in Aix-Marseille and Rituals (Hygiene/Beauty) in Lanester to replace two clothing retailers, and further strengthen its selection of day-to-day affordable products, while reducing its textiles exposure.

The level of letting activity continues to show a positive trend, reflecting the operational performance levels benefiting retailers at Mercialys' sites, with 33 leases signed during the third quarter of 2022. The **reversion** associated with the 123 leases signed for renewals and relettings for the year to end-September 2022 represents +2.4%, higher than end-June 2022 (+1.7%).

The **current financial vacancy rate** and **total vacancy rate** (including the "strategic" vacancies decided on to facilitate the implementation of extension and redevelopment plans) were 3.0% and 4.5% respectively at September 30. They are stable overall compared with end-June (2.9% and 4.4% respectively).

III. Changes to the shareholding structure and completion of the process to bring activities back in-house in 2022

On September 29, 2022, the Group was informed through a statutory disclosure threshold declaration from Crédit Agricole Corporate and Investment Bank (CACIB), a Crédit Agricole S.A. subsidiary, that the placement of the Mercialys securities sold by Casino to this bank on April 4, 2022 had nearly been finalized. This placement brings to a close the divestment of Casino's 40% interest in Mercialys' capital that began in July 2018. Note that the Casino group has no longer had any representative on Mercialys' Board of Directors since April 28, 2022.

Alongside this, in August 2022, Mercialys completed the process to bring activities that were previously outsourced to Casino back in-house. The Company is also preparing to bring in-house its rental, technical and administrative management, entrusted to a Casino subsidiary, which will be effective from January 1, 2023.

On October 17, 2022, Mercialys was also informed of the change in the Generali Group's interest in its capital, from 7.85% at end-July to 5.08% at October 14, 2022. The Generali Group has no longer been represented on Mercialys' Board of Directors since July 1, 2022.

2022 also marks a key step forward from a financial perspective, with Mercialys significantly strengthening its financial structure. In February 2022, the Company carried out a bond issue for a nominal total of Euro 500 million (7-year maturity, 2.5% coupon), and alongside this:

- it completed the early redemption of Euro 100 million of the bond issue due to mature in July 2027, with a 4.625% coupon and an initial nominal total of Euro 300 million,
- it fully exercised its make-whole call option for the early redemption of the Euro 469.5 million outstanding on the bond issue (March 2023 maturity, 1.787% coupon).

These various operations made it possible to extend the maturity of the bond debt to 5.4 years, while reducing the average cost to 1.7% at end-June 2022 (versus 3.6 years and 2.0% respectively at end-2021). This has considerably strengthened the Company's liquidity, with no bond maturities due before February 2026.

The balance sheet also benefited from a normalization of the collection rate in 2022. The gross **collection** rate ², at October 12, 2022 came to 94.6%, for the year to end-September, and reflects a normalization of relations with retailers.

IV. Outlook

Based on its business performance levels at end-September 2022, the Company is able to confirm its objectives for 2022, excluding health crisis-related events that could lead to a deterioration in operations during the last quarter.

Growth in funds from operations (FFO) will reach at least +2% versus 2021 and the dividend paid out will range from 85% to 95% of 2022 FFO.

The retailer Camaïeu, which represents 0.8% of Mercialys' rental income, went into liquidation at the end of September 2022, but this is not likely to call into question the Group's financial objectives.

The solid level of revenues, demonstrated over nine months, also confirms the value of the Company's assets excluding transfer taxes. The appraisals carried out at end-September for the subsidiaries owned with investors (Hyperthetis and Immosiris with BNP Paribas, both fully consolidated, and SCI AMR with Amundi, consolidated on an equity basis), support this trend and show an appraisal rate that is globally in line with the valuations from end-June.

The average appraisal rate across the entire consolidated portfolio, published at end-June 2022, came to 5.71%, with a still very significant spread of nearly 275 bp versus the current risk-free rate (10-year OAT at October 12, 2022).

In August 2022, a law capping the change in the commercial rent index (ILC) at +3.5% over one year for SMEs ³ was adopted. This capping rule concerns 23% of Mercialys' rental base.

² The gross collection rate is calculated on the full amount of rent and charges excluding tax billed to tenants.

³ Companies with less than 250 employees and with revenues of less than Euro 50 million or a total annual balance sheet of less than Euro 43 million.

The ILC for the second quarter of 2022 was +4.4%, significantly lower than inflation (+5.6% in September 2022). This index will apply to around 25% of Mercialys' rental base in 2023. The occupancy cost ratio is therefore expected to remain sustainable for retailers at the Company's sites (for reference, the occupancy cost ratio ⁴ was 10.7% at end-June 2022).

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This press release is available on www.mercialys.com.

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About Mercialys

Mercialys is one of France's leading real estate companies. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends, on its own behalf and for third parties. At June 30, 2022, Mercialys had a real estate portfolio valued at Euro 3.1 billion (including transfer taxes). Its portfolio of 2,130 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 June 30, 2022.

IMPORTANT INFORMATION

This press release contains certain forward-looking statements regarding future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to Mercialys' Universal Registration Document available at www.mercialys.com for the year ended December 31, 2021 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.

⁴ Ratio between rent, charges (including marketing funds) and invoiced work (including tax) paid by retailers and their sales revenue (including tax), excluding large food stores.

MERCIALYS RENTAL REVENUES

| 2021 | Mar 31, 2021 | Jun 30, 2021 | Sep 30, 2021 | Dec 31, 2021 | Q1 | Q2 | Q3 | Q4 |
|---------------------------|---------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Invoiced rents | 41,958 | 83,419 | 126,878 | 170,352 | 41,958 | 41,461 | 43,459 | 43,474 |
| Lease rights | 635 | 1,246 | 1,673 | 1,879 | 635 | 611 | 428 | 206 |
| Rental revenues | 42,593 | 84,665 | 128,551 | 172,232 | 42,593 | 42,072 | 43,886 | 43,680 |
| Change in invoiced rents | -9.8% | -8.1% | -7.0% | -1.5% | -9.8% | -6.2% | -4.8% | +19.0% |
| Change in rental revenues | -9.7% | -8.0% | -7.1% | -1.8% | -9.7% | -6.2% | -5.2% | +17.6% |

| 2022 | Mar 31, 2022 | Jun 30, 2022 | Sep 30, 2022 | Dec 31, 2022 | Q1 | Q2 | Q3 | Q4 |
|---------------------------|---------------|---------------|----------------|--------------|---------------|---------------|---------------|----|
| Invoiced rents | 43,429 | 86,087 | 129,030 | | 43,429 | 42,658 | 42,943 | |
| Lease rights | 181 | 364 | 532 | | 181 | 182 | 168 | |
| Rental revenues | 43,610 | 86,450 | 129,562 | | 43,610 | 42,840 | 43,111 | |
| Change in invoiced rents | +3.5% | +3.2% | +1.7% | | +3.5% | +2.9% | -1.2% | |
| Change in rental revenues | +2.4% | +2.1% | +0.8% | | +2.4% | +1.8% | -1.8% | |