MERCIALYS

BOARD OF DIRECTORS’

HALF-YEAR FINANCIAL REPORT

First half of 2023

CONTENTS

KEY FIGURES

(In millions of euros)	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Invoiced rents	86.1	172.6	87.9
EBITDA	75.3	144.2	72.3
Recurrent earnings (FFO)	57.5	105.5	57.5

Operating performance	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Organic growth in invoiced rents including indexation	+5.3%	+4.1%	+4.2%
Current financial vacancy rate	2.9%	2.9%	3.3%
Occupancy cost ratio	10.7%	11.1%	10.9%

Per share data (in euros)	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Recurrent earnings (FFO), average basic number of shares	0.61	1.13	0.62
EPRA NDV (in millions of euros)	1,834.6	1,953.4	1,751.5
EPRA NDV per share[1], diluted number of shares at the end of the period	19.65	20.94	18.80

Portfolio value and debt	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Fair value of portfolio including transfer taxes (in millions of euros)	3,122.8	3,091.2	2,987.0
Fair value of portfolio excluding transfer taxes (in millions of euros)	2,930.2	2,896.9	2,799.8
Average appraisal yield rate	5.71%	5.75%	6.21%
LTV (excluding transfer taxes)	36.6%	35.3%	38.6%
ICR (EBITDA / net finance costs)	6.1x	5.9x	5.2x

[1] NDV: Net Disposal Value. Calculated based on the diluted number of shares at the end of the period, in accordance with European Public Real Estate Association (EPRA) guidelines

1. ACTIVITY REPORT

1.1. Solid results, built around a resilient asset portfolio

The first half of 2023 was widely marked by various elements linked to the macroeconomic environment. Inflation began to cool in May (+5.1%) and June (+4.5%), down from a high of +6.3% in February[2]. However, food inflation continues to be high (+13.7% at end-June), weighing on household purchasing power in the short term and indirectly affecting their plans to make purchases.

According to an Odoxa survey from April 2023, the index for confidence in the future is down to an all-time low, reflected in consumers making tradeoffs at the expense of discretionary spending, as well as switches within categories to cheaper products.

In this environment, Mercialys' positioning is even more relevant, built around the accessibility of its offering, with a retail mix that is designed to satisfy consumers' day-to-day needs.

These changes can be seen in retail trends in France during the first half of the year, particularly with contrasting changes in household consumption (-0.8% in March and April and +0.5% in May) according to INSEE. Nevertheless, it is expected to remain stable over the full year in 2023 according to Banque de France. Specifically, French households are benefiting from resources derived from the surplus savings built up during the health crisis in 2020-2021 and are not being affected by the increase in interest rates in terms of their mortgages as the vast majority are based on fixed rates.

In this context, shopping center footfall levels and retailer sales[3] performed well, highlighting the resilience of Mercialys' model focused on satisfying essential needs at affordable prices for as many people as possible.

Across the Company's portfolio, shopping center footfall is up +2.3% for the first half of 2023, while retailer sales show +3.5% growth over the same period.

Over the last five years, the average basket for clients across Mercialys' scope increased by nearly +25% (+5.8% per year on average), illustrating the attractive retail mix offered on the one hand and, on the other hand, the more efficient shopping trips made, which are prepared beforehand, and lastly, following a more recent development, the impact of inflation.

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

Organic growth[4] in the Company's invoiced rents came to +4.2%, including +3.8% indexation. EBITDA came to Euro 72.3 million, down -3.9% from June 30, 2022, incorporating the impacts of the assets sold, as well as a high base effect linked to the reversals of provisions recorded during the first half of 2022 for arrears relating to 2020 and 2021 for a total of Euro 6.6 million for the first half of 2022. The EBITDA margin represents 82.0% (vs. 83.2% at December 31, 2022 and 87.0% at June 30, 2022).
Recurrent earnings (FFO) are stable compared with end-June 2022 at Euro 57.5 million and in line with the full-year target for 2023 (at least +2.0% compared with 2022). The basis for comparison at June 30, 2022 incorporated various elements relating to the health crisis representing Euro +5.7 million of net income. FFO at end-June 2023 includes a non-significant amount of net income in relation to this for Euro +0.4 million. On a basis restated for

[2] INSEE; annual change
[3] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing over 80% of the value of the Company's shopping centers.
[4] Assets enter the like-for-like scope used to calculate organic growth after being held for 12 months

the non-recurring impacts linked to the health crisis, with these impacts to fade in 2023, **FF0 at end-June 2023 shows an increase of +10.3%**.

The value of assets excluding transfer taxes is down slightly, with -3.4% like-for-like for the first half of the year. The economic and financial assumptions retained by the appraisers have not fundamentally changed from one half-year period to another with regard to the long-term growth rate for rents or the ratio for rents per square meter. However, the appraisers have incorporated the impact of the increase in interest rates into their appraisal rate, or have adjusted the risk premiums in order to take into account a risk that is considered to be higher for the rental income linked to the Casino group.

After taking into account these factors, the **average appraisal yield rate** was 6.21% at June 30, 2023, up +46bp from end-December 2022 (5.75%) and +50bp versus June 30, 2022 (5.71%), and shows a positive yield spread of nearly 330bp compared with the risk-free rate (10-year OAT) at end-June.

This value adjustment and the reduction in the impact of the fair value of fixed-rate debt compared with end-2022 contributed to the -10.2% contraction in NDV per share over six months to Euro 18.80 per share.

Mercialys continues to benefit from a particularly solid financial profile, with a loan to value (LTV) ratio of 36.1% for the first half of 2023 (vs. 33.0% at end-2022 and 34.3% at end-June 2022) and an ICR of 5.2x (vs. 5.9x and 6.1x respectively at end-December 2022 and end-June 2022). Alongside this, in a context of significant increases in interest rates from the first half of 2022, Mercialys has further strengthened its hedging rate for its fixed-rate debt, up to 96% for 2023 and 100% for 2024.

The Company's debt refinancing operations carried out during the first quarter of 2022 enable Mercialys to record a satisfactory maturity of 4.2 years at end-June 2023, with no bond issues due to mature before February 2026. Mercialys also has Euro 385 million of undrawn financing resources, stable compared with end-December 2022. The maturity of 69% of these resources was extended during the first half of 2023, with an average maturity of 3.0 years at end-June 2023, representing an optimization of +0.9 years. In addition, at end-June 2023, 100% of the undrawn bank lines included ESG criteria, compared with 53% at end-2022.

Buoyed by these performances, the Company is able to confirm its objectives for 2023, with growth in Recurrent earnings (FFO) per share to reach at least +2.0% versus 2022 and a dividend to range from 85% to 95% of 2023 FFO.

1.2. Food anchoring to diversify the rental risk represents a strong conviction for Mercialys

Mercialys' portfolio has been structured around recurrent consumption, for which the essential features of the products offered and their accessibility are decisive factors. Food retail, through the ownership of hypermarkets that were previously operated exclusively by the Casino group, which represents 21.4% of Mercialys' rental base, is perfectly aligned with this approach.

Mercialys' rental exposure to large food stores is split between:

- five food stores (including one Monoprix store) operated by Casino and fully owned by Mercialys
- five food stores operated by Casino and 60% owned by Mercialys
- ten food stores operated by Casino and 51% owned by Mercialys

Taking into account the share of rental income depending on how assets are held through these various entities, and reintegrating a 25% share of rental income for the five food stores (three Monoprix stores and two Géant

Casino hypermarkets) held by SCI AMR (in which Amundi has a 75% stake), Mercialys' economic exposure to rent from retailers operated by the Casino Group comes to 18.3%.

Exposure to large food stores represents a strong conviction at the heart of Mercialys' retail mix strategy. The recurrence of visits to hypermarkets within the sites and this activity's essential positioning in the day-to-day lives of households are important factors for ensuring the sustainability of the rents associated with this type of real estate. This conviction is one of the reasons why Mercialys stands out in the retail property company landscape in Europe.

In addition, consumption habits have changed, moving towards an increased specialization of retailers, often making hypermarkets' non-food lines less relevant. The spaces are becoming too big, opening up opportunities for restructuring operations to benefit the shopping centers by creating new spaces for stores or mid-size units and further strengthening the sites' leading positions. This transformation and reletting work is one of the Company's longstanding areas of expertise and offers potential for positive reversion over time. As the current average size of the hypermarkets owned by Mercialys is over 12,000 sq.m, their restructuring to move towards a more optimized size of 9,000 sq.m would result in the transformation of around 90,000 sq.m of shopping center space.

At the same time, Mercialys is gradually, but regularly, scaling back its exposure to Casino as its primary tenant, thanks in particular to the asset rotations carried out since 2018, illustrated most recently by the sale of two Géant Casino stores in April 2022.

On May 26, 2023, the Casino group announced that it was opening conciliation proceedings with its financial creditors. Mercialys is not in any way concerned by these proceedings and confirms that, to date, the Casino group is paying its rents in accordance with its contractual commitments.

On May 26, 2023, Casino also announced that it had signed a memorandum of understanding with Groupement Les Mousquetaires to extend their partnerships and optimize their respective networks.

This agreement provides for Casino to sell Groupement Les Mousquetaires (Intermarché banner) a number of sales outlets from the Casino France scope. The list of Géant stores to be transferred to Intermarché over the next three years, resulting in a change of retailer, has been published in the press. The Mercialys sites concerned by this takeover are as follows: Vals-près-le-Puy, Tours-La Riche, Besançon, Albertville, Montpellier, Millau and Valence.

Mercialys owns 51% of the Le Puy hypermarket (BNP Real Estate has a 49% stake) and 25% of the Besançon hypermarket (75% owned by Amundi). These banner transfers will contribute to the diversification of both Mercialys' rental base and the food anchoring of sites within its portfolio.

1.3. Capacity to position itself on operations for growth

One of the major operational challenges for Mercialys, in an uncertain consumption environment, is to develop the attractiveness of its sites with a view to extracting their value and facilitating their rotation over time.

Mercialys did not carry out any sales operations during the first half of 2023. Building on its very solid financial structure, the Company will maintain its highly opportunistic approach to potential sales, which would primarily concern assets that have reached their maturity or would help reduce the rental portfolio's exposure to the Casino group.

Mercialys also has headroom in place enabling it to position itself on new investments. These investments may concern the Euro 471 million pipeline of projects already identified (see below), as well as acquisitions of assets or developments incorporating property development margins. Mercialys will continue to focus its development on the retail sector, while capitalizing on its various areas of real estate expertise, enabling it to take part in mixed-use operations.

The increase in borrowing rates is leading to a highly selective approach for projects or acquisitions, which must meet a demanding criterion for a yield of 250bp above the refinancing cost. Investments will also need to meet strict quality criteria in terms of rental exposure (resilient sectors such as food) and geographic location.

Furthermore, to further strengthen its expertise relating to consumer trends, Mercialys took part in the round of fundraising carried out in July 2023 by the DEPUR group, which is specialized in the design and execution of major Food & Beverage & Entertainment (F&B&E) projects. Mercialys acquired a major stake through this round of fundraising, alongside Bouygues Immobilier and the BPI's tourism/leisure fund, and will become a leading shareholder in the DEPUR group, with just under 23% of its capital for an investment of €1.1m.

DEPUR's approach involves structuring in one place a range of food and beverage and entertainment services combined with a customer experience that extends well beyond culinary know-how.

Thanks to the funds raised with this operation, DEPUR will have resources to accelerate its development and further strengthen its expertise, with its ambition to establish itself as the first vertically integrated operator specialized in the F&B&E sector, from conceptualization through to operations.

1.4. Detailed analysis of results

1.4.1. Solid level of business, resulting in organic rental income growth of +4.2%

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

(In thousands of euros)	Jun 30, 2022	Jun 30, 2023	Change (%)
Invoiced rents	86,087	87,910	+2.1%
Lease rights and despecialization indemnities	364	254	-30.1%
Rental revenues	**86,450**	**88,164**	**+2.0%**
Property tax	-13,310	-13,729	+3.1%
Rebilling to tenants	11,432	11,453	+0.2%
Non-recovered property taxes	**-1,878**	**-2,276**	**+21.2%**
Service charges	-16,455	-19,742	+20.0%
Rebilling to tenants	13,957	16,965	+21.6%
Non-recovered service charges	**-2,498**	**-2,777**	**+11.2%**
Management fees	-3,739	-555	-85.2%
Rebilling to tenants	2,134	1,999	-6.3%
Losses on and impairment of receivables	4,199	-2,219	na
Other expenses	341	229	-32.9%
Net property operating expenses	**2,935**	**-546**	**na**
Net rental income	**85,009**	**82,564**	**-2.9%**

The **+2.1 points** change in invoiced rents primarily reflects the following factors:

- the impact of indexation for **+3.8 points**, representing Euro +3.2 million;
- the lower contribution by Casual Leasing for **-0.2 points**, representing Euro -0.2 million;
- the increase in variable rents for **+1.7 points**, representing Euro +1.4 million;
- the actions carried out on the portfolio for **-1.5 points**, representing Euro -1.3 million;
- the accounting impact of the rent relief granted to retailers in connection with the health crisis for **+0.5 points**, representing Euro +0.4 million;
- the asset sales completed in 2022 for **-2.0 points**, representing Euro -1.7 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 first five effects presented above, **organic growth in invoiced rents** shows an increase of **+4.2 points**.

Overall, the impact of indexation remained stable between end-March and end-June 2023 (+3.6% and +3.8% respectively). The actions carried out on the portfolio made a negative contribution to growth and were down to a low level during the first half of the year, as a result of the vacancies generated by the retailer Camaïeu, which represented 0.3 vacancy points during the period, going into liquidation. Excluding Camaïeu, the current financial vacancy rate is virtually stable and the good performance levels achieved with lettings are expected to support organic growth over the medium term. Alongside this, the satisfactory contribution by variable rents reflects the good level of business for tenants.

The scope effects are linked primarily to the impact of the sales completed in April 2022 (Géant Casino hypermarkets in Annecy Seynod and Saint-Etienne Monthieu) and December 2022 (Marseille Sainte-Anne and Marseille Croix-Rouge centers).

The **lease rights and despecialization indemnities**[5] billed over the period are not significant for the first half of 2022. After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for the first half of 2023 totaled Euro 0.3 million, compared with Euro 0.4 million for the first half of 2022.

Net rental income is down -2.9% to Euro 82.6 million at June 30, 2023. It corresponds to the difference between rental revenues and the costs that are directly allocated to the sites. These costs include property taxes and service charges that are not billed back to tenants, as well as property operating expenses (primarily fees paid to the property manager that are not re-invoiced and various charges relating directly to site operations).

The costs included in the calculation of net rental income represent Euro 5.6 million for the first half of 2023, compared with Euro 1.4 million at June 30, 2022. The Company benefited from the lower level of management fees paid after various activities were brought in-house in 2022. However, the first half of 2022 benefited from Euro +5.7 million of net income for various impacts relating to the health crisis: a non-recurring positive effect linked to reversals of provisions for arrears recorded for 2020-2021 for a total of Euro +6.6 million and, alongside this, a Euro -0.8 million expense relating to rent relief. At end-June 2023, the impact relating to this exceptional situation was very limited, representing Euro +0.4 million, split between a Euro -0.4 million expense corresponding to relief on the rent billed and a reversal of provisions relating to the arrears resulting directly from the health crisis for Euro +0.8 million. Excluding these non-recurring items intended to spread the impacts associated with the health crisis, net rental income would be up +3.6%.

[5] 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

1.4.2. Robust operational indicators

The first half of 2023 was marked by adverse events which weighed on retail trends in France. For instance, footfall in our centers was penalized by the demonstrations against the pension reforms and the temporary blockade of certain fuel depots. In addition, consumers' concerns surrounding changes in their purchasing power, seen through the prism of food inflation, weighed on retailer sales[6], which nevertheless remained robust during the first half of 2023 at +3.5%.

This can be seen in the retail trends in France for the first half of the year, particularly with contrasting changes in household consumption (-0.8% in March and April and +0.5% in May) according to INSEE. Nevertheless, it is expected to remain stable over the full year in 2023 according to Banque de France. Specifically, French households are benefiting from resources derived from the surplus savings built up during the health crisis in 2020-2021 and are not being affected by the increase in interest rates in terms of their mortgages as the vast majority are based on fixed rates.

In this context, shopping center footfall levels and retailer sales[6] performed well, highlighting the resilience of Mercialys' model focused on satisfying essential needs at affordable prices for as many people as possible.

Total footfall across Mercialys' sites for the first half of 2023 is down -2.0% versus the same period in 2022, compared with a +3.7% increase for the Quantaflow national index.

This performance masks a significant differential between the footfall in Mercialys' shopping centers, which recorded growth of +2.3% and the performance by the hypermarkets anchoring these sites, where footfall contracted sharply by -8.9%.

This marked decorrelation illustrates clients' different retail journeys, with the centers benefiting from their specific attractive features (diverse selection of retailers, number, price positioning, etc.).

The robust trend - excluding hypermarkets - is also reflected in the **sales** recorded by tenant retailers, up +3.5% for the first half of 2023. At end-May 2023, retailer sales growth came to +3.4%, while the national panel (FACT) increased by +5.2%.

The differential in favor of the national panel is linked primarily to a stronger upturn, within the national panel, for large shopping centers, which had been affected by the requirement for vaccine passes in restaurants through to the end of the first quarter of 2022.

Over the last five years, the average basket for clients across Mercialys' scope increased by nearly +25% (+5.8% per year on average), illustrating the attractive retail mix offered on the one hand and, on the other hand, the more efficient shopping trips made, which are prepared beforehand, and lastly, following a more recent development, the impact of inflation.

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

The **occupancy cost ratio**[7] remained at a very sustainable level of 10.9% at end-June 2023, compared with 10.7% at June 30, 2022 and 11.1% at December 31, 2022. The slight drop in this indicator compared with end-2022

[6] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing over 80% of the value of the Company's shopping centers.
[7] 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

factors in the change in the retail mix, reflecting the Company's rental policy aimed at maintaining its sites' leading positions through an adapted offering, while ensuring the continued accessibility and sustainability of rents.

The **current financial vacancy rate**[8] - which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans – was 3.3% for the first half of 2023, up from the 2.9% recorded at end-June 2022 and December 31, 2022 in line with what had been announced in February 2023, linked in particular to the retailer Camaïeu going into liquidation.

This retailer represented 0.9% of Mercialys' rental base. At end-June, seven stores had been relet, representing nearly 45% of the rents concerned, alongside outline agreements signed for two stores (representing 15% of the rents concerned). The relettings achieved average positive reversion of +9%.

Excluding the vacancies linked to Camaïeu, with their impact representing 0.3 points, the current financial vacancy rate would be virtually stable at end-June 2023.

The robust letting performance is illustrated by the 65 leases signed for renewals or relettings during the first half of 2023. The reversion rate associated with these negotiations was +1.1%.

Mercialys' strategy to further strengthen the affordable retail mix for visitors was illustrated for instance by the leases signed during the first half of the year with Rituals (health/beauty) in the Brest, Nîmes and Angers shopping centers, as well as Primaprix (clearance) at Paris Massena, Comptoir de Mathilde (delicatessen) in Quimper and Annecy, Darty in Angers and several local retailers in Nîmes and Montpellier.

The **collection rate** for the first half of 2023 came to 92.9% at June 30, 2023. At July 21, 2023, this rate was up to 93.5%.

1.4.3. Changes in the lease structure

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

Casino group retailers accounted for 21.4% of total rental income at June 30, 2023, virtually identical to the level from December 31, 2022 (21.0%) and June 30, 2022 (20.9%). Although showing a very slight mechanical increase in the short term, the weighting of Casino as a tenant is steadily being scaled back in line with Mercialys' dedicated strategy to reduce this exposure as detailed in section 1.2.

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 was 18.3% at end-June 2023 (vs. 17.8% at end-June 2022 and 18.0% at end-2022).

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

The schedule for leases entered into with the Casino group, excluding associates, is presented below:

Schedule for key Casino Group leases

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Grenoble	100%	Monoprix	02/2010	02/2022	3 - 6 - 9 - 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Lanester	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Ajaccio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Corte	60%	Supermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Furiani	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Porto-Vecchio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Toga	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

Top 10 tenant retailers (excluding Casino Group)

H&M
Feu Vert
Armand Thiery
Nocibé
Fnac
Mango
Orange
Jules
Sephora
Yves Rocher
13.5% of contractual rents on an annualized basis

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

	Number of leases Jun 30, 2023	Annual MGR* + variable rents (€m) Jun 30, 2023	Percentage of rent (%)	
			Jun 30, 2022	Jun 30, 2023
National and international retailers	1,407	112.8	65.5%	65.3%
Local retailers	600	23.1	13.6%	13.4%
Monoprix	1	1.2	0.7%	0.7%
Géant Casino and other entities	46	35.7	20.2%	20.6%
Total	**2,054**	**172.8**	**100.0%**	**100.0%**

** MGR: minimum guaranteed rent*

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

	Percentage of rent (%)	
	Jun 30, 2022	Jun 30, 2023
Food and dining	8.2%	8.4%
Health and beauty	12.8%	12.9%
Culture, gifts and sports	17.4%	17.8%
Personal items	30.6%	29.0%
Household equipment	7.4%	7.8%
Food-anchored tenants	20.3%	20.9%
Services	3.3%	3.2%
Total	**100.0%**	**100.0%**

The **rental income structure** at June 30, 2023 shows that the majority of leases, in terms of overall rental income, include a variable clause. However, the Company's exposure to purely variable rents is very limited, representing 1.7% of the rental base.

	Number of leases Jun 30, 2023	Annual MGR + variable rents (€m) Jun 30, 2023	Percentage of rent (%)	
			Jun 30, 2022	Jun 30, 2023
Leases with variable clause	1,283	101.1	59%	58%
- of which MGR		*97.4*	57%	*56%*
- of which variable rent with MGR		*0.7*	0%	*0%*
- of which variable rent without MGR		*3.0*	1%	*2%*
Leases without variable clause	771	71.8	41%	42%
Total	**2,054**	**172.8**	**100.0%**	**100.0%**

The rental income structure at June 30, 2023 shows a predominant share of leases indexed against the French commercial rent index (ILC). As a result of the lease anniversary dates, the indexation of Mercialys' rents will be linked for 14% to the index published in the first quarter of 2022, with 22% for the index published in the second quarter of 2022, 48% for the index published in the third quarter of 2022, and 10% for the index published in the fourth quarter of 2022, while the other indexes represent a residual balance of 7%.

	Number of leases Jun 30, 2023	Annual MGR + variable rents (€m) Jun 30, 2023	Percentage of rent (%)	
			Jun 30, 2022	Jun 30, 2023
Leases index-linked to the commercial rent index (ILC)	1,783	162.5	95%	96%
Leases index-linked to the construction cost index (ICC)	89	5.3	4%	3%
Leases index-linked to the tertiary activities rent index (ILAT) and non-adjustable leases	164	1.3	1%	1%
Total	**2,036**	**169.1**	**100.0%**	**100.0%**

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

At June 30, 2023	Number of leases	Annual MGR* + variable rents (in millions of euros)	Share of leases expiring (% annual MGR + variable)
Expired at December 31, 2022	292	18.6	10.7%
2023	111	7.3	4.2%
2024	154	9.4	5.4%
2025	126	7.7	4.5%
2026	170	16.0	9.2%
2027	214	40.8	23.6%
2028	201	15.0	8.7%
2029	177	11.6	6.7%
2030	269	25.7	14.9%
2031	192	11.4	6.6%
2032 and beyond	148	9.3	5.4%
Total	**2,054**	**172.8**	**100.0%**

* Minimum guaranteed rent

The stock of expired leases at end-2023 reflects the negotiations underway, refusals to renew leases with the payment of compensation for eviction, global negotiations for each retailer, tactical delays, etc.

As mentioned above, the first half of the year saw a sustained level of letting activity. Whereas at the end of 2022, the leases expired or due to expire at December 31, 2022 represented 12.0% of the Company's total rental base, they were down to just 10.7% on the date when this Report was published.

1.4.4. Management income, overheads and EBITDA

(In thousands of euros)	Jun 30, 2022	Jun 30, 2023	Change (%)
Net rental income	**85,009**	**82,564**	**-2.9%**
Management, administrative and other activities income	1,208	1,412	+17.0%
Other income and expenses	-1,620	-1,904	+17.5%
Personnel expenses	-9,346	-9,789	+4.7%
EBITDA	**75,251**	**72,284**	**-3.9%**
% rental revenues	87.0%	82.0%	-

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

Fees charged at June 30, 2023 totaled Euro 1.4 million, compared with Euro 1.2 million at June 30, 2022.

No **property development margin** was recorded during the first half of 2023 or in 2022.

The **other current income** of Euro 0.4 million recognized in the first half of 2022 included 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. As the shopping center held by this OPCI fund was sold in 2022, and this company is currently being liquidated, Mercialys no longer records any dividends received from this fund in 2023.

Other current expenses mainly comprise overheads. Overheads primarily include financial communications costs, remuneration paid to members of the Board of Directors, corporate communications costs, shopping center communications costs, marketing research costs, professional fees (statutory auditors, consulting, research) and real estate portfolio appraisal costs.

During the first half of 2023, these costs totaled Euro 1.9 million, compared with Euro 2.0 million for the first half of 2022, highlighting Mercialys' rigorous cost management.

Personnel expenses totaled Euro 9.8 million for the first half of 2023, higher than the first half of 2022 (Euro 9.3 million). This change factors in the impact of pay rises in an inflationary context, and the integration of new staff recruited in 2022 and 2023 in connection with the rental management and technical and administrative management activities being brought back in-house from January 1, 2023.

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

As a result, **EBITDA**[9] totaled Euro 72.3 million, down -3.9% from June 30, 2022. The EBITDA margin represents 82.0% (vs. 83.2% at December 31, 2022 and 87.0% at June 30, 2022).

1.4.5. Net financial items

The **net financial items** taken into account to calculate Recurrent earnings (FFO) came to Euro 13.7 million at June 30, 2023, compared with Euro 14.2 million at June 30, 2022.

This amount does not take into account non-recurring items, such as hedging ineffectiveness, the banking default risk, bond redemption premiums and costs, proceeds from unwinding hedging products and exceptional amortization.
In connection with the debt restructuring carried out during the first quarter of 2022, premiums and additional amortization were recorded in the accounts at end-June 2022 as a result of the two bond redemptions. These impacts are presented in the detailed breakdown of net financial items below:

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

(In thousands of euros)	Jun 30, 2022	Jun 30, 2023	Change (%)
Income from cash and cash equivalents *(a)*	**19**	**1,296**	**na**
Cost of debt taken out *(b)*	-14,863	-17,823	+19.7%
Impact of hedging instruments *(c)*	6,859	2,554	-62.8%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**-8,004**	**-15,269**	**na**
Exceptional amortization of costs relating to the early repayment of financial debt *(e)*	-4,282	0	na
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**-12,286**	**-15,269**	**+24.0%**
Net finance costs *(g) = (a)+(f)*	**-12,267**	**-13,974**	**+13.9%**
Cost of revolving credit facility and bilateral loans (undrawn) *(h)*	-1,460	-1,191	-18.4%
Other financial expenses *(i)*	-165	-240	+45.6%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-1,625**	**-1,431**	**-11.9%**
Costs on redemption operations and restructuring of debt and hedging instruments (k)	-26,358	-5,397	na
Other financial expenses *(l) = (j)+(k)*	**-27,983**	**-6,828**	**na**
Total financial expenses *(m) = (f)+(l)*	**-40,269**	**-22,097**	**na**
Income from associates	129	381	na
Other financial income	0	0	na
Other financial income *(n)*	**129**	**381**	**na**
Total financial income *(o) = (a)+(n)*	**147**	**1,677**	**na**
NET FINANCIAL ITEMS = *(m)+(o)*	**-40,121**	**-20,420**	**-49.1%**

1.4.6. Recurrent earnings (FFO) and net income attributable to owners of the parent

1.4.6.1. Recurrent earnings (FFO)

(In thousands of euros)	Jun 30, 2022	Jun 30, 2023	Change (%)
EBITDA	**75,251**	**72,284**	**-3.9%**
Net financial income (excluding non-recurring items[10])	-14,162	-13,698	-3.3%
Reversals of / (Allowances for) provisions	-522	-658	+25.9%
Other operating income and expenses (excluding capital gains on disposals and impairment)	766	3,396	na
Tax expense	-339	-265	-21.9%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	1,836	1,799	-2.0%
Non-controlling interests (excluding capital gains, amortization and impairment)	-5,367	-5,404	+0.7%
Recurrent earnings (FFO)	**57,461**	**57,453**	**+0.0%**
FFO per share [11]	***0.61***	***0.62***	***+0.3%***

[10] Impact of hedging ineffectiveness, banking default risk, prices and costs relating to bond redemptions, proceeds and costs from unwinding hedging operations, and exceptional amortization.

[11] Calculated based on the average undiluted number of shares (basic), i.e. 93,252,895 shares

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro +3.4 million, primarily including reversals or allowances for provisions. Specifically, a Euro 2.1 million provision for a dispute concerning a site on Reunion Island, relating to an issue with the road network, was reversed at the end of June 2023.

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

The **tax expense** for the first half of 2023 was Euro -0.3 million, made up primarily of the CVAE corporate value-added tax. The tax expense for the first half of 2022 was Euro -0.3 million.

The **share of net income from associates and joint ventures** (excluding capital gains, amortization and impairment) came to Euro 1.8 million at June 30, 2023, stable compared with June 30, 2022. 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), and SAS Saint-Denis Génin (in which Mercialys has a 30% stake).

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro 5.4 million at June 30, 2023, stable compared with June 30, 2022. They are linked to BNP Paribas REIM France's 49% stake in Hyperthetis Participations and Immosiris. As Mercialys retains exclusive control, these subsidiaries are fully consolidated.

In view of these items, **Recurrent earnings (FFO)**[12] totaled Euro 57.5 million at June 30, 2023, stable compared with June 30, 2022. Considering the average number of shares (basic) of 93,252,895, FFO represents Euro 0.62 per share at June 30, 2023, up +0.3% over the period. The basis for comparison at June 30, 2022 incorporated various elements relating to the health crisis representing Euro +5.7 million of net income. FFO at end-June 2023 includes a non-significant amount of net income in relation to this for Euro +0.4 million. On a basis restated for the non-recurring impacts linked to the health crisis, with these impacts to fade in 2023, **FFO at end-June 2023 shows an increase of +10.3%**.

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

1.4.6.2. Net income attributable to owners of the parent

(In thousands of euros)	Jun 30, 2022	Jun 30, 2023	Change (%)
FFO	57,461	57,453	+0.0%
Depreciation and amortization	-18,622	-18,926	+1.6%
Other operating income and expenses	-432	-18,216	na
Hedging ineffectiveness, banking default risk and net impacts of bond redemptions and hedging operations	-25,959	-6,653	na
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	147	16,783	na
Net income attributable to owners of the parent	**12,595**	**30,441**	**na**

Depreciation and amortization came to Euro 18.9 million at June 30, 2023, with a limited increase of +1.6% compared with June 30, 2022 (Euro 18.6 million).

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

Other operating income came to Euro 1.9 million at June 30, 2023, compared with Euro 73.2 million at June 30, 2022. This amount mainly includes:

- income relating to adjustments for previous sales (Euro 1.7 million);
- reversals of impairments for investment properties (Euro 0.3 million).

Other operating expenses totaled Euro 20.2 million at June 30, 2023, compared with Euro 73.7 million at June 30, 2022. They correspond primarily to:

- expenses relating to adjustments for previous sales (Euro 1.5 million);
- provisions recorded for the impairment of investment properties (Euro 18.6 million).

Lastly, Mercialys recorded the impacts of the hedging operations carried out to further strengthen its fixed-rate debt position during the first half of 2023. These amounts, combined with the impact of the ineffectiveness of swaps and the banking default risk, represented a total of Euro 6.7 million.

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 30.4 million at June 30, 2023, compared with Euro 12.6 million at June 30, 2022.

1.5. Investments and disposals

Mercialys did not carry out any sales operations during the first half of 2023. Building on its very solid financial structure, the Company will maintain its highly opportunistic approach to potential sales, which would primarily concern assets that have reached their maturity or would help reduce the rental portfolio’s exposure to the Casino group.

Mercialys also has headroom in place enabling it to position itself on new investments. These investments may concern the Euro 471 million pipeline of projects already identified (see below), as well as acquisitions of assets or developments incorporating property development margins. Mercialys will continue to focus its development on the retail sector, while capitalizing on its various areas of real estate expertise, enabling it to take part in mixed-use operations.

The increase in borrowing rates is leading to a highly selective approach for projects or acquisitions, which must meet a demanding criterion for a yield of 250bp above the refinancing cost. Investments will also need to meet strict quality criteria in terms of rental exposure (resilient sectors such as food) and geographic location.

To further strengthen its expertise relating to consumer trends, Mercialys took part in the round of fundraising carried out in July 2023 by the DEPUR group, which is specialized in the design and execution of major Food & Beverage & Entertainment (F&B&E) projects, becoming a leading shareholder with just under 23% of its capital for a €1.1m investment.

(In millions of euros)	Total investment	Investment still to be committed	Completion date
COMMITTED PROJECTS[13]	**20.2**	**18.8**	**2023 / 2026**
Tertiary activities	20.2	18.8	2023 / 2026
CONTROLLED PROJECTS	**148.4**	**143.3**	**2024 / 2025**
Retail	129.9	125.0	2024 / 2025
Dining and leisure	3.5	3.4	2025
Tertiary activities	15.0	14.9	2024 / 2025
IDENTIFIED PROJECTS	**302.1**	**301.9**	**2024 / 2028**
Retail	172.3	172.2	2024 / 2028
Dining and leisure	100.9	100.9	2026 / 2028
Tertiary activities	28.9	28.9	2025 / 2027
TOTAL PROJECTS	**470.6**	**464.1**	**2023 / 2028**

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

1.6. Portfolio appraisal and net asset value

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

At June 30, 2023, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE Valuation and BPCE Expertises immobilières updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation valued 17 sites at June 30, 2023 based on updating their appraisals from December 31, 2022;

- Catella Valuation valued 17 sites at June 30, 2023 based on on-site inspections of all the sites during the first half of 2023;

- Cushman & Wakefield valued 9 sites at June 30, 2023 based on on-site inspections during the first half of 2023;

- CBRE Valuation valued 1 site at June 30, 2023 based on updating its appraisal from December 31, 2022;

[13] The investments to be committed for the pipeline correspond to the Saint-Denis mixed-use project, north of Paris, with an expected IRR of over 8%, as well as coworking spaces

- BPCE Expertises Immobilières valued 16 sites at June 30, 2023 based on on-site inspections of all the sites during the first half of 2023;

- An internal appraisal was carried out for 1 asset acquired during the first half of 2023.

On this basis, the **portfolio value** was Euro 2,987.0 million including transfer taxes at June 30, 2023, compared with Euro 3,091.2 million at December 31, 2022. Excluding transfer taxes, it was Euro 2,799.8 million at end-June 2023, compared with Euro 2,896.9 million at end-December 2022.

The portfolio value including transfer taxes is down -3.4% over 6 months (also -3.4% like-for-like[14]) and -4.4% over 12 months (-4.2% like-for-like). The portfolio value excluding transfer taxes shows a change of -3.4% over six months (also -3.4% like-for-like[14]) and -4.5% over 12 months (-4.3% like-for-like).

The **average appraisal yield rate** was 6.21% at June 30, 2023, up +46bp compared with December 31, 2022 and +50bp compared with June 30, 2022.

Type of property	Average yield rate		
	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Regional and large shopping centers	5.43%	5.46%	5.93%
Neighborhood shopping centers	7.30%	7.36%	7.88%
Total portfolio[15]	**5.71%**	**5.75%**	**6.21%**

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2023, as well as the corresponding appraised rental income:

Type of property Jun 30, 2023	Number of assets	Appraisal value (excluding transfer taxes)		Appraisal value (including transfer taxes)		Gross leasable area		Appraised potential net rental income	
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,371.3	84.7%	2,528.9	84.7%	604,891	77.8%	149.9	80.8%
Neighborhood shopping centers	23	414.5	14.8%	443.0	14.8%	168,104	21.7%	34.9	18.8%
Subtotal	**48**	**2,785.8**	**99.5%**	**2,971.9**	**99.5%**	**772,995**	**99.4%**	**184.8**	**99.7%**
Other sites[15]	3	14.1	0.5%	15.0	0.5%	4,918	0.6%	0.6	0.3%
Total	**51**	**2,799.8**	**100%**	**2,987.0**	**100%**	**777,914**	**100%**	**185.4**	**100%**

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

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

	EPRA NRV			EPRA NTA			EPRA NDV		
	Jun 30, 2022	**Dec 31, 2022**	**Jun 30, 2023**	**Jun 30, 2022**	**Dec 31, 2022**	**Jun 30, 2023**	**Jun 30, 2022**	**Dec 31, 2022**	**Jun 30, 2023**
€/share	20.35	20.54	19.03	18.24	18.42	16.99	19.65	20.94	18.80
Change over 6 months	-0.8%	+0.9%	-7.4%	-0.8%	+1.0%	-7.8%	+11.6%	+6.6%	-10.2%
Change over 12 months	+0.2%	+0.1%	-6.5%	-0.1%	+0.2%	-6.9%	+14.4%	+19.0%	-4.3%

The **EPRA Net Disposal Value (NDV)** came to Euro 1,751.5 million at end-June 2023 vs. Euro 1,834.6 million at end-June 2022. Per share, it represents Euro 18.80 [16], down -10.2% over six months and -4.3% over 12 months. This indicator was positively impacted during the second half of 2022 by the change in the fair value of fixed-rate debt.

The Euro -2.14 per share change[17] for the first half of this year takes into account the following impacts:

- Dividend payment: Euro -0.96;
- Recurrent earnings (FFO): Euro +0.62 [18];
- Change in unrealized capital gains[19]: Euro -0.89, including a yield effect for Euro -2.30, a rent effect for Euro +1.24 and other effects[20] for Euro +0.16;
- Change in fair value of fixed-rate debt: Euro -0.63;
- Change in fair value of derivatives and other items: Euro -0.27.

1.7. Financial structure

1.7.1. Debt cost and structure

At June 30, 2023, Mercialys' **drawn debt** totaled Euro 1,202 million, with the following breakdown:

- A bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- a bond issue for an outstanding nominal amount of Euro 200 million, with a fixed coupon of 4.625%, maturing in July 2027;
- A private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.0%, maturing in November 2027;
- A bond issue for a nominal amount of Euro 500 million, with a fixed coupon of 2.50%, maturing in February 2029;
- Euro 52 million of outstanding commercial paper.

[16] Calculation based on the diluted number of shares at the end of the period, in accordance with the EPRA methodology regarding the NDV.
[17] Calculation based on the diluted number of shares at the end of the period
[18] Calculation based on the diluted number of shares at the end of the period, as this concerns the impact of FFO on the change in NDV per share.
[19] Difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes.
[20] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals

The **cash position** came to Euro 91.7 million at June 30, 2023, compared with Euro 216.1 million at December 31, 2022. 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 +67.6 million;
- Cash receipts / payments related to disposals / acquisitions of assets completed in the first half of 2022: Euro -8.9 million;
- Dividend payments to parent company shareholders and non-controlling interests: Euro -98.4 million;
- Issues and repayment of borrowings net of the change in outstanding commercial paper: Euro -68.4 million;
- Net interest paid: Euro -13.7 million.

Net financial debt came to Euro 1,098.6 million at June 30, 2023, compared with Euro 1,040.2 million at December 31, 2022.

The **real average cost of drawn debt**[21] at June 30, 2023 was 2.1%, showing a very limited increase of +10bp compared with the 2.0% recorded for the full year in 2022.

In a context of high volatility and a trend for rising interest rates, Mercialys further strengthened its **debt hedging**. Fixed-rate debt (including commercial paper) represents 96% of total debt for 2023 and 100% for 2024, compared with 87% at end-June 2022. This increase in the hedged percentage of debt, achieved through the hedging instruments set up and the fixed/floating rate instruments gradually extinguished, is reflected in a gradual increase in the average cost of drawn debt. Following this trend, this cost will move closer to the average cost of bond debt, which represents 2.6%.

1.7.2. Debt maturity and liquidity

Mercialys continues to benefit from a particularly solid financial profile, with an LTV of 36.1% for the first half of 2023 and an ICR of 5.2x.

The context of interest rate rises and volatility from the second half of 2022 encouraged the Company to further strengthen its **hedging rate for its fixed-rate debt**, up to 96% for 2023 and 100% for 2024, compared with 87% at end-June 2022.

Mercialys continues to benefit from a very healthy financial structure, with an **LTV ratio excluding transfer taxes**[22] of 38.6% at June 30, 2023 (compared with 35.3% at December 31, 2022 and 36.6% at June 30, 2022) and an **LTV ratio including transfer taxes** of 36.1% on the same date (versus 33.0% at December 31, 2022 and 34.3% at June 30, 2022).

The **ICR** was 5.2x [23] at June 30, 2023, compared with 5.9x at December 31, 2022 and 6.1x at June 30, 2022, significantly higher than the minimum level of at least 2x set by the bank covenants.

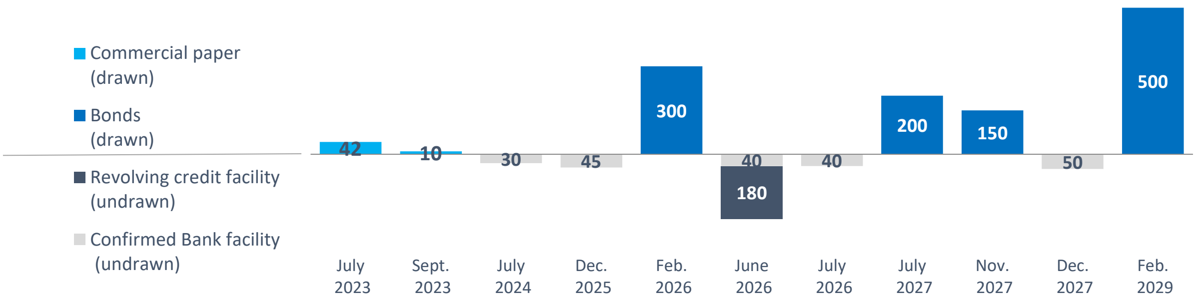
The refinancing operations carried out during the first quarter of 2022 enable Mercialys to record a satisfactory maturity of 4.2 years for its drawn debt at end-June 2023, with no bond refinancing scheduled before February

[21] This rate does not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding hedging operations
[22] LTV (Loan To Value): Net financial debt / (market value of the portfolio excluding transfer taxes + market value of investments in associates for Euro 48.3 million at June 30, 2023 and Euro 56.5 million at June 30, 2022, since the value of the portfolio held by associates is not included in the appraisal value)
[23] ICR (Interest Coverage Ratio): EBITDA / net finance costs

2026. Mercialys also has Euro 385 million of undrawn financing resources, stable compared with end-December 2022, with the maturity of 69% of them extended during the first half of 2023. The maturity of undrawn liquidity resources came to 3.0 years at end-June 2023, representing an optimization of +0.9 years. In addition, at end-June 2023, all of the undrawn bank resources included ESG criteria, compared with 53% at end-2022.

Lastly, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012, with Euro 52 million used (outstanding at June 30, 2023).

The following chart presents Mercialys' **drawn and undrawn debt maturity schedule** at June 30, 2023:



1.7.3. Bank covenants and credit rating

Mercialys' financial position at June 30, 2023 satisfied all the various covenants included in the different credit agreements.

The **loan to value (LTV) ratio** came to 38.6% excluding transfer taxes (vs. 35.3% at end-December 2022 and 36.6% at end-June 2022), well below the contractual covenants. An LTV covenant of less than 55% applies to 71% of the confirmed bank lines, with an LTV covenant of less than 50% for the other 29% of these facilities.
The LTV including transfer taxes was 36.1% at end-June 2023, compared with 33.0% at end-December 2022 and 34.3% at end-June 2022.

	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Net financial debt (in millions of euros)	1,092.9	1,040.2	1,098.6
Appraisal value excluding transfer taxes (in millions of euros)[24]	2,986.7	2,940.6	2,848.1
Loan to value (LTV) - excluding transfer taxes	**36.6%**	**35.3%**	**38.6%**

[24] Including the market value of investments in associates, with Euro 48.3 million for the first half of 2023 (Euro 52.7 million for the full year in 2022 and Euro 56.5 million for the first half of 2022), since the value of the portfolio held by associates is not included in the appraisal value

Similarly, the **interest coverage ratio (ICR)** was 5.2x at end-June 2023, significantly higher than the contractual covenant (ICR > 2x), compared with 5.9x at end-December 2022 and 6.1x at end-June 2022.

	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
EBITDA (in millions of euros)	75.3	144.2	72.3
Net finance costs (in millions of euros)	-12.3	-24.5	-14.0
Interest coverage ratio (ICR)	**6.1x**	**5.9x**	**5.2x**

The two other contractual covenants are also met:

- The **fair value of assets excluding transfer taxes** at June 30, 2023 was Euro 2.8 billion (above the contractual covenant minimum, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion);
- Zero **pledged debt** at June 30, 2023 (below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%).

Mercialys is rated by Standard & Poor's. On February 24, 2023, the agency confirmed its rating for Mercialys of BBB (with stable outlook).

1.8. Equity and ownership structure

Consolidated equity totaled Euro 847.6 million at June 30, 2023, compared with Euro 930.4 million at December 31, 2022.

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

- Net income for the first half of 2023: Euro +18.3 million;
- Payment of the 2022 dividend of Euro 0.96 per share and dividends paid to non-controlling interests: Euro -98.4 million;
- Transactions on treasury shares: Euro -1.3 million;
- Change in fair value of financial assets and derivatives: Euro -1.5 million.

The **number of outstanding shares** at June 30, 2023 was 93,886,501, unchanged since December 31, 2022.

	2021	2022	Jun 30, 2023
Number of shares outstanding - At start of period	92,049,169	93,886,501	93,886,501
- At end of period	93,886,501	93,886,501	93,886,501
Average number of shares outstanding	93,179,835	93,886,501	93,886,501
Average number of shares (basic)	**92,839,729**	**93,384,221**	**93,252,895**
Average number of shares (diluted)	**92,839,729**	**93,384,221**	**93,252,895**

At June 30, 2023, Mercialys' shareholding structure had the following breakdown: treasury stock (0.75%), other shareholders (99.25%), including BlackRock Inc (5.06%).

1.9. 2023 objectives confirmed

Considering the satisfactory performance levels achieved over the first half of the year, Mercialys is able to **confirm its objectives for 2023**:

- Growth in Recurrent earnings (FFO) per share to reach at least +2.0% vs. 2022;
- Dividend to range from 85% to 95% of 2023 FFO.

1.10. Subsequent events

To further strengthen its expertise relating to consumer trends, Mercialys took part in the round of fundraising carried out in July 2023 by the DEPUR group, which is specialized in the design and execution of major Food & Beverage & Entertainment (F&B&E) projects. Mercialys acquired a major stake through this round of fundraising, alongside Bouygues Immobilier and the BPI's tourism/leisure fund, and will become a leading shareholder in the DEPUR group, with just under 23% of its capital for an investment of €1.1m.

2. EPRA PERFORMANCE MEASURES

Mercialys applies the EPRA[25] recommendations for the indicators provided below. EPRA is the representative organization for listed real estate companies in Europe and issues recommendations on performance indicators to improve the comparability of financial statements published by the various companies.

In its half-year financial report and its Universal Registration Document, Mercialys publishes all the EPRA indicators defined by the Best Practices Recommendations, which can be found on EPRA's website. The following table summarizes the EPRA indicators at end-June 2022, end-December 2022 and end-June 2023:

	Jun 30, 2022	**Dec 31, 2022**	**Jun 30, 2023**
EPRA earnings - Euros per share	0.61	1.13	0.62
EPRA NRV – Euros per share	20.35	20.54	19.03
EPRA NTA – Euros per share	18.24	18.42	16.99
EPRA NDV – Euros per share	19.65	20.94	18.80
EPRA net initial yield (%)	5.26%	5.29%	5.63%
EPRA topped-up net initial yield (%)	5.34%	5.38%	5.72%
EPRA vacancy rate (%)	4.4%	4.4%	4.7%
EPRA cost ratio - including direct vacancy costs (%)	14.8%	18.7%	19.6%
EPRA cost ratio - excluding direct vacancy costs (%)	13.0%	16.7%	17.5%
EPRA capital expenditure - in millions of euros	8.8	24.0	11.7
EPRA LTV (%)	na	37.3%	40.6%
EPRA LTV including transfer taxes (%)	na	35.0%	38.1%

2.1. EPRA earnings and earnings per share

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

(In millions of euros)	**Jun 30, 2022**	**Dec 31, 2022**	**Jun 30, 2023**
Net income attributable to owners of the parent	**12.6**	**43.1**	**30.4**
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	-0.1	-0.3	-16.8
Hedging ineffectiveness, banking default risk and impact of bond redemptions	26.0	26.7	6.7
Other operating income and expenses	0.4	-1.6	18.2
Depreciation and amortization	18.6	37.7	18.9
EPRA EARNINGS	**57.5**	**105.5**	**57.5**
Average number of shares (basic)	93,570,578	93,384,221	93,252,895
EPRA EARNINGS PER SHARE (in euros)	**0.61**	**1.13**	**0.62**

The calculation of the Recurrent earnings (FFO) reported by Mercialys is identical to that for the EPRA earnings. There are no adjustments to be made between these two indicators.

[25] European Public Real Estate Association

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

(In millions of euros)	Jun 30, 2022		
	EPRA NRV	**EPRA NTA**	**EPRA NDV**
IFRS equity attributable to shareholders	**685.7**	**685.7**	**685.7**
Includes[26] / Excludes[27]:			
i) Hybrid instruments	0	0	0
Diluted EPRA NAV	**685.7**	**685.7**	**685.7**
Includes[26]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,017.2	1,017.2	1,017.2
ii.b) Revaluation of IPUC[28] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[29]	19.1	19.1	19.1
iii) Revaluation of tenant leases held as finance leases[30]	0.0	0.0	0.0
iv) Revaluation of trading properties[31]	0.2	0.2	0.2
EPRA diluted NAV at fair value	**1,722.3**	**1,722.3**	**1,722.3**
Excludes[27]:			
v) Deferred tax in relation to fair value gains of IP[32]	0.0	0.0	
vi) Fair value of financial instruments	-14.6	-14.6	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-4.2	
Includes[26]:			
ix) Fair value of fixed interest rate debt			112.3
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[33]	192.6	0.0	
NAV	**1,900.2**	**1,703.2**	**1,834.6**
Fully diluted number of shares at end of period	93,369,700	93,369,700	93,369,700
NAV per share (in euros)	**20.35**	**18.24**	**19.65**

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

(In millions of euros)	Dec 31, 2022 EPRA NRV	 EPRA NTA	 EPRA NDV
IFRS equity attributable to shareholders	**725.1**	**725.1**	**725.1**
Includes[34] / Excludes[35]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**725.1**	**725.1**	**725.1**
Includes[34]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,005.6	1,005.6	1,005.6
ii.b) Revaluation of IPUC[36] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[37]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases[38]	0.0	0.0	0.0
iv) Revaluation of trading properties[39]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,748.2**	**1,748.2**	**1,748.2**
Excludes[35]:			
v) Deferred tax in relation to fair value gains of IP[40]	0.0	0.0	
vi) Fair value of financial instruments	-26.1	-26.1	
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		-3.4	
Includes[34]:			
ix) Fair value of fixed interest rate debt			205.2
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[41]	194.2	0.0	
NAV	**1,916.4**	**1,718.7**	**1,953.4**
Fully diluted number of shares at end of period	93,286,271	93,286,271	93,286,271
NAV per share (in euros)	**20.54**	**18.42**	**20.94**

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

(In millions of euros)	Jun 30, 2023 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**663.2**	**663.2**	**663.2**
Includes[42] / Excludes[43]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**663.2**	**663.2**	**663.2**
Includes[42]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	929.0	929.0	929.0
ii.b) Revaluation of IPUC[44] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[45]	13.1	13.1	13.1
iii) Revaluation of tenant leases held as finance leases[46]	0.0	0.0	0.0
iv) Revaluation of trading properties[47]	0.1	0.1	0.1
EPRA diluted NAV at fair value	**1,605.4**	**1,605.4**	**1,605.4**
Excludes[43]:			
v) Deferred tax in relation to fair value gains of IP[48]	0.0	0.0	
vi) Fair value of financial instruments	-19.1	-19.1	
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		-3.1	
Includes[42]:			
ix) Fair value of fixed interest rate debt			146.1
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[49]	187.1	0.0	
NAV	**1,773.4**	**1,583.2**	**1,751.5**
Fully diluted number of shares at end of period	93,178,472	93,178,472	93,178,472
NAV per share (in euros)	**19.03**	**16.99**	**18.80**

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

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

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

(In millions of euros)	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Investment property – wholly owned	2,930.2	2,896.9	2,799.8
Assets under development (-)	0.0	0.0	0.0
Completed property portfolio excluding transfer taxes	**2,930.2**	**2,896.9**	**2,799.8**
Transfer taxes	192.6	194.2	187.1
Completed property portfolio including transfer taxes	**3,122.8**	**3,091.2**	**2,987.0**
Annualized rental revenues	171.2	170.9	175.9
Non-recoverable expenses (-)	-6.8	-7.3	-7.6
Annualized net rents	**164.4**	**163.6**	**168.3**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	2.5	2.7	2.5
Topped-up net annualized rent	**166.9**	**166.4**	**170.8**
EPRA net initial yield	**5.26%**	**5.29%**	**5.63%**
EPRA "Topped-up" Net Initial Yield	**5.34%**	**5.38%**	**5.72%**

2.4. EPRA vacancy rate

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

The EPRA vacancy rate was 4.7% at end-June 2023, slightly higher than the level from end-December 2022 (4.4%). "Strategic" vacancies following decisions to facilitate extension or redevelopment plans represent 140bp within this vacancy rate.

(In millions of euros)	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023
Rental value of vacant units	7.8	7.9	8.6
Rental value of the entire portfolio	176.7	177.3	182.8
EPRA vacancy rate	**4.4%**	**4.4%**	**4.7%**

2.5. EPRA cost ratios

(In millions of euros)	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023	Comments
Administrative and operating expense line per IFRS income statement	-11.4	-25.0	-11.7	Personnel expenses and other costs
Net service charge costs / fees	-4.4	-7.3	-5.1	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	-1.6	-3.0	1.4	Rental management fees
Other income and expenses	4.5	2.9	-2.0	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	0.0	
Total	**-12.8**	**-32.3**	**-17.3**	
Adjustments to calculate the EPRA cost ratio exclude (if included above):				
- Depreciation and amortization	0.0	0.0	0.0	Depreciation and provisions for fixed assets
- Ground rent costs	0.0	0.0	0.0	Non-group rents paid
- service charges recovered through comprehensive invoicing (with the rent)	0.0	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-12.8**	**-32.3**	**-17.3**	**A**
Direct vacancy costs[50]	1.6	3.4	1.9	
EPRA costs (excluding vacancy costs) (B)	**-11.2**	**-28.9**	**-15.4**	**B**
Gross rental revenues less ground rent costs[51]	86.5	173.3	88.2	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)	**86.5**	**173.3**	**88.2**	**C**
EPRA COST RATIO including direct vacancy costs	**-14.8%**	**-18.7%**	**-19.6%**	**A / C**
EPRA COST RATIO excluding direct vacancy costs	**-13.0%**	**-16.7%**	**-17.5%**	**B / C**

[50] 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.

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

2.6. EPRA capital expenditure

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

(In millions of euros)	Jun 30, 2022			Dec 31, 2022			Jun 30, 2023		
	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group (excluding joint ventures)	Group (excluding joint ventures)	Group (excluding joint ventures)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total
Acquisitions	3.2	0	3.2	9.4	0	9.4	1.1	0	1.1
Developments	0.2	0	0.2	0.4	0	0.4	0.3	0	0.3
Investment property	4.3	0	4.3	12.3	0	12.3	10.0	0	10.0
Incremental lettable space	*0.7*	*0*	*0.7*	*5.2*	*0*	*5.2*	*1.2*	*0*	*1.2*
No incremental lettable space	*2.5*	*0*	*2.5*	*5.1*	*0*	*5.1*	*6.4*	*0*	*6.4*
Tenant incentives	*0.1*	*0*	*0.1*	*1.6*	*0*	*1.6*	*2.2*	*0*	*2.2*
Other material non-allocated types of expenditure	*0.9*	*0*	*0.9*	*0.5*	*0*	*0.5*	*0.1*	*0*	*0.1*
Capitalized interest (if applicable)	0.8	0	0.8	0.9	0	0.9	0.0	0	0.0
Total CapEx	**8.5**	**0**	**8.5**	**23.0**	**0**	**23.0**	**11.3**	**0**	**11.3**
Conversion from accrual to cash basis	0.3	0	0.3	1.0	0	1.0	0.4	0.0	0.4
Total CapEx on cash basis	**8.8**	**0**	**8.8**	**24.0**	**0**	**24.0**	**11.7**	**0.0**	**11.7**

Development capital expenditure remained non-significant over the period.

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

- Under “incremental lettable space”, primarily work relating to the traditional project portfolio (shopping center transformations, mixed-use urban projects) and the strategic projects rolled out at various sites (architectural fit-out work);
- Under “no incremental lettable space”, primarily maintenance capex.

2.7. EPRA LTV

The following table details the loan-to-value (LTV) ratio, as determined by EPRA. This indicator differs from the calculation carried out by the Company, as detailed above, which represents the reference for the various bank covenants.

(In millions of euros)		Group	Share of joint-ventures	Non-controlling interests	Total
Include	Borrowings from financial institutions		40.9	0.5	41.5
	Commercial paper	52.0			52.0
	Hybrids				
	Bond loans	1,138.3			1,138.3
	Foreign currency derivatives (futures, swaps, options and forwards)	-16.1			-16.1
	Net payables				
	Owner-occupied property (debt)				
	Current accounts (equity characteristic)				
Exclude	Cash and cash equivalents:	-91.7	-4.0	7.6	-88.2
Net debt (a)		**1,082.5**	**36.9**	**8.2**	**1,127.5**
Include	Owner-occupied property:				
	Investment properties at fair value:	2,799.9	90.1	-156.5	2,733.4
	Properties held for sale				
	Properties under development				
	Intangibles	3.1			3.1
	Net receivables	23.0	0.6	-1.4	22.2
	Financial assets	23.6	-4.6		18.9
Total property value (b)		**2,849.5**	**86.0**	**-157.9**	**2,777.6**
	EPRA LTV (a) / (b)				**40.6%**
	Real estate transfer taxes (c)	187.1	6.3	-10.8	182.7
	EPRA LTV including real estate transfer taxes (a) / (b) + (c)				**38.1%**

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.1. Condensed consolidated income statement

Interim statements at June 30, 2023 and 2022.

(In thousands of euros)	Notes	Jun 30, 2023	Jun 30, 2022
Rental revenues		**88,164**	**86,450**
Service charges and property tax		-33,471	-29,765
Charges and taxes billed to tenants		28,418	25,389
Net property operating expenses		-546	2,935
Net rental income	*Note 11 :*	**82,564**	**85,009**
Management, administrative and other activities income		1,412	1,208
Other income	*Note 12 :*	-	424
Other expenses	*Note 13 :*	-1,904	-2,044
Personnel expenses		-9,789	-9,346
Depreciation and amortization		-18,926	-18,622
Reversals of / (Allowances for) provisions		-658	-522
Other operating income	*Note 14 :*	5,399	74,212
Other operating expenses	*Note 14 :*	-20,219	-73,878
Operating income		**37,879**	**56,440**
Income from cash and cash equivalents		1,296	19
Gross finance costs		-17,846	-38,644
(Expenses) / Income from net financial debt	*Note 17.3.1 :*	**-16,550**	**-38,625**
Other financial income	*Note 17.3.2 :*	382	132
Other financial expenses	*Note 17.3.2 :*	-4,252	-1,628
Net financial items		**-20,420**	**-40,121**
Tax expense	*Note 19 :*	-196	-339
Share of net income from associates and joint ventures	*Note 5 :*	1,040	1,185
Consolidated net income		**18,304**	**17,165**
Attributable to non-controlling interests[52]		-12,137	4,570
Attributable to owners of the parent		30,441	12,595
Earnings per share[53]			
Net income attributable to owners of the parent (in euros)		0.33	0.13
Diluted net income attributable to owners of the parent (in euros)		0.33	0.13

[52] The loss attributable to non-controlling interests is linked primarily to the recognition of provisions for impairment on investment properties attributable to minority interests for the first half of 2023

[53] Based on the weighted average number of shares over the period adjusted for treasury shares:

- Undiluted weighted average number of shares for the first half of 2023 = 93,252,895 shares
- Fully diluted weighted average number of shares for the first half of 2023 = 93,252,895 shares

3.2. Condensed consolidated statement of comprehensive income

Interim statements at June 30, 2023 and 2022.

(In thousands of euros)	Notes	Jun 30, 2023	Jun 30, 2022
Consolidated net income		18,304	17,165
Items that may be reclassified subsequently to profit or loss		**-1,455**	**15,841**
Cash flow hedges	*Note 17.4 :*	-1,571	16,434
Tax effects		116	-593
Items that may not be reclassified subsequently to profit or loss		**4**	**165**
Change in fair value of financial assets measured at fair value through other comprehensive income	*Note 17.4 :*	-36	-85
Actuarial gains or losses		54	337
Tax effects		-14	-87
Other comprehensive income for the period, net of tax		**-1,451**	**16,006**
Consolidated comprehensive income		**16,853**	**33,171**
Attributable to non-controlling interests		-12,137	4,570
Attributable to owners of the parent		28,990	28,602

3.3. Condensed consolidated statement of financial position

Interim statement at June 30, 2023 and for the year ended December 31, 2022.

ASSETS

(In thousands of euros)	Notes	Jun 30, 2023	Dec 31, 2022
Intangible assets		3,102	3,381
Property, plant and equipment other than investment property		4,265	4,743
Investment property	*Note 9 :*	1,880,215	1,907,148
Right-of-use assets	*Note 10 :*	11,297	10,184
Investments in associates	*Note 5 :*	35,268	35,203
Other non-current assets	*Note 15 :*	46,964	50,219
Deferred tax assets		1,571	1,601
Non-current assets		**1,982,683**	**2,012,478**
Trade receivables	*Note 16 :*	27,850	28,557
Other current assets		29,397	31,854
Cash and cash equivalents	*Note 17 :*	91,724	216,085
Investment property held for sale	*Note 9 :*	2,636	-
Current assets		**151,606**	**276,496**
TOTAL ASSETS		**2,134,289**	**2,288 974**

EQUITY AND LIABILITIES

(In thousands of euros)	Notes	Jun 30, 2023	Dec 31, 2022
Share capital	*Note 6 :*	93,887	93,887
Additional paid-in capital, treasury shares and other reserves		569,333	631,246
Equity attributable to owners of the parent		**663,219**	**725,132**
Non-controlling interests		184,332	205,294
Shareholders' equity		**847,551**	**930,426**
Non-current provisions		1,381	1,225
Non-current financial liabilities	*Note 17 :*	1,130,373	1,131,974
Deposits and guarantees		24,513	23,622
Non-current lease liabilities	*Note 10 :*	10,486	9,409
Other non-current liabilities		4,103	2,377
Non-current liabilities		**1,170,856**	**1,168,607**
Trade payables		16,327	13,910
Current financial liabilities	*Note 17 :*	60,968	126,353
Current lease liabilities	*Note 10 :*	1,221	1,084
Current provisions		10,467	13,279
Other current liabilities		26,899	35,237
Current tax liabilities		-	78
Current liabilities		**115,882**	**189,941**
TOTAL EQUITY AND LIABILITIES		**2,134,289**	**2,288 974**

3.4. Consolidated cash flow statement

Impact on key aggregates for the consolidated cash flow statement

Interim statements at June 30, 2023 and 2022.

(In thousands of euros)	Notes	Jun 30, 2023	Jun 30, 2022
Net income attributable to owners of the parent		30,441	12,595
Non-controlling interests		-12,137	4,570
Consolidated net income		**18,304**	**17,165**
Depreciation, amortization[1] and provisions, net of reversals		34,460	19,740
Calculated expenses/(income) relating to stock options and similar		412	181
Other calculated expenses/(income)[2]		2,513	44
Share of net income from associates and joint ventures		-1,040	-1,185
Dividends received from associates and joint ventures		1,748	1,531
Income from asset disposals		-130	-933
Expenses/(income) from net financial debt	*Note 17.3 :*	16,550	38,625
Net financial interest in respect of lease agreements	*Note 10 :*	175	164
Tax expense (including deferred tax)	*Note 19 :*	196	339
Cash flow		**73,187**	**75,671**
Taxes received/(paid)		-310	-267
Change in working capital requirement relating to operations, excluding deposits and guarantees[3]		-6,179	7,394
Change in deposits and guarantees		891	605
Net cash flow from operating activities		**67,590**	**83,404**
Cash payments on acquisitions of:			
investment properties and other fixed assets	*Note 9 :*	-11,679	-8,815
non-current financial assets		-3	-142
Cash receipts on disposals of:			
investment properties and other fixed assets		-	64,143
non-current financial assets		2,820	-
Change in loans and advances granted		-	900
Net cash flow from investing activities		**-8,863**	**56,086**
Dividends paid to shareholders of the parent company (final)	*Note 7 :*	-89,565	-86,025
Dividends paid to non-controlling interests		-8,825	-5,437
Change in treasury shares		-1,750	-56
Increase in borrowings and financial debt	*Note 17 :*	52,000	744,809
Decrease in borrowings and financial debt	*Note 17 :*	-120,399	-798,980
Repayment of lease liabilities	*Note 10 :*	-763	-392
Interest received		10,088	12,253
Interest paid		-23,788	-20,464
Net cash flow from financing activities		**-183,002**	**-154,293**
Change in cash position		**-124,275**	**-14,803**
Net cash at start of period	*Note 17 :*	215,999	257,071
Net cash at end of period	*Note 17 :*	91,724	242,268
of which cash and cash equivalents		91,724	242,306
of which bank overdrafts		-	-38

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

		Jun 30, 2023	Jun 30, 2022
(2) Other calculated expenses and income mainly comprise:			
discounting adjustments to construction leases	*Note 15 :*	-108	-118
lease rights received from tenants and spread over the firm term of the lease		-254	-352
deferred financial expenses		310	410
Employee benefits		211	135
interest on non-cash loans and other financial income and expenses		2,393	-
(3) The change in working capital requirement breaks down as follows:		**-6,179**	**7,394**
Trade receivables	*Note 16 :*	624	6,921
Trade payables		2,416	3,656
Other receivables and payables		-9,220	-9,733

3.5. Statement of changes in consolidated equity

Interim statements at June 30, 2023 and 2022.

(In thousands of euros)	Share capital	Capital reserves[54]	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Change in financial assets through other comprehensive income	Equity attributable to owners of the parent[55]	Non-controlling interests	Total equity
At December 31, 2021	**93,887**	**498,102**	**-3,739**	**162,053**	**-231**	**-6,953**	**743,118**	**202,011**	**945,129**
Impact of IFRS IC - SaaS decision	-	-	-	-76	-	-	-76	-	-76
At January 1, 2022 (restated)	**93,887**	**498,102**	**-3,739**	**161,977**	**-231**	**-6,953**	**743,042**	**202,011**	**945,052**
Other comprehensive income for the period	-	-	-	15,841	250	-85	16,006	-	16,006
Net income for the period	-	-	-	12,595	-	-	12,595	4,570	17,165
Consolidated comprehensive income for the period	-	-	**-**	**28,436**	**250**	**-85**	**28,602**	**4,570**	**33,171**
Treasury share transactions	-	-	-222	165	-	-	-56	-	-56
Dividends paid for 2021	-	-	-	-86,025	-	-	-86,025	-5,437	-91,462
Share-based payments	-	-	-	181	-	-	181	-	181
At June 30, 2022	**93,887**	**498,102**	**-3,961**	**104,735**	**19**	**-7,038**	**685,743**	**201,144**	**886,887**
At December 31, 2022	**93,887**	**498,102**	**-4,927**	**145,439**	**-279**	**-7,089**	**725,132**	**205,294**	**930,426**
Other comprehensive income for the period	-	-	-	-1,455	40	-36	-1,451	-	-1,451
Net income for the period	-	-	-	30,441	-	-	30,441	-12,137	18,304
Consolidated comprehensive income for the period	**-**	**-**	**-**	**28,986**	**40**	**-36**	**28,990**	**-12,137**	**16,853**
Capital increase			-	-	-	-	-	-	-
Treasury share transactions	-	-	-682	-1,068	-	-	-1,750	-	-1,750
Dividends paid for 2022	-	-	-	-89,565	-	-	-89,565	-8,825	-98,389
Share-based payments	-	-	-	412	-	-	412	-	412
At June 30, 2023	**93,887**	**498,102**	**-5,609**	**84,204**	**-239**	**-7,125**	**663,219**	**184,332**	**847,551**

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

4. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Information relating to the Mercialys Group

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

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

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

The condensed half-year consolidated financial statements at June 30, 2023 reflect the accounting position of the Company and its subsidiaries and joint ventures, as well as the Group's interests in associates.

On July 26, 2023, the Board of Directors drew up and authorized publication of the Mercialys Group's condensed consolidated financial statements for the half-year ended June 30, 2023.

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

Note 1.1 : Statement of compliance

In accordance with Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group's condensed consolidated financial statements were prepared in accordance with *International Financial Reporting Standards* (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union at the date on which the financial statements were approved by the Board of Directors and applicable at June 30, 2023.

These standards are available on the European Commission website at: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/financial-reporting_en

Note 1.2 : Basis of preparation

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

They do not include all the information and notes presented in the annual financial statements. As such, they should be read together with the Group's consolidated financial statements at December 31, 2022.

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

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

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

Note 1.3 : Accounting principles

The accounting principles used for the preparation of the condensed consolidated financial statements at June 30, 2023 are identical to those applied for the annual consolidated financial statements for 2022.

The compulsory arrangements to be applied from January 1, 2023:

- Amendments to IAS 1 _ Disclosure of Accounting Policies;
- Amendments to IAS 8 _ Definition of Accounting Estimates;
- Amendments to IAS 12 _ Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;
- IFRS 17 and amendments to IFRS 17 _ Insurance Contracts;

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

Note 1.4 : Use of estimates and judgments

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

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

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

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

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

Mercialys' financial statements take climate change stakes into consideration, based on current practices and knowledge. The Company's expenditure under its CSR policy looking ahead to 2030, linked in particular to environmental stakes (carbon neutrality, rationalized use of natural resources and effective management of artificial ground cover), is recognized as investments (heating and air-conditioning systems, changes to lighting systems, waste management equipment, etc.) or as expenses (consulting, research, etc.). In addition, the valuation of investment properties incorporates this dimension by taking into account the multi-year plans for work factoring in the costs associated with the changes in buildings and their uses.

In addition, all undrawn bank lines at end-June 2023 include ESG criteria, particularly related to climate change issues (carbon trajectory, BREEAM rating of assets in particular) increasing or decreasing the cost of such financing.

Note 2 : Significant events

At end-June 2023, Mercialys set up a new credit line for Euro 180 million, maturing in June 2026, with two options for a one-year extension. This new credit line, which has not been drawn down to date, incorporates ESG criteria and replaces the Euro 180 million line due to mature in December 2024.

Note 3 : Seasonality of the business

The Group’s business is not affected by seasonality.

Note 4 : Segment reporting

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

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

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

Note 5 : Basis for consolidation

Note 5.1 : List of consolidated companies

At June 30, 2023, the Mercialys Group consolidated the following companies:

Name	Jun 30, 2023			Dec 31, 2022		
	Method	% interest	% control	Method	% interest	% control
Mercialys SA	**FC**	**Parent company**	**Parent company**	**FC**	**Parent company**	**Parent company**
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Kerbernard	FC	100.00%	100.00%	FC	100.00%	100.00%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	EM	40.00%	40.00%	EM	40.00%	40.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Periaz	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI AMR	EM	25.00%	25.00%	EM	25.00%	25.00%
SNC Aix2	EM	50.00%	50.00%	EM	50.00%	50.00%
SNC Fenouillet Participation	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Fenouillet Immobilier	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Hyperthetis Participations	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Immosiris	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Epicanthe	FC	100.00%	100.00%	FC	100.00%	100.00%
SARL Cypérus Saint-André (previously Toutoune)	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Mercialys Exploitation	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Rennes-Anglet	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Astuy	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Sacré-Cœur	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Ocitô la Galerie	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Cap Cowork Mercialys	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Saint-Denis Genin	EM	30.00%	30.00%	EM	30.00%	30.00%
SAS Mercialys Participations	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS The Next Horizon	FC	100.00%	100.00%	FC	100.00%	100.00%

FC: full consolidation / EM: equity method

Note 5.2 : Assessment of control

No events that occurred during the first half of 2023 called into question the assessments of control of the consolidated entities described at December 31, 2022.

Note 6 : Equity

At June 30, 2023, the share capital comprised 93,886,501 fully paid-up ordinary shares with a par value of Euro 1.

Note 7 : Dividends paid, proposed or approved

Out of 93,886,501 shares at December 31, 2022, 93,296,500 shares benefited from the dividend awarded for the year ended December 31, 2022 (with 590,001 treasury shares not entitled to dividends).

The Company paid its shareholders a gross dividend of Euro 0.96 per share for the year ended December 31, 2022, representing a total of Euro 89,565,000.

Note 8 : Business combinations

No business combination operations took place during the period ended June 30, 2023. The asset transactions that took place relate to acquisitions or disposals of individual assets.

Note 9 : Investment properties and investment properties held for sale

Acquisitions and disposals

No significant acquisitions or sales were carried out during the first half of 2023.

Investment properties held for sale

The Group's Management Team have launched a plan to sell some of its investment properties. The properties whose sales are highly likely are reclassified on the balance sheet under "Investment properties held for sale". At end-June 2023, the investment properties held for sale represented Euro 2.6 million.

Impairment of investment property

Impairment tests on investment properties are carried out based on the cash generating unit, i.e. the site comprising the shopping centers, mid-size stores and hypermarkets.

When Mercialys plans to sell assets on an individual basis, these tests may be carried out on the asset to be sold, as the cash generating unit approach is no longer relevant.

A provision for impairment on investment properties is recognized when the appraisal value excluding transfer taxes is more than 5% lower than the net book value of the assets and this differential can be considered to be significant.

Additional impairments on investment property were recognized at end-June 2023 for Euro 18.3 million, because the carrying amount of the properties was higher than the appraisal value excluding transfer taxes, taking the total amount of impairments to Euro 71.6 million at end-June 2023.

Fair value of investment property and investment properties held for sale

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

These valuations concerned all of the investment properties held at June 30, 2023. The valuation methods applied, presented in the Group's consolidated financial statements at December 31, 2022, remain unchanged. The assumptions retained have changed in order to notably take into account (i) potential changes in rates, (ii) possible inflation, and (iii) difficulties recovering trade receivables.

Based on these elements, the portfolio was valued at Euro 2,987.0 million including transfer taxes at June 30, 2023, compared with Euro 3,091.2 million at December 31, 2022. Excluding transfer taxes, this value was Euro 2,799.8 million at end-June 2023, compared with Euro 2,896.9 million at end-December 2022.

The portfolio value including transfer taxes is therefore down -3.4% over six months (-3.4% like-for-like[56]) and -4.4% over 12 months (-4.2% like-for-like[56]).

The portfolio value excluding transfer taxes is therefore down -3.4% over six months (-3.4% like-for-like[56]) and -4.5% over 12 months (-4.3% like-for-like[56]).

The average appraisal yield rate was 6.21% at June 30, 2023, up +46bp compared with December 31, 2022.

The change in the fair value of assets excluding transfer taxes of Euro -97.1 million over six months is due to:

- The increase in rents on a like-for-like basis: Euro +115.8 million;
- The reduction in the average capitalization rate: Euro -213.9 million;
- The change in scope: Euro +1 million.

The average appraisal yield rates are as follows:

Type of property	Average yield rate Jun 30, 2023	Average yield rate Dec 31, 2022	Average yield rate Jun 30, 2022
Regional and large shopping centers	5.93%	5.46%	5.43%
Neighborhood shopping centers	7.88%	7.36%	7.30%
Total portfolio[57]	6.21%	5.75%	5.71%

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

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

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at June 30, 2023, as well as the corresponding appraised rental income:

Type of property	Number of assets	Appraisal value (excl. transfer taxes)		Appraisal value (incl. transfer taxes)		Gross leasable area		Appraised potential net rental income	
	June 30, 2023	June 30, 2023		June 30, 2023		June 30, 2023			
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,371.3	84.7%	2,528.9	84.7%	604,891	77.8%	149.9	80.8%
Neighborhood shopping centers	23	414.5	14.8%	443.1	14.8%	168,104	21.7%	34.9	18.8%
Subtotal	**48**	**2,785.8**	**99.5%**	**2,971.9**	**99.5%**	**772,995**	**99.4%**	**184.8**	**99.7%**
Other sites [57]	3	14.1	0.5%	15.0	0.5%	4,918	0.6%	0.6	0.3%
Total	**51**	**2,799.8**	**100%**	**2,987.0**	**100%**	**777,914**	**100%**	**185.4**	**100%**

Assuming annual appraised rents of Euro 185.4 million and a capitalization rate of 6.6%, the sensitivity of the appraisal value of Mercialys' portfolio is as follows:

Sensitivity criteria	Impact on appraisal value (excluding transfer taxes)
	(€m)
-0.5% decrease in the capitalization rate	+228.6
+10% increase in rents	+280.0
+0.5% increase in the capitalization rate	-196.5
-10% decrease in rents	-280.0

Note 10 : Leases

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

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

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

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

The information relating to leases is presented hereafter.

Note 10.1 Information relating to the balance sheet

Composition and change in right-of-use assets

(In thousands of euros)	Land and land improvements	Buildings, fixtures and fittings	Other right-of-use assets	Total
December 31, 2022	**5,216**	**4,426**	**541**	**10,184**
Increases and reassessments during the period[58]	1,339	466	-	**1,805**
Decreases during the period	-	-3	-	**-3**
Depreciation and amortization	-175	-458	-56	**-689**
At June 30, 2023	**6,380**	**4,431**	**486**	**11,297**

Note 10.2 Information relating to the income statement

At June 30, 2023, restated lease charges totaled Euro 763,000. These lease charges are replaced by a depreciation expense on right-of-use assets for Euro 633,000 and a financial interest expense on lease liabilities for Euro 175,000.

The amounts recognized in profit and loss for the first half of the year concerning agreements excluded from lease liabilities represent Euro 41,000 and primarily concern short-term agreements.

Note 10.3 Information relating to the cash-flow statement

The total amount paid out for leases during the first half of the year came to Euro 763,000.

Note 11 : Net rental income

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

Note 12 : Other income

No other income was recorded during the first half of 2023.

[58] The indexation of rents results in a reassessment of lease liabilities in relation to the right-of-use assets.

Note 13 : Other expenses

Other current expenses mainly comprise overheads. Overheads primarily include financial communications costs, attendance fees paid to members of the Board of Directors, corporate communications costs, marketing research costs, professional fees (statutory auditors, consulting, research) and real estate portfolio appraisal costs.

For the first half of 2023, these expenses totaled Euro 1.9 million, compared with Euro 2.0 million for the first half of 2022.

Note 14 : Other operating income and expenses

Other operating income and expenses came to Euro -14.8 million at end-June 2023, compared with Euro 0.3 million at end-June 2022.

This expense primarily comprised the impairment of investment properties for Euro -18.3 million (Note 9) and the reversal of provisions for disputes for Euro 3.5 million.

During the first half of 2022, the Euro 0.3 million of income primarily included the proceeds from the sale of two hypermarkets and geographically dispersed assets for Euro 1.2 million and Euro -0.3 million respectively, as well as the impairment of investment properties for Euro -1.4 million and a reversal of provisions for disputes for Euro 0.7 million.

Note 15 : Other non-current assets

At June 30, 2023, other non-current assets can be broken down as follows:

(In thousands of euros)	Total other non-current assets	Financial assets at fair value through other comprehensive income(1)	Construction leases	Real estate guarantees	Non-current hedging assets(2)	Loans and interest(3)	Prepaid expenses(4)
At December 31, 2022	**50,219**	**3,231**	**4,082**	**288**	**19,701**	**18,756**	**4,159**
Increase	**243**	-	-	3	-	240	-
Change in fair value	**-4,153**	-2,727	-	-	-1,426	-	-
Decrease	**-128**	-	-	-	-	-128	-
Discounting / Accretion	**108**	-	108	-	-	1	-
Other reclassifications and other movements	**676**	-	-	-	-	-	676
Jun 30, 2023	**46,964**	**503**	**4,190**	**291**	**18,275**	**18,868**	**4,836**

(1) *Financial assets at fair value through other comprehensive income primarily comprise shares in the OPCI fund UIR II. This mutual fund's ownership is split between Union Investment with an 80.01% stake and Mercialys with 19.99%. It operated an asset in Pessac which provided it with rental income. This asset was sold on April 29, 2022. The reduction in the fair value is linked to the OPCI fund's capital reduction, carried out during the first half of 2023, for Euro 13.5 million. This company is currently being liquidated.*

(2) The fair value hedging derivatives (interest rate risk hedge) are due to mature on August 28, 2024, August 28, 2025, February 27, 2026, November 3, 2027 and February 28, 2029.

(3) Loans and interest correspond primarily to the Euro 18.6 million loan granted by Mercialys to SCI AMR in December 2020.

(4) Prepaid expenses primarily concern SaaS software implementation costs when they are not distinct from the software.

Note 16 : Trade receivables

(In thousands of euros)	**Jun 30, 2023**	**Dec 31, 2022**
Trade receivables and related	51,491	50,078
Depreciation	-23,641	-21,521
Trade receivables and related, net	**27,850**	**28,557**

The provisions for doubtful receivables determined by Mercialys and based on the legal framework for disputes with tenants in arrears totaled Euro 21.5 million. The provisions relating to the impacts of the health crisis came to Euro 1.7 million at June 30, 2023.

Note 17 : Financial structure and financial costs

Note 17.1 Net cash

The breakdown of net cash is presented below:

(In thousands of euros)	**Jun 30, 2023**	**Dec 31, 2022**
Cash	41,623	165,985
Cash equivalents	50,101	50,101
Gross cash	**91,724**	**216,085**
Bank overdrafts	-	-87
Cash net of bank overdrafts	**91,724**	**215,999**

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

Note 17.2 Borrowings and financial liabilities

Note 17.2.1 : Composition

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

(In thousands of euros)	Jun 30, 2023			Dec 31, 2022		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	-1,143,837	-15,430	-1,159,267	-1,143,021	-18,368	-1,161,389
Other borrowings and financial debt	-	-52,000	-52,000	-	-112,000	-112,000
Bank overdrafts	-	-	-	-	-87	-87
Fair value of liabilities[59]	13,464	6,462	19,926	11,047	4,102	15,148
Gross financial debt	**-1,130,373**	**-60,968**	**-1,191,341**	**-1,131,974**	**-126,353**	**-1,258,327**
Fair value hedging derivatives – assets	-167	1,195	1,028	-151	2,147	1,996
Cash and cash equivalents	-	91,724	91,724	-	216,085	216,085
Cash and cash equivalents and other financial assets	**-167**	**92,919**	**92,751**	**-151**	**218,232**	**218,081**
NET FINANCIAL DEBT	**-1,130,540**	**31,951**	**-1,098,589**	**-1,132,125**	**91,879**	**-1,040,246**

Note 17.2.2 : Change in financial liabilities

The change in financial liabilities is linked primarily to the outstanding commercial paper, which decreased by Euro 60 million since January 1, 2023 to represent Euro 52 million at end-June 2023.

Note 17.2.3 : Financial covenants

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

- Loan to value (LTV): net financial debt / (market value of the portfolio excluding transfer taxes + market value of investments in associates) <50% at each reporting date;
  A covenant of less than 55% applies to 74% of the confirmed bank facilities. The remaining lines are subject to an LTV covenant of less than 50%;
- *Interest coverage ratio* (ICR): consolidated EBITDA[60] / net finance costs > 2x, at each reporting date;
- Secured debt / consolidated fair value of investment properties excluding transfer taxes < 20% at all times;

[59] *Certain hedging instruments were restructured during the first half of 2023 and at the end of 2022. The balances, representing Euro 8.4 million and Euro 12.3 million respectively, are spread over the timeframe between the instrument's renegotiation date and the underlying element's end date.*

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

- Consolidated fair value of investment properties excluding transfer taxes > Euro 1 billion at all times.

Change of control clauses also apply.

	Covenants	Jun 30, 2023	Dec 31, 2022
Loan to value (LTV)	<50%	38.6%	35.3%
Interest coverage ratio (ICR)	>2x	5.2x	5.9x

At June 30, 2023, the other contractual covenants (secured debt / consolidated fair value of investment properties excluding transfer taxes, and consolidated fair value of investment properties excluding transfer taxes), as well as the commitment and default clauses, were also complied with.

Note 17.3 Net financial items

Note 17.3.1 : Net finance costs

(In thousands of euros)	Jun 30, 2023	Jun 30, 2022
Cost of debt put in place	-17,974	-45,503
Impact of hedging instruments	128	6,859
Gross finance costs	**-17,846**	**-38,644**
Net proceeds from sales of investment securities	1,296	19
Income from net cash / (net finance costs)	**-16,550**	**-38,625**

The reduction in net finance costs during the first half of 2023 is linked primarily to the early bond redemption costs recorded in 2022 for Euro 26 million.

Note 17.3.2 : Other financial income and expenses

(In thousands of euros)	Jun 30, 2023	Jun 30, 2022
Other financial income	382	132
Financial income	**382**	**132**
Other financial expenses	-4,252	-1,628
Financial expenses	**-4,252**	**-1,628**
Total other financial income and expenses	**-3,870**	**-1,496**

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

Note 17.4 Fair value of financial instruments

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

At June 30, 2023	Book value	Fair value	Market price	Models with observable inputs	Models with non-observable inputs
(In thousands of euros)			= level 1	= level 2	= level 3
ASSETS					
Financial assets at fair value through other comprehensive income[61]	503	503	-	-	503
Fair value hedging derivatives – assets (current and non-current)[62]	1,028	1,028	-	1,028	-
Other derivative assets (current and non-current)[62]	19,690	19,690	-	19,690	-
Cash equivalents	91,724	91,724	91,724	-	-
LIABILITIES					
Bonds	1,159,267	998,689	998,689	-	-
Other derivative liabilities (current and non-current)[62]	-19,926	-19,926	-	-19,926	-
Fair value hedging derivatives – liabilities (current and non-current)[62]	3,569	3,569	-	3,569	-

Certain hedging instruments were restructured during the first half of 2023. The balance of Euro 8.4 million is spread over the timeframe between the instrument's renegotiation date and the underlying element's end date.

The counterparty risk, assessed based on the Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA), adjusts the mark to market. It therefore reduces the assets or liabilities. At June 30, 2023, the credit risk (CVA) totaled Euro 1,661,000, while the Debit Valuation Adjustment (DVA) represented Euro 359,000.

At December 31, 2022	Book value	Fair value	Market price	Models with observable inputs	Models with non-observable inputs
(In thousands of euros)			= level 1	= level 2	= level 3
ASSETS					
Financial assets at fair value through other comprehensive income[61]	3,231	3,231	-	-	3,231
Fair value hedging derivatives – assets (current and non-current)[62]	1,996	1,996	-	1,996	-
Other derivative assets (current and non-current)[62]	22,618	22,618	-	22,618	-
Cash equivalents	216,085	216,085	216,085	-	-
LIABILITIES					
Bonds	1,161,389	947,578	947,578	-	-
Other derivative liabilities (current and non-current)[62]	1,646	1,646	-	1,646	-
Fair value hedging derivatives – liabilities (current and non-current)[62]	-15,148	-15,148	-	-15,148	-

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

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

Certain hedging instruments were restructured at the end of 2022. The balance of Euro 12.3 million is spread over the timeframe between the instrument's renegotiation date and the underlying element's end date.

The counterparty risk, assessed based on the Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA), adjusts the mark to market. It therefore reduces the assets or liabilities. At December 31, 2022, the credit risk (CVA) totaled Euro -2,996,000.

Note 18 : Contingent assets and liabilities

Contingent liabilities relating to a project at the Saint André site

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

A Euro 900,000 adjustment to the price of the Cypérus Saint-André SARL shares was planned, subject to the Saint André Urban Planning Scheme (Plan Local d'Urbanisme - PLU) being adopted before June 30, 2019:

- (i) in the event of the competent legal authority issuing a certificate stating that there have been no objections to the building permit, constituting a Commercial Operating Permit (Autorisation d'Exploitation Commerciale - AEC) enabling the project to go ahead;
- (ii) in the event of failure to apply for a building permit constituting an AEC, enabling the project to be completed and complying with the PLU within 36 months of the entry into force of said PLU.

However, this earn-out payment was disputed by Mercialys, since the local authorities asked for the building permit application for the planned project to be withdrawn. It was withdrawn with effect on October 4, 2017. Mercialys does not believe that any disbursements are likely and so did not recognize any related provisions during the first half of 2023.

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

Note 19 : Tax

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

The tax regime for French real estate investment trusts (SIIC) exempts them from paying tax on their income from real estate activities, provided that at least 95% of income from rental activities and 70% of gains on the disposal of real estate assets are distributed to shareholders.

The Euro -196,000 tax expense comprises the CVAE corporate value-added tax for Euro -224,000, corporate income tax for Euro -37,000 and deferred tax for Euro +65,000.

Note 20 : Related-party transactions

With SCI AMR

Mercialys entered into the following agreements with SCI AMR:

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

These transactions totaled Euro 573,000 for the first half of 2023.

For the real estate asset purchase and sales operations carried out in December 2020 between Mercialys and SCI AMR, Mercialys granted a loan to SCI AMR.

This loan represented Euro 18,776,000 at end-June 2023, including Euro 185,000 of accrued interest.

Other related-party transactions

Excluding the amounts indicated above, the other related-party transactions for the periods ended June 30, 2023 and 2022 were as follows:

Other transactions with associates:

	Income	Expenses	Payables	Receivables
(In thousands of euros)	concerning related parties			
Jun 30, 2022	**463**	**-594**	**2,369**	**1,438**
Jun 30, 2023	**-**	**-**	**-**	**37**

Note 21 : Off-balance sheet commitments

The Group's commitments at June 30, 2023 are those mentioned in the annual financial statements for the year ended December 31, 2022.

Note 22 : Identification of the consolidating company

The Mercialys Group does not have a consolidating company.

Note 23 : Subsequent events

On July 17, 2023, Mercialys became a shareholder in Hillel (Depur group) with a 22.9% stake for Euro 1.1 million.

This company's governance is subject to a partners agreement, signed on July 17, 2023, which grants Mercialys rights concerning non-strategic decisions.

Mercialys will have a significant influence over Hillel, which will therefore be consolidated on an equity basis from the second half of 2023.

5. STATUTORY AUDITORS' REVIEW REPORT

Mercialys

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

Share capital: Euro 93,886,501

Statutory auditors' review report on the 2023 half-year financial information

For the period from January 1, 2023 to June 30, 2023

To the Shareholders,

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

- the limited review of the condensed consolidated half-year financial statements of Mercialys, for the period from January 1, 2023 to June 30, 2023, as appended to this report;
- the verification of the information presented in the half-year activity report.

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

I. Conclusion on the financial statements

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

A limited review primarily involves holding discussions with the members of the management team in charge of accounting and financial aspects, and applying analytical procedures. Such a review is less comprehensive than the investigations required for a full audit under French industry standards. As such, the assurances obtained through a limited review that the accounts in general are free from any material misstatements represent moderated assurances, lesser than those obtained with a full audit.

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

II. Specific verification

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

We do not have any observations to make regarding its fair presentation and consistency with the condensed consolidated half-year financial statements.

Lyon and Paris-La Défense, July 26, 2023

The Statutory Auditors

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

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

MERCIALYS

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

Registered office: 16-18 rue du Quatre Septembre

75002 Paris, France

Paris trade and companies register: 424 064 707

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

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

Paris, July 26, 2023

Vincent Ravat

Chief Executive Officer

7. GLOSSARY

Capitalization rate

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

Collection rate

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

Cost of debt

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

Current scope / like-for-like basis

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

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

EBITDA

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

EPRA NDV (Net Disposal Value)

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

EPRA net initial yield

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

EPRA NTA (Net Tangible Assets)

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

EPRA NRV (Net Reinstatement Value)

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

EPRA topped-up net initial yield

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

Funds From Operations (FFO)

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

Interest Coverage Ratio (ICR)

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

Invoiced rents

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

Loan to value (LTV)

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

Minimum Guaranteed Rent (MGR)

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

Net rental income

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

Occupancy cost ratio (OCR)

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

Portfolio of development projects or pipeline

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

Mercialys splits its pipeline into three categories:

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

Rental revenues

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

Total vacancy rate

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

Variable rents

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

Yield rate

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