MERCIALYS

PRESS RELEASE

Paris, February 15, 2021

2020 results

- **Balance sheet positions effectively under control**. Significant asset sales completed at end-December 2020, with a net cash-in of around Euro 150 million. Four Monoprix stores and two hypermarkets sold to leading institutional investors, highlighting their interest in retail assets that generate sustainable cashflows. Loan to value (LTV) ratio excluding transfer taxes of 38.1%, down -302bp from end-June 2020. LTV including transfer taxes of 35.8%
- **Portfolio value resilient, consolidated by asset disposals**. Limited contraction in the portfolio value including transfer taxes, with -2.3% like-for-like over six months and -5.5% over 12 months. Average appraisal yield rate of 5.72% vs. 5.49% at end-June 2020 and 5.26% at end-December 2019. EPRA NDV of Euro 18.42 per share, -7.4% over six months and -7.9% over 12 months
- **Continued operational outperformance by the centers compared with the national index**. Shopping center footfall very strongly affected in 2020 during the two phases when "non-essential" stores were closed. In this unprecedented context, Mercialys' sites, designed to satisfy day-to-day needs, very clearly outperformed the national index (+685bp). Retailer activity also showing considerably better trends than the benchmark index (+1,070bp). Comparatively encouraging trends, limiting the number of retailers serving notice within Mercialys' portfolio. Current financial vacancy rate under control at 3.8%
- **Income statement reflecting the impacts of the crisis**. Invoiced rents down -7.0% like-for-like. Net rental income down -17.8%. The overall impacts relating to the health crisis for 2020 (support for tenants and non-recurring provisions for doubtful receivables) represent Euro 29.4 million, equivalent to 1.5 months of billing for rent and charges excluding tax. Funds from operations (FFO) down -23.1% to Euro 95.5 million, with Euro 1.04 per share
- **Proposed dividend of Euro 0.43 per share** for 2020, representing 41% of FFO for the year. This corresponds to the recurrent taxable profit available for distribution and does not include the distribution for capital gains on asset sales completed in 2020, representing Euro 0.39. This last amount will need to be distributed by 2022 at the latest. This moderation of its distribution will help safeguard the Company's liquidity in an uncertain context
- **2021 objectives**: the latest restriction measures relating to the health crisis are significantly limiting visibility for activities - closure of a large part of the shopping centers and introduction of a curfew. Mercialys is therefore not in a position at this stage to publish full-year objectives for 2021. The Company is reaffirming its priorities: maintaining operational management efforts, deploying the last-mile delivery platform and protecting balance sheet positions

	Dec 31, 2019	Dec 31, 2020	Change (%)
Organic growth in invoiced rents including indexation	+3.6%	-7.0%	-
Spread between the change in footfall[1] for Mercialys centers and the CNCC index[2] (year to end-December)	+270bp	+685bp	-
Spread between the change in sales[1] for Mercialys retailers and the CNCC index[2] (year to end-December)	+140bp	+1,070bp	-
Funds from operations, FFO (€m)	124.2	95.5	-23.1%
ICR (EBITDA / net finance costs)	7.4x	5.0x	-
LTV (excluding transfer taxes)	39.5%	38.1%	-
LTV (including transfer taxes)	37.1%	35.8%	-
Portfolio value including transfer taxes (€m)	3,634.4	3,258.3	-10.3% / -5.5%[3]
EPRA NRV (euros per share)[4]	22.87	21.18	-7.4%
EPRA NTA (euros per share)[4]	20.49	19.04	-7.1%
EPRA NDV (euros per share)[4]	20.01	18.42	-7.9%
Dividend (euros per share)	1.15	0.43[5]	-62.6%

[1] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing over 85% of the value of the Company's shopping centers

[2] CNCC index - all centers, comparable scope

[3] Like-for-like change

[4] Calculated based on the average diluted number of shares, in accordance with European Public Real Estate Association (EPRA) guidelines. NRV (Net Reinstatement Value) / NTA (Net Tangible Assets) / NDV (Net Disposal Value)

[5] Subject to approval by the General Meeting on April 22, 2021

I. Year significantly affected by the health crisis and requiring Mercialys to take unprecedented measures

Strong tenant support measures for the first lockdown, focused on ensuring the sustainability of retailer activities in the centers

With the covid-19 pandemic spreading to France, the French government issued an order, in March 2020, to close all "non-essential" stores from March 15 to May 11, 2020. However, the government order authorized "essential" stores to continue trading, which included tenant retailers representing nearly 40% of Mercialys' annualized rental base. All of Mercialys' sites nationwide therefore remained open throughout the first public lockdown, contributing to the resilience of the Company's results.

From May 11, 2020, following the authorization to reopen stores and the lifting of the public lockdown, Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding leisure areas and sit-down restaurants). Restaurants were able to reopen from June 2, 2020.

Following this first lockdown phase, the Company supported its tenants in response to the major economic impacts of the restrictions on activities, aligning itself with the core principles from the mediation process between landlords and tenants, coordinated by the French government in spring 2020. Within this framework, **a maximum support budget of Euro 13.5 million was drawn up**.

At end-December 2020, the negotiations with retailers relating to the first lockdown led to **agreements being signed for a total of Euro 9.4 million**, including:

- **Euro 3.0 million** of relief granted and to be granted without arrangements negotiated in exchange, with 100% recognized in the accounts at December 31, 2020 under invoiced rents;
- **Euro 6.4 million** of relief granted and to be granted with arrangements negotiated in exchange, with its recognition spread over the remaining firm term of the corresponding leases, in accordance with accounting standards. The accounts at December 31, 2020 include a **Euro 1.1 million** impact under invoiced rents. The recognition of the remaining Euro 5.3 million will be spread over 2021 to 2026, with Euro 1.5 million, Euro 1.4 million, Euro 1.3 million, Euro 0.6 million, Euro 0.3 million and Euro 0.1 million respectively. When renewing the leases covered by these support measures, Mercialys has ensured the sustainability of its rental flows, extending the average firm term of its entire lease portfolio by 6.7 months at December 31, 2020.

The balance of the Euro 13.5 million relief budget for the first lockdown, representing Euro 4.1 million, corresponds to the estimated impact of negotiations that had not been finalized at end-2020. If this amount was awarded following the completion of the negotiations, it would reduce the amount of arrears for the corresponding retailers for the second quarter of 2020.

Additional support measures granted to tenants for the second lockdown, accompanied by a complex tax credit mechanism

On October 28, 2020, the French government ordered a second lockdown phase, with all "non-essential" stores to close again. In this context, stores faced further operating restrictions from October 30 to November 28, 2020, an important time of the year for the business of many retailers.

While the scope of the retailers affected was similar to the first lockdown, the geographical area concerned was slightly more limited, as certain overseas territories, including Réunion Island where Mercialys is present, were not subject to these measures. As a result, retailers representing almost 50% of Mercialys' annualized rental base were able to continue operating.

In line with the French government's retailer support recommendations, Mercialys offered to **waive part of their 2020 fourth-quarter rent** for retailers in its shopping centers affected by these latest government-ordered closures. This measure, which represents **Euro 6.3 million** for the Company, was recognized in full in the accounts at end-December 2020 under invoiced rents as relief granted and to be granted.

This relief budget **does not include the support measures that could have to be granted to sit-down restaurants** (which represented around 3% of Mercialys' annualized rental base over the period). As the conditions for them to reopen were not known at end-December 2020, the support measures had not yet been determined by Mercialys. The accounts at December 31, 2020 therefore include Euro 0.5 million of provisions for the impairment of receivables associated with this segment's arrears, corresponding to the month of November 2020.

The Company will be able to benefit from the **tax credit** set up by the French government, subject to the tenants concerned providing the necessary information. This mechanism, which applies exclusively to the relief measures covered by landlords for the second lockdown phase, will result in either a deduction from the corporate income tax paid by the real estate companies, or a reimbursement for the corresponding amounts when the real estate companies pay limited corporate income tax for their non-SIIC activities (which are therefore subject to tax), as it is the case for Mercialys.

The main known provisions for this tax credit are as follows at December 31, 2020:

- the tax credit can be awarded to the landlord exclusively for relief measures concerning tenants that were not considered to be in difficulty at end-2019 (with the exception of micro-enterprises and small businesses, provided that they are not subject to safeguard, receivership, judicial liquidation or professional recovery proceedings);
- the tenant must have less than 5,000 employees worldwide;
- the total amount of rent waivers entitled to a tax credit, all landlords combined, is capped at Euro 1.6 million per tenant for retailers with up to 249 employees, and Euro 2.4 million for tenants with 250 to 4,999 employees, due to the guidelines setting maximum limits for state support at European level;
- the amount of the potential tax credit for the landlord is also dependent on the size of the tenant company, i.e. it is equal to 50% of the relief granted, but cannot exceed 33% of the amount of rent provided for in the lease when the waiver is granted for retailers with 250 to 4,999 employees. No tax credit will be awarded for relief granted to retailers with more than 5,000 employees.

On the reporting date for these accounts, Mercialys did not have the abovementioned elements and supporting documents enabling it to estimate the tax credit on a reliable basis. As a result, Mercialys **has not recognized any impact for this mechanism in its accounts at December 31, 2020**.

Lastly, as the restrictions with the second lockdown concerned a particularly important time of the year for business, they compounded the operational shortfalls sustained during the first lockdown. For the full year, these shortfalls are estimated at Euro 1.5 million for Casual Leasing and Euro 1.8 million for the decrease in variable rents.

Exceptional provisions recorded for arrears relating to the second and third quarters

The rent collection rate was affected by the economic and health crisis linked to covid-19 and the related negotiations concerning the various relief measures granted. For all the rent and charges (excluding tax) billed by Mercialys, this rate came to 85.3% for 2020. On a quarterly basis, it came to 97.4% for the first quarter, 63.9% for the second quarter, 93.4% for the third quarter and 86.2% for the fourth quarter. **These collection rates are calculated on the full amount of rent and charges excluding tax invoiced by Mercialys to its tenants for 2020.** This billing is therefore not restated for the amounts relating to the rent relief already granted and to be awarded to retailers or provisions for the impairment of receivables recognized due to certain tenants' payment arrears or legal situations (safeguard, receivership, liquidation). At end-December 2020, the total amount of arrears for rent and charges excluding tax represented Euro 1.5 million for the first quarter, Euro 20.2 million for the second quarter, Euro 3.8 million for the third quarter and Euro 8.2 million for the fourth quarter of 2020.

Restated for the relief granted and to be awarded in connection with the two lockdowns (i.e. Euro 9.4 million for the second quarter and Euro 6.3 million for the fourth quarter, from which Euro 0.6 million and Euro 1.1 million respectively need to be deducted for relief measures not related to arrears), the collection rate came to 75.9% for the second quarter, with residual arrears of Euro 11.3 million, and 94.3% for the fourth quarter, with residual arrears of Euro 3.0 million. The full-year collection rate for 2020, restated in the same way, was 90.8% at end-December.

Mercialys therefore recorded **exceptional provisions for arrears from the second and third quarters due to the first lockdown**, in addition to the provisions for doubtful receivables calculated based on the Company's standard conditions (i.e. depending on the legal situation of the arrears concerned). These exceptional provisions represent **Euro 13.2 million**. Bills issued and not yet collected for the fourth quarter of 2020 (excluding measures relating to the month of November and the standard provisions) have not been subject to specific exceptional provisions because their net collection profile is considered to be satisfactory. These provisions were determined as follows:

	In million euros
Outstanding rent and charges excluding tax (without rent relief or provisions)[6]	**24.0**
2nd quarter	20.2
3rd quarter	3.8
Relief granted and to be granted at end-December 2020 for the 1st lockdown - 2nd quarter	**-9.4**
Relief granted and to be granted without arrangements negotiated in exchange[7]	-3.0
Relief granted and to be granted with arrangements negotiated in exchange	-6.4
Standard provisions for doubtful receivables (linked to the legal situation of tenants) - 2nd and 3rd quarters	**-2.5**
Other effects[8] **- 2nd and 3rd quarters**	**1.1**
Exceptional provisions for arrears linked to the 1st lockdown - 2nd and 3rd quarters	**13.2**

In total, the impacts of the health crisis, factoring in the full impact of the relief granted and to be granted and the exceptional provisions relating to the lockdowns, without any deferral in the accounts, represent Euro 29.4 million for Mercialys, equivalent to 1.5 months of billing for rent and charges excluding tax. These effects can be summarized as follows:

Impacts	**Period concerned**	**Profit and loss heading**	**Amount before potential deferral (€m)**	**Treatment in profit and loss at Dec 31, 2020 (€m)**
Negotiations finalized	1st lockdown	Invoiced rents	9.4	4.1
Negotiations finalized associated with the documentation to be received from tenants	2nd lockdown	Invoiced rents	6.3	6.3
Subtotal			**15.7**	**10.4**
Arrears relating to the 2nd and 3rd quarters	1st lockdown	Provisions for doubtful receivables	13.2	13.2
Arrears for November relating to sit-down restaurants	2nd lockdown	Provisions for doubtful receivables	0.5	0.5
Subtotal			**13.7**	**13.7**
Tax credit	2nd lockdown	Taxes	Positive impact not determined to date, will benefit future periods	Positive impact not determined to date, will benefit future periods
TOTAL			**29.4**	**24.1**

[6] Of which, Euro -0.4 million relating to creditor balances
[7] Of which, Euro -0.6 million of relief to be issued not relating to arrears
[8] Of which, Euro +0.4 million of creditor balances and Euro +0.6 million of relief to be issued not relating to arrears

II. 2020 activity and results

Activity indicators fundamentally resilient, despite the context

Invoiced rents came to Euro 172.9 million, down -8.4% on a current basis and -7.0% like-for-like. These changes reflect the following elements:

	Year to end-December 2020		Year to end-September 2020		Year to end-June 2020	
Indexation	+1.6 pp	Euro +2.9 million	+1.6 pp	Euro +2.2 million	+1.6 pp	Euro +1.5 million
Contribution by Casual Leasing	-0.8 pp	Euro -1.5 million	-0.3 pp	Euro -0.5 million	-0.8 pp	Euro -0.8 million
Contribution by variable rents	-0.9 pp	Euro -1.8 million	+0.1 pp	Euro +0.1 million	-0.1 pp	Euro -0.1 million
Actions carried out on the portfolio	-1.3 pp	Euro -2.5 million	-0.5 pp	Euro -0.8 million	-0.2 pp	Euro -0.2 million
Accounting impact of "covid-19 rent relief" granted to retailers	-5.5 pp	Euro -10.4 million	-1.3 pp	Euro -1.8 million	-1.3 pp	Euro -1.2 million
Like-for-like growth	**-7.0 pp**	**Euro -13.2 million**	**-0.5 pp**	**Euro -0.7 million**	**-0.8 pp**	**Euro -0.8 million**
Asset acquisitions and sales	-1.3 pp	Euro -2.4 million	-1.8 pp	Euro -2.5 million	-2.3 pp	Euro -2.2 million
Other effects	-0.2 pp	Euro -0.3 million	-0.1 pp	Euro -0.2 million	-0.2 pp	Euro -0.2 million
Growth on a current basis	**-8.4 pp**	**Euro -15.9 million**	**-2.4 pp**	**Euro -3.4 million**	**-3.3 pp**	**Euro -3.1 million**

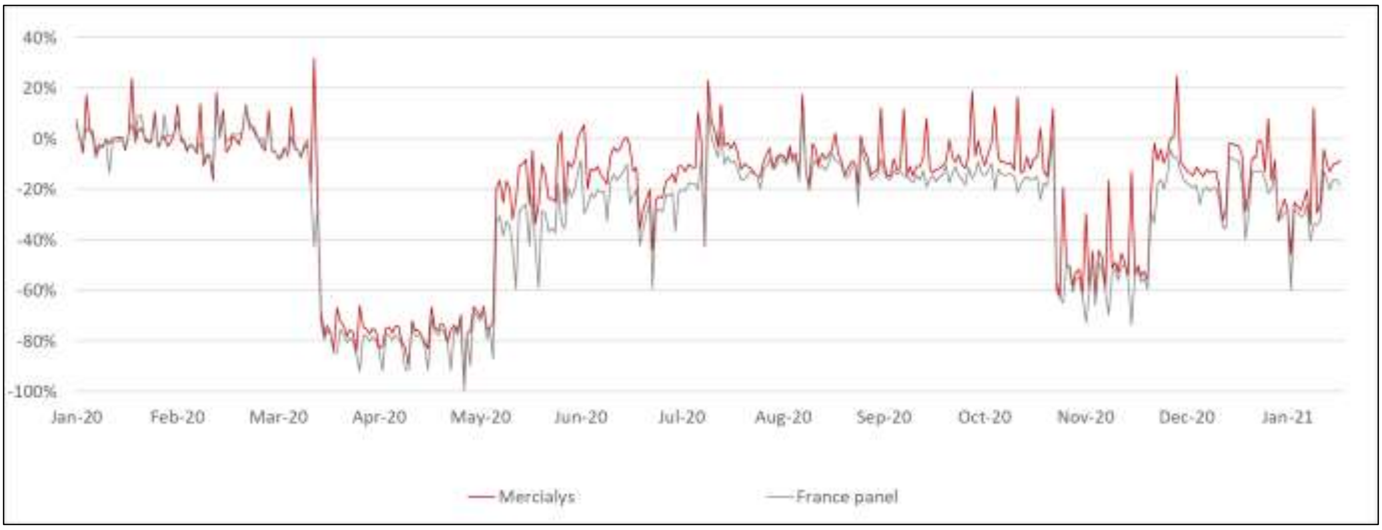
From an operational perspective, Mercialys' shopping centers continued to outperform the sector, in terms of both **footfall** and **retailer sales** trends[9].

Full-year footfall is down -21.3% versus 2019, significantly outperforming the CNCC national benchmark index[10] by +685bp. Shopping center visitor flows were strongly affected during the two lockdown phases and the government-ordered store closures. During the first phase, footfall dropped -76% on average compared with the same period in 2019, versus -78% for the France panel[11]. During the second phase, footfall contracted by -53% on average compared with the same period in 2019, versus -57% for the France panel[11]. This smaller contraction in footfall during the second lockdown phase reflects the exclusion of Réunion Island from the scope for restrictions on activities, as well as more generally the more flexible travel conditions in force compared with the first lockdown phase, and the stronger click and collect services offered in particular.
More generally, the detailed analysis of shopping center footfall at national level reveals that in 2020 out-of-town centers in French regions significantly outperformed out-of-town centers in the Paris Region, as well as large centers and city center units.

After the trading restrictions were lifted, each of these two closure phases was followed by a strong upturn in store footfall, driven primarily by satisfying utilitarian needs. Since the end of the first lockdown, in-store purchases have become more efficient and practical, which is one of the factors behind the outperformance by Mercialys sites, with its retail concept built around purchases that are both recurrent (close to one weekly visit on average per customer) and efficient (average customer visit time of less than one hour).

[9] Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing over 85% of the value of the Company's shopping centers
[10] CNCC index - all centers, comparable scope
[11] Performance calculated based on Quantaflow's French shopping center panel, which enables access to daily footfall data

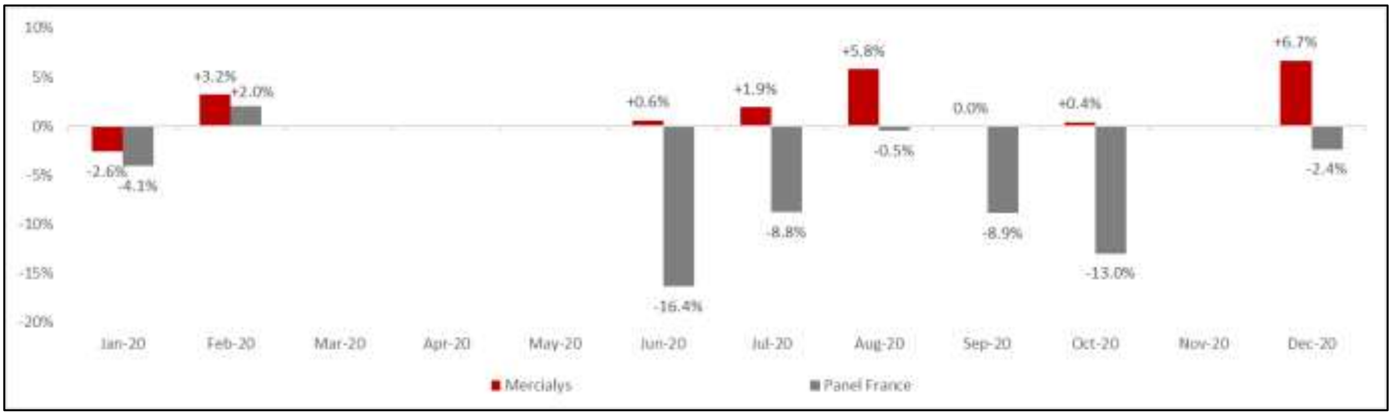
Change in shopping center footfall in 2020 (source: Mercialys, Quantaflow)



Annual retailer sales are down -15.0%, very clearly outperforming the CNCC national benchmark index[10] by +1,070bp. Sales are down by less than footfall, and the number of effective buyers does not seem to have decreased significantly, resulting in an improvement in conversion rates (proportion of buyers in relation to visitors) in 2020.

However, the analysis of retailer sales over the full year in 2020 is not particularly relevant as many stores were closed during the two lockdown phases. As a result of the marked volatility affecting activity levels, an analysis on a monthly basis over the periods when stores were open is more meaningful and reveals, in addition to Mercialys' clear outperformance, progress with sales overall compared with the same periods in 2019 for the months that were not affected by the closure orders.

Change in retailer sales for 2020 (source: Mercialys, CNCC)



The analysis of the **occupancy cost ratio**[12] is subject to the same limitations as the sales analysis due to the periods when stores were ordered to close. Furthermore, as certain retailers' activities may show strong seasonality during the year, especially in the fourth quarter, any analysis for periods of less than one year is even more complex and potentially not relevant. At December 31, 2019, this ratio showed a very moderate level of 10.4%.

The **current financial vacancy rate**[13] came to 3.8%, higher than end-June 2020 (2.5%) and end-December 2019 (also 2.5%), particularly after the Dijon Chenôve shopping center, acquired at the end of December from Amundi Immobilier with a view to relaunching this asset, was incorporated into Mercialys' portfolio. Despite the unprecedented economic and health crisis, Mercialys has not seen an alarming increase in the number of tenants serving notice (57 at end-December 2020 vs. 41 at end-December 2019 out of a total of 2,138 leases at end-2020) thanks to the quality of its assets and its measures to support retailers. The strong diversification of its retailer portfolio has also enabled it to

[12] 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

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

limit exposure to the safeguard and receivership proceedings affecting certain retailers. Reletting operations are already underway in order to improve the level of vacancies, with the 71 leases signed in 2020 (outside of any negotiations relating to the health crisis) achieving an average reversion rate of +5%, highlighting the quality of the rental spaces offered.

Rental revenues came to Euro 175.4 million, down -8.6% compared with end-December 2019, reflecting the change in invoiced rents, with lease rights also down from 2019 due to an unfavorable base effect linked to the project to extend the Le Port site on Réunion Island.

Net rental income totaled Euro 147.4 million, down -17.8%, linked in particular to the provisions for impairment of receivables - both standard and exceptional - as detailed previously.

Operating costs under control

EBITDA came to Euro 131.2 million, down -19.5% from 2019. With the effects of the health crisis (relief measures and provisions), the EBITDA margin contracted to 74.8%.

The **net financial expenses** used to calculate funds from operations (FFO) are up +9.5% from 2019 to Euro -25.7 million, reflecting the full-year impact of the bond redemption in March 2019, the impact of the partial redemption of the bond issue maturing in 2023 and the impact of a new bond issue maturing in July 2027. These same impacts are reflected in the **real average cost of drawn debt**, which was still at an optimized level of 1.4%[14] for 2020, virtually stable compared with the 1.3% recorded for the full year in 2019.

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro -1.5 million and primarily include the net impacts of provisions, as well as the launch of Ocitô's activities. In 2019, they came to Euro -4.0 million, including the impact of Euro 2.1 million of provisions recorded for a dispute concerning a site on Réunion Island.

Tax represents a Euro -2.0 million expense at end-December 2020, compared with Euro -3.3 million at end-December 2019. This amount corresponds primarily to a CVAE corporate value-added tax expense. At end-December 2020, Mercialys did not record any impact relating to the tax credit mechanism for relief measures granted to retailers in connection with the second lockdown phase, for the reasons detailed in section I.

The **share of net income from associates and joint ventures** (excluding capital gains, amortization and impairment) came to Euro 2.2 million at December 31, 2020, compared with Euro 3.6 million at December 31, 2019. This change reflects the assets sold in 2019 by SCI Rennes Anglet, the assets sold and acquired by SCI AMR at end-December 2020, and the dilution of Mercialys' interest in this company (from 39.9% to 25.0%), as well as the impact of rent relief granted by associates in connection with the health crisis.

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro 9.9 million for 2020, compared with Euro 10.5 million in 2019.

Funds from operations (FFO[15]) are therefore down -23.1% to Euro 95.5 million, with Euro 1.04 per share[16].

[14] This rate does not include the positive impact of net proceeds linked to the bond redemption premium, the bond redemption costs, the proceeds from unwinding swaps and the exceptional amortization relating to the partial redemption of the 2023 issue
[15] FFO: Funds From Operations = net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects
[16] Calculated based on the average undiluted number of shares (basic), i.e. 91,532,357 shares

(In thousands of euros)	Dec 31, 2019	Dec 31, 2020	Change (%)
Invoiced rents	**188,849**	**172,911**	**-8.4%**
Lease rights and despecialization indemnities	3,003	2,529	-15.8%
Rental revenues	**191,853**	**175,440**	**-8.6%**
Non-recovered building service charges and property taxes and other net property operating expenses	-12,651	-28,084	+122.0%
Net rental income	**179,202**	**147,357**	**-17.8%**
Management, administrative and other activities income	3,229	3,035	-6.0%
Other income and expenses	-7,006	-6,096	-13.0%
Personnel expenses	-12,413	-13,121	+5.7%
EBITDA	**163,012**	**131,174**	**-19.5%**
EBITDA margin (% of rental revenues)	*85.0%*	*74.8%*	-
Net financial items (excluding non-recurring items[17])	-23,512	-25,748	+9.5%
Reversals of / (Allowances for) provisions	-1,252	1,343	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-3,978	-1,480	-62.8%
Tax expense	-3,270	-2,019	-38.3%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	3,631	2,203	-39.3%
Non-controlling interests (excluding capital gains, amortization and impairment)	-10,462	-9,932	-5.1%
FFO	**124,168**	**95,541**	**-23.1%**
FFO per share[16] (in euros)	***1.35***	***1.04***	***-22.8%***

III. Proactive operational initiatives to secure center fundamentals

The government measures introduced throughout 2020 to tackle the covid-19 epidemic, and particularly the repeated orders to close “non-essential” stores, impacted all retailers, including those in Mercialys’ centers. With a dual approach for responsibility to its stakeholders and securing its revenues over the long term, the Company has rolled out a series of robust support measures faced with the economic impacts of these restrictions on activities.

First of all, it took on board the principles from the landlord-tenant mediation process coordinated by the French Ministry for the Economy and Finance during the second quarter of 2020, which introduced, for all stores that were not able to open, the principle of a shared effort between real estate companies and retailers concerning the months of activity affected by the first lockdown. With government incentives, Mercialys then waived part of their 2020 fourth-quarter rent for retailers that were not able to operate. The Company will be able to benefit from the tax credit set up by the French government, subject to the tenants concerned providing the necessary information (see section I).

These support measures have been negotiated with retailers on a case-by-case basis (certain negotiations have not been finalized to date and are ongoing), with Mercialys securing commitments from certain retailers in exchange. These are fully aligned with Mercialys’ financial and strategic priorities. They primarily include the extension of the firm term of leases, making it possible to increase the average firm term across the Company’s entire portfolio by 6.7 months at end-December 2020 (through tenants waiving their next three-year break, deferring this three-year break, securing the early renewal of leases or signing new leases). They may also be based on signing up for the Ocitô first-mile and last-mile logistics services or include development agreements.

Alongside the negotiations linked to the lockdowns, Mercialys has continued moving forward with its standard approach for renewals and relettings in line with its strategic priorities and retail offering, by: 1/ continuing to diversify its retail mixes, while looking to reduce its rental exposure to textiles in particular, and 2/ ensuring a strong focus on the selection of day-to-day products offered at affordable prices.

Illustrating this, Mercialys signed an agreement in 2020 with Hubside Store, specialized in new and reconditioned connected devices and phones, to open four stores across its portfolio. The stores, which will be located at the Nîmes, Mandelieu, Saint-Étienne and Besançon sites, will all replace textiles retailers, helping reduce the Company’s rental

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

exposure to this business sector. Through these leases, the Company is also responding to growing consumer interest in more affordable and responsible high-tech products.

In line with this approach, for units that were previously occupied by textiles retailers, Mercialys has signed leases with Body Minute in Clermont-Ferrand, increasing its rental exposure to the buoyant health and beauty sector, with Muy Mucho in Toulouse, consolidating its household equipment selection, and with La Chaise Longue in Lanester, strengthening its culture and gifts dimension. All of these retailers are committed to an attractive value for money positioning, in line with Mercialys' longstanding and differentiating retail strategy.

As already mentioned on page 7, the positive average reversion rate of +5% generated on reletting (excluding negotiations linked to the health crisis) highlights the resilience of current rent levels and the unchanged level of interest among retailers in physical retail spaces that generate sustainable results, such as those offered by Mercialys.

IV. Focus on innovation to harness the full potential of retail sites by capitalizing on changes in customer habits

Mercialys' agility in terms of both real estate and retail aspects represents a major, longstanding asset for the Company, contributing to its leading position in terms of the results achieved in France over the past decade and contributing to the resilience of its operations in 2020.

However, the health crisis linked to covid-19 has accelerated certain transformations underway in the retail property sector, which Mercialys had already responded to, in particular: ramping up of online sales, regional and societal fragmentation reflected in diverse expectations for distribution channels and revealing the limitations of both traditional logistics models and 100% web models, growing consumer interest in buying from local producers and stores, consumer aspirations for more diverse uses in centers, etc.

Aware of these shifts, in 2020 the Company significantly accelerated the deployment of its transformation strategy announced at the start of 2019 and aiming to convert its shopping centers into outstanding ecosystems for retail, digital and logistics solutions, built around the foundations of a diversified selection with affordable pricing, adapted to local needs.

In 2020, the change of scale achieved with **Ocitô's first and last-mile logistics services** illustrated the unified retail concept developed by Mercialys, which aims to offer its customers all the products sold in its centers in just a few clicks and with a single order, as well as interchangeable options to receive them at home or to collect them in-store or with the drive-through service.

The lockdown measures and the closure of physical stores have acted as catalysts for this deployment, while proving the relevance of this vision, helping ensure operational and financial resilience for both Mercialys and its retailers. Today, the Ocitô solution is operational at 26 of the Company's shopping centers, including both Company-owned centers and centers managed for third parties, enabling retailers to benefit from pooled logistics services and offer their products directly to consumers on the dedicated web and mobile platform. This platform includes more than 200 retailers to date and the volume of business generated on it has seen weekly growth of nearly 20% since the start of September 2020.

Ocitô is an ecosystem of services designed to: 1/ support retailers with their digital transformation, 2/ provide a response to the issue of last-mile logistics, and 3/ offer end customers a fluid omni-channel buying experience. It is built around three solutions:

- **Ocito.net**, Mercialys' proprietary web and mobile marketplace, enabling consumers to buy food and non-food products online directly from their center's retailers;
- **Ocito.logistique**, which groups together all the "first-mile" logistics solutions to facilitate the consolidation and shipping of packages from stores, enabling retailers to develop their ship-from-store services (e.g. pooled logistics unit, provision of consumables, centralized postage franking and collection). The partnership set up by Mercialys with OneStock in the second quarter of 2020 is aligned with this approach;
- **Ocito.transport**, a suite of "last-mile" logistics solutions and expertise, enabling customers to receive their products in line with their needs: express home delivery, home delivery within two days, click and collect, drive-through, parcel collection lockers in shopping centers, etc.

The Ocitô ecosystem offers a wide range of benefits. Ocito.net represents an additional source of sales for retailers, without any fixed costs, which is a decisive factor for their widespread adoption of this service. Ocito.logistique and Ocito.transport make it possible to pool and rationalize logistics for deliveries of online orders, enabling retailers and delivery companies to significantly improve their costs, timeframes and carbon footprint, while ensuring customer satisfaction.

The investments relating to Ocitô have been limited to Euro 1.2 million since the platform's development was launched in 2019. For Mercialys, this service's operating costs came to around Euro 180,000 in 2020, linked in particular to its accelerated deployment across the portfolio. By increasing the number of retailers using it at each site equipped, this solution will continue to be ramped up in 2021, aiming to break even in 2022.

Mercialys' digitalization expertise is a key factor behind Ocitô's success. This maturity is illustrated by the **latest version of Mercialys' 100% digital proprietary loyalty program**, Prim'Prim. Deployed on a wide scale during the first lockdown phase, providing further proof of the Company's organizational agility, this solution is now operational across 24 shopping centers, owned by the Company or managed for third parties, and is used by more than 900 retailers, achieving an adoption rate of almost 70% in the centers that have been equipped. 76,000 customers have registered for the program.

First of all, Prim'Prim offers more simplicity for users. It operates based on a digital cashback system. It enables customers to receive a percentage reward each time they buy from their shopping center's participating retailers, entitling them to vouchers which they can then spend with the retailers of their choice in the center. This approach helps build stronger loyalty between consumers and their shopping center.

By encouraging physical and local consumption, this service supports retailers with their sales development: for every Euro 1 of vouchers spent, each customer generated Euro 3.4 on average in the center's stores in 2020.

Several million euros of effective transactions can be analyzed in detail thanks to the data made available by sharing shopping basket contents, with an average basket of Euro 47.4 for Mercialys centers for instance. Mercialys is therefore able to identify its end customers' specific needs and habits far more clearly than with the market's standard approaches, supporting its robust commercial development by continuously adapting each center's offering in line with its location. More generally, this approach feeds into the Company's entire digital ecosystem, including its qualified databases, which now cover close to 1.2 million customers.

Lastly, the local commercial appeal of centers is also supported by the multi-functionality strategy rolled out by Mercialys in 2020. This year, this initiative was illustrated by the continued operational deployment of the coworking solution "Cap Cowork" at the Grenoble site, following on from the Angers site. These two spaces, with 280 sq.m and 350 sq.m respectively, each have around 30 workstations, combining closed offices and open spaces. They also have meeting rooms, breakout areas and kitchen corners. Since their launch, the Cap Cowork spaces have already welcomed many different businesses, with their closed offices systematically achieving 80% to 100% occupancy rates. These customers are able to benefit from a service adapted to emerging trends in the world of work, especially in an economic and health context where people are looking for flexibility, in cities where the offering for this type of product is insufficient or not professional. Working out of the shopping centers also enables them to benefit from all the services available on site (parking, banks, dining, Ocitô, etc.).

Cap Cowork is managed in-house by Mercialys' dedicated local teams for the various centers, making it possible to optimize the costs linked to this new business, while enabling the Company to create value out of spaces that were not initially intended for letting. Their operations are now profitable and the development capex for these two spaces represents a combined total of just Euro 0.8 million.

Encouraged by the occupancy rates and the very positive feedback received from customers, Mercialys is extending the Cap Cowork space in Angers by 200 sq.m and is looking into opening two new projects in 2021 in Toulouse (450 sq.m) and Nîmes (300 sq.m), as well as 13 subsequent projects. These projects are in addition to the five healthcare hubs, for which studies are also moving forward with a view to diversifying Mercialys' rental exposure.

With the gradual industrialization of its retail, digital and logistics solutions, Mercialys is positioning itself more than ever as an omni-channel and multi-functional retail pioneer, further strengthening its shopping centers' strategic importance and foundations within their catchment areas.

V. Renewal of the Company's program for sustainable development, which is now an essential pillar

The exceptional health situation faced in 2020 has raised awareness among certain civil society and business stakeholders on the importance of sustainable development-related issues. Embracing its responsibilities, Mercialys set out its commitments in these areas very early on, unveiling from 2016 an ambitious, proactive CSR strategy - Mery'21 - whose first phase was completed at the end of 2020.

This strategy and its consequences in terms of action plans and achievements have received regular recognition from the various market benchmarks and assessors throughout the last five years. In 2020, Mercialys received an exceptional level of recognition and awards:

- Achieving first place in its category (revenues of Euro 150 to 500 million) in the 2020 rankings drawn up by Gaïa Rating, an agency specialized in assessing the ESG performance of French SMEs and mid-market companies listed on the Paris stock exchange. Mercialys climbed nine places up the overall ranking compared with 2019, coming in third out of the 230 companies analyzed in 2020, all revenue categories combined (i.e. up to Euro 5 billion).
- Maintaining its "A List" ranking with the Carbon Disclosure Project (CDP) for the third consecutive year;
- Maintaining its GRESB "Green Star" status for the fourth consecutive year, while moving up one position in its category;
- Achieving fourth place on the SBF 120 in the ranking for the representation of women in management structures for listed companies. This performance was recognized with a visit to Mercialys' offices by Marlène Schiappa, French Minister of State for Gender Equality;
- Maintaining two EPRA Gold Awards (financial and sustainability reporting) for the sixth and fourth consecutive years respectively;
- Winning the 2020 Grands Prix de la Transparence "All Categories" Award, recognizing the best financial and regulatory communications on the SBF 120, following on from the awards received in previous years.

These achievements recognize the major efforts made by Mercialys in terms of ESG performance and reporting transparency for several years, as well as its proven maturity in these areas. In 2020, Mercialys carried out a detailed review of its Mery'21 strategy, objectively identifying its strengths, weaknesses, successes and failures, drawing lessons from these first five years of work and setting out areas for improvement.

In summer 2020, this initiative was accompanied by a process to consult with an extensive panel of the Company's stakeholders, including employees, center visitors, retailers, investors and banks, as well as regional authorities and non-profit organizations. More than 900 stakeholders were able to share their insights, enabling the Company to make exhaustive updates to its materiality matrix. Combined with a series of studies benchmarking the CSR strategies of other real estate operators in France and internationally, as well as an analysis of the Company's risks and opportunities, this initiative led to a redefinition of the strategic priorities to be addressed by Mercialys in terms of sustainable development.

Four key commitments were set out for 2020-2030 and will form the foundations of Mercialys' new CSR strategy:

1. Building a carbon neutral future;
2. Promoting more responsible retail;
3. Partnering for regional development;
4. Being an engaged employer.

The Company will maintain a high level of ambition and performance for these commitments, with details of the corresponding action plans and goals to be revealed during the first half of 2021.

VI. Disposals, acquisitions and development portfolio

Asset sales resulting in a net cash-in of approximately Euro 150 million for Mercialys

While the significantly disrupted economic and health context might have weighed on investor confidence in physical real estate, Mercialys successfully sold a significant amount of assets in 2020 to leading institutional investors, highlighting their interest in resilient retail sites that generate sustainable cashflows.

On December 21, 2020, Mercialys sold the **Monoprix site on Rue des Bourguignons in Asnières-sur-Seine** to a company advised by PICTURE Asset Management The sale was based on a net sales price of Euro 30.8 million, higher than its appraisal value from end-June 2020.

On December 23, 2020, Mercialys sold **three Monoprix sites, located in Chaville, Puteaux and Marcq-en-Barœul**, and **two hypermarkets, located in Besançon and Gassin**, to SCI AMR (a vehicle jointly owned with Amundi Immobilier and consolidated by Mercialys on an equity basis), based on a net sales price for 100% of these five assets of Euro 198 million. All of these sales were carried out at a level consistent with the appraisal values from end-June 2020.

In connection with the financing operations carried out with Amundi Immobilier, a **non-proportional capital increase was carried out for SCI AMR by its shareholders**, resulting in a dilution of Mercialys' interest in this vehicle from 39.9% to 25.0%.

Alongside this, Mercialys acquired, on December 23, 2020, the 60.1% stake that it did not hold in the **Montauban and Valence 2 shopping centers** from SCI AMR. It also acquired the **Dijon Chenôve shopping center** directly from Amundi Immobilier, with a net sales price of Euro 42 million for all of these three assets at 100%, in line with their appraisal values from end-June 2020. These assets to be relaunched and redeveloped show significant potential for both rental income and value growth.

Mercialys' total net cash-in from all of these asset sales represents around Euro 150 million. In this way, the Company has further strengthened its balance sheet and liquidity, contributing to effective control over its loan to value ratio (LTV at end-December 2020 of 38.1% excluding transfer taxes and 35.8% including transfer taxes), while continuing to reduce its exposure to its main tenant, the Casino group (20.2% economic exposure[18] at end-December 2020, compared with 24.3% at end-June 2020).

[18] 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

Development project portfolio built around diversifying uses

Taking into account the continued uncertainty surrounding the economic and health context, Mercialys will remain cautious with regard to investments in 2021. While waiting for new sales to be completed, investments will primarily concern site maintenance requirements, which represented just Euro 3 million in 2020, once again highlighting the Company's cost-effective business model.

Nevertheless, Mercialys has a flexible project portfolio, realigned in the last few years around projects making it possible to diversify the use of its centers. More than ever, investments for centers include a detailed analysis of dynamics for their catchment area, as well as the rationale behind the allocation of capital and its profitability over the medium term, focused at all times on creating value and safeguarding the Company's balance sheet positions. In addition, Mercialys remains attentive to potential opportunities for acquisitions outside of its current scope, particularly with a certain number of players that could look to sell their assets at attractive prices. The Partnership Agreement, under which Mercialys benefited from privileged access to the retail real estate development operations carried out by the Casino Group, was not extended by the parties and therefore expired on December 31, 2020, marking the start of the three-year engagement clause for Mercialys to not invest in a new project that could have a significant impact on a Casino group food retail site.

At end-December 2020, the Company's project portfolio represented Euro 407.0 million looking ahead to 2027, with around Euro 28.9 million of potential additional rental income, for a target average yield rate of 7.1%. This portfolio, which concerns 32 sites out of the 51 shopping centers and high-street retail assets held by Mercialys, includes retail space projects (redevelopments, extensions, retail parks), dining and leisure projects, and tertiary activity projects (housing, healthcare, coworking, etc.).

(In million euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost (%)	Completion date
COMMITTED PROJECTS	**22.3**	**21.8**	**1.4**[19]	**na**[19]	**2021 / 2026**
Dining and leisure	3.2	3.2	na[19]	na[19]	2022
Tertiary activities	19.1	18.6	1.4	na[19]	2021 / 2026
CONTROLLED PROJECTS	**133.5**	**129.5**	**9.9**	**7.4%**	**2022 / 2024**
Retail	106.0	102.0	8.0	7.5%	2022 / 2024
Dining and leisure	27.5	27.5	1.9	6.9%	2023
IDENTIFIED PROJECTS	**251.2**	**251.2**	**17.6**	**7.0%**	**2022 / 2027**
Retail	82.6	82.6	5.8	7.0%	2023 / 2024
Dining and leisure	95.0	95.0	6.7	7.0%	2024
Tertiary activities	73.7	73.6	5.2	7.0%	2022 / 2027
TOTAL PROJECTS	**407.0**	**402.5**	**28.9**[19]	**7.1%**[19]	**2021 / 2027**

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

[19] In the 2021 pipeline, the investments to be committed, for the dining and leisure section, correspond to an advance for work by Mercialys on the Annecy site, which will be reimbursed to it in full, while for tertiary activities they primarily concern the Saint-Denis mixed-use urban project, north of Paris, with an expected IRR of over 8%

VII. Portfolio and financial structure

EPRA NDV (Net Disposal Value) down -7.4% over six months and -7.9% over 12 months

Mercialys' **portfolio value** came to Euro 3,258.3 million (including transfer taxes), down -7.5% over six months and -10.3% over 12 months. Like-for-like[20], it is down -2.3% over six months and -5.5% over 12 months.
Excluding transfer taxes, the portfolio value was Euro 3,065.6 million, also down -7.5% over six months and -10.3% over 12 months. Like-for-like[20], it is also down -2.3% over six months and -5.5% over 12 months.

At end-December 2020, Mercialys' portfolio mainly comprised 51 shopping centers and high-street sites[21], with 25 large regional shopping centers and 26 leading local retail sites (neighborhood shopping centers and city-center assets).

The average size of the 49 shopping centers (excluding the two high-street retail assets) was nearly 16,600 sq.m at end-December 2020, compared with 7,400 sq.m in 2010. Their average value was Euro 65.9 million including transfer taxes at end-2020, compared with Euro 26.9 million at end-2010.

The **average appraisal yield rate** was 5.72% at December 31, 2020, compared with 5.49% at June 30, 2020 and 5.26% at December 31, 2019.

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

	EPRA NAV			EPRA NNNAV			EPRA NRV			EPRA NTA			EPRA NDV		
	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019
€/share	19.08	19.72	20.53	18.42	19.90	20.01	21.18	22.00	22.87	19.04	19.68[22]	20.49	18.42	19.90	20.01
Change over 6 months	-3.3%	-3.9%	-1.6%	-7.4%	-0.5%	-1.9%	-3.7%	-3.8%	-1.8%	-3.3%	-4.0%	-1.6%	-7.4%	-0.5%	-1.9%
Change over 12 months	-7.1%	-5.4%	-1.6%	-7.9%	-2.4%	-5.4%	-7.4%	-5.6%	-	-7.1%	-5.5%	-	-7.9%	-2.4%	-

EPRA NDV (Net Disposal Value - equivalent to EPRA NNNAV (Triple Net Asset Value) in the specific case of Mercialys, as the Company's balance sheet does not carry any goodwill) came to Euro 18.42 per share, down -7.4% over six months and -7.9% over 12 months. The Euro -1.59 per share change over 12 months takes into account the following impacts:

- dividend payment: Euro -0.48;
- funds from operations (FFO): Euro +1.04;
- change in unrealized capital gains (i.e. difference between the net book value of assets on the balance sheet and their appraisal value excluding transfer taxes): Euro -1.93, including a yield effect for Euro -2.31, a rent effect for Euro +0.30 and other effects[23] for Euro +0.08;
- change in fair value of fixed-rate debt: Euro -0.06;
- change in fair value of other items: Euro -0.15.

Very satisfactory liquidity level and balance sheet positions effectively under control

To extend the maturity of its liabilities, Mercialys carried out a refinancing operation in July 2020, based on: 1/ a new Euro 300 million bond issue with a maturity of seven years, and 2/ a partial redemption of the bond issue maturing in 2023 for a nominal value of Euro 181.3 million. Combined with the asset sale operations detailed previously, resulting in a cash-in of around Euro 150 million, as well as the very limited contraction in the portfolio value, Mercialys' balance sheet position is effectively under control.

[20] Sites on a constant scope and a constant surface area basis
[21] Added to these are four geographically dispersed assets with a total appraisal value including transfer taxes of Euro 11.1 million
[22] Value adjusted from Euro 19.72 per share, as published in the 2020 Half-Year Financial Report, to Euro 19.68 per share, in order to more accurately reflect the new methodology for calculating EPRA NTA
[23] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals

At end-December 2020, **drawn debt** represented Euro 1,651.2 million. It is made up of three bond issues and a private placement, with a residual nominal amount of Euro 1,318.7 million, as well as commercial paper, with Euro 332.5 million outstanding at end-December 2020.

Taking into account these resources, the amounts received in connection with current activities and proceeds from disposals, Mercialys had Euro 464.6 million of cash at December 31, 2020. Alongside this, the Company had Euro 405 million of **additional undrawn financial resources** at end-2020, virtually unchanged compared with end-June 2020 and end-December 2019 (Euro 410 million). Mercialys did not need to make any drawdowns on its unused credit lines in 2020.

The **real average cost of drawn debt** was **1.4%**[24] for 2020, reflecting the full-year impact of the bond redemption in March 2019, the impact of the partial redemption of the bond issue maturing in 2023 and the impact of a new bond issue maturing in July 2027. This rate is virtually stable compared with the cost of drawn debt for 2019, i.e. 1.3%.

The **average maturity of drawn debt** was 3.5 years at December 31, 2020, compared with 3.2 years at end-June 2020 and 3.8 years at end-December 2019.

Mercialys benefits from a healthy financial structure, with an **LTV ratio excluding transfer taxes**[25] of 38.1% at December 31, 2020 (compared with 41.1% at June 30, 2020 and 39.5% at December 31, 2019) and an **LTV ratio including transfer taxes** of 35.8% on the same date (versus 38.6% at June 30, 2020 and 37.1% at December 31, 2019). The Company has maintained a very balanced financial structure, with its management of liabilities and sales more than offsetting the effects of the economic and health crisis, which were reflected in reduced rent receipts in the second, third and fourth quarters of 2020, as well as pressure on site appraisal values.

The **ICR**[26] was 5.0x at December 31, 2020, compared with 10.6x at June 30, 2020 and 7.4x at December 31, 2019, reflecting the impacts of the health crisis on EBITDA and the impacts of July's bond refinancing on financial expenses.

On June 9, 2020 and December 1, 2020, Standard & Poor's confirmed its **BBB/outlook negative** rating for Mercialys.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**, with a hedged or fixed-rate debt position (including commercial paper) representing 92% at end-December 2020, compared with 82% at end-June 2020 and 86% at end-December 2019.

VIII. Outlook and dividend

Outlook for 2021

The start of 2021 has continued to be marked by the widespread effects of the health crisis, and the activity of Mercialys' shopping centers has been very impacted by the measures put in place by the public authorities. On the one hand, the introduction of measures for a curfew from 6pm, initially localized then extended nationwide in Mainland France, has significantly affected shopping center footfall levels. On the other hand, on January 29, the French Prime Minister ordered the closure of all non-food stores with over 20,000 sq.m of gross leasable area, as well as non-food stores in shopping centers with a gross leasable area of over 20,000 sq.m.

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

[25] LTV (Loan To Value): net financial debt / (portfolio market value excluding transfer taxes + market value of investments in associates for Euro 56.4 million in 2020 and Euro 59.7 million in 2019, since the value of the portfolio held by associates is not included in the appraisal value)

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

This definition is extremely broad, as the 20,000 sq.m is calculated by adding together all of a site's areas for food or non-food stores, as well as their stockroom and office areas.

Furthermore, the French government has stated that food stores in shopping centers will remain open, whether they are supermarkets or specialist food stores (e.g. bakeries). Pharmacies will also be exempt and will remain open. In addition, it announced that the minimum space ratio per person has been reinforced for all retail spaces (stores over 400 sq.m and shopping centers), based on one person per 10 sq.m, compared with one person per 8 sq.m previously.

Stores that are closed will no longer be able to offer click and collect or order collection services. However, they will still be able to offer deliveries for their products.

These closure measures came into force on Sunday January 31, 2021. They also apply on Réunion Island, where Mercialys operates.

As a result of these measures, 44% of Mercialys' rental base is able to remain open.

Relief measures will be put in place by the Government to support retailers. Illustrating this, retailers concerned by the closure of shopping centers *"will benefit from the reinforced solidarity fund, with the right to choose between compensation for loss of sales up to Euro 10,000 or compensation for 20% of sales up to a maximum of Euro 200,000 per month. For chain-based retailers, particularly major integrated retailers for which the Euro 200,000 of compensation would be insufficient, they will be offered arrangements to cover 70% of their fixed costs. These support measures will allow retailers to cover their rent and costs. Stores that are closed will be entitled to the furlough scheme without requiring them to make any top-up contributions. They will be entitled to the exemption from employer's contributions, as well as support for the payment of payroll taxes".*

In addition, Bruno Le Maire, French Minister of the Economy, indicated publicly on February 1, 2021 that: *"Rents will be covered".* The conditions for this cover, which may be indirect, are not known to date.

Mercialys deplores the exceptional closure of stores and sites that have introduced widespread health measures to protect visitors. This decision is notably reflected in a deterioration in the collection level for rent and charges excluding tax billed by the Company for the first quarter of 2021, with 64% to date. In response, the Company will continue to accelerate the rollout of its Ocitô service, enabling retailers at its sites to deliver their food and non-food products within their catchment areas, helping support their business and the sustainability of their links with their local communities.

As the context is very uncertain, Mercialys is not in a position at this stage to publish specific full-year objectives for 2021. These objectives will be updated as soon as possible depending on the outlook. In the meantime, the Company is reaffirming its priorities, i.e. focusing its efforts on its operational management, deploying the last-mile delivery platform and protecting its balance sheet positions.

Dividend for 2020

Taking into account the very uncertain economic and health context, marked by restrictive measures requiring the Company to safeguard its cash position, Mercialys' Board of Directors on October 21, 2020 decided unanimously to not pay out an ordinary interim dividend for 2020.

The start of 2021 has continued to see widespread disruption due to the measures adopted to manage the health crisis, leading to the closure of many shopping centers and the introduction of a curfew, with significant impacts on the stores that are able to remain open. This is widely affecting the macroeconomic context, illustrated by a sharp fall in consumer confidence in January 2021.

To continue to safeguard the Company's liquidity, the Board of Directors will therefore submit a proposal at the General Meeting on April 22, 2021 to pay a dividend of Euro 0.43 per share for 2020, with a total of Euro 39.6 million based on the number of shares outstanding at December 31, 2020 (without taking into account the cancellation of dividends on treasury shares on the payment date). The proposed dividend will correspond to 41% of 2020 FFO and offer a 6.0% yield on the 2020 closing share price.

This proposed dividend is based on the distribution requirement with the SIIC tax status concerning exempt profits from property rental or sub-letting operations. It does not include the distribution based on 70% of exempt profits for 2020 from the disposal of properties and investments in real estate companies, i.e. Euro 0.39 per share. Under the requirements for SIIC real estate investment trusts, this amount will need to be distributed by 2022 at the latest. However, if the health and economic environment improves in 2021, the Board of Directors could decide to pay out an interim dividend during the second half of the year corresponding to part of these 2020 capital gains.

Subject to approval by the Ordinary General Meeting on April 22, 2021, shareholders will be able to opt for: 1/ this dividend to be paid in shares, or 2/ this dividend to be paid in cash. As applicable, the dividend will be released for payment in cash or shares on May 21, 2021, with an ex-dividend right date of April 29, 2021, taking into account the timeframes required to put these options in place.

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This press release is available on www.mercialys.com
A presentation of these results is also available online, in the following section:
Investors / News and Press Releases / Presentations and Investor Days

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About Mercialys

Mercialys is a leading French real estate company. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends, on its own behalf and for third parties. At December 31, 2020, Mercialys had a real estate portfolio valued at Euro 3.3 billion (including transfer taxes). Its portfolio of 2,138 leases represents an annualized rental base of Euro 173.9 million. Mercialys has been listed on the stock market since October 12, 2005 (ticker: MERY) and has "SIIC" real estate investment trust (REIT) tax status. Part of the SBF 120 and Euronext Paris Compartment B, it had 92,049,169 shares outstanding at December 31, 2020.

IMPORTANT INFORMATION

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

APPENDIX TO THE PRESS RELEASE

Financial report

Financial report

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and applicable at December 31, 2019. These standards are available on the European Commission website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en. The accounting policies set out below were applied consistently to all the periods presented in the consolidated financial statements, after taking into account, or with the exception of, the new standards and interpretations described below.

1. Financial statements

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

1.1. Consolidated income statement

(In thousands of euros)	Dec 31, 2020	Dec 31, 2019
Rental revenues	**175,440**	**191,853**
Service charges and property tax	(44,390)	(47,811)
Service charges and property tax reinvoiced to tenants	38,555	42,236
Net property expenses	(22,248)	(7,076)
Net rental income	**147,357**	**179,202**
Management, administrative and other activities income	3,035	3,229
Other income	53	276
Other expenses	(6,150)	(7,283)
Personnel expenses	(13,121)	(12,413)
Depreciation and amortization	(40,777)	(40,440)
Reversals of / (Allowances for) provisions	1,343	(1,252)
Other operating income	242,125	102,496
Other operating expenses	(209,381)	(98,792)
Operating income	**124,484**	**125,023**
Income from cash and cash equivalents	61	190
Expenses from gross financial debt	(21,891)	(22,180)
(Expenses) / Income from net financial debt	**(21,830)**	**(21,990)**
Other financial income	233	255
Other financial expenses	(3,024)	(3,111)
Net financial income	**(24,621)**	**(24,846)**
Tax expenses	(2,019)	(3,270)
Share of net income from equity associates and joint ventures	(3,695)	2,289
Consolidated net income	**94,148**	**99,196**
Attributable to non-controlling interests	8,316	8,856
Attributable to owners of the parent	85,833	90,340
Earnings per share[27]		
Net income, attributable to owners of the parent (in euros)	0.94	0.98
Diluted net income, attributable to owners of the parent (in euros)	0.94	0.98

[27] Based on the weighted average number of shares over the period adjusted for treasury shares
Undiluted weighted average number of shares in 2020 = 91,532,357 shares
Fully diluted weighted average number of shares in 2020 = 91,532,357 shares

1.2. Consolidated statement of financial position

ASSETS *(in thousands of euros)*	Dec 31, 2020	Dec 31, 2019
Intangible assets	4,052	3,588
Property, plant and equipment other than investment property	1,605	857
Investment property	2,050,907	2,222,452
Right-of-use assets	8,902	9,981
Investments in equity associates	38,918	36,355
Other non-current assets	73,865	51,867
Deferred tax assets	1,728	1,200
Non-current assets	**2,179,976**	**2,326,300**
Trade receivables	38,217	20,532
Other current assets	40,660	36,594
Cash and cash equivalents	464,611	72,024
Investment property held for sale	111	111
Current assets	**543,599**	**129,262**
Total assets	**2,723,575**	**2,455,562**

EQUITY AND LIABILITIES *(in thousands of euros)*	Dec 31, 2020	Dec 31, 2019
Share capital	92,049	92,049
Additional paid-in capital, treasury shares and other reserves	600,875	565,909
Equity attributable to owners of the parent	692,925	657,958
Non-controlling interests	202,193	202,072
Equity	**895,118**	**860,030**
Non-current provisions	1,207	1,128
Non-current financial liabilities	1,355,914	1,234,944
Deposits and guarantees	22,295	21,502
Non-current lease liabilities	8,655	9,640
Other non-current liabilities	15,311	12,939
Non-current liabilities	**1,403,381**	**1,280,154**
Trade payables	15,394	13,839
Current financial liabilities	348,553	261,643
Current lease liabilities	985	959
Current provisions	9,942	10,920
Other current liabilities	50,193	27,542
Current tax liabilities	9	474
Current liabilities	**425,076**	**315,378**
Total equity and liabilities	**2,723,575**	**2,455,562**

1.3. Consolidated cash flow statement

(In thousands of euros)	Dec 31, 2020	Dec 31, 2019
Net income, attributable to owners of the parent	85,833	90,340
Non-controlling interests	8,316	8,856
Consolidated net income	**94,148**	**99,196**
Depreciation, amortization[1] and provisions, net of reversals	53,372	54,226
Calculated expenses/(income) relating to stock options and similar	24	206
Other calculated expenses/(income)[2]	(2,419)	(2,133)
Share of net income from equity associates and joint ventures	3,695	(2,289)
Dividends received from equity associates and joint ventures	6,234	2,449
Income from asset disposals	(47,542)	(17,443)
Expenses/(income) from net financial debt	21,830	21,990
Net financial interest in respect of lease agreements	334	328
Tax expenses (including deferred tax)	2,019	3,270
Cash flow	**131,695**	**159,800**
Taxes received/(paid)	(3,298)	(2,572)
Change in working capital requirement relating to operations, excluding deposits and guarantees[3]	5,696	(1,688)
Change in deposits and guarantees	792	(579)
Net cash flow from operating activities	**134,885**	**154,960**
Cash payments on acquisitions of[4]:		
investment properties and other fixed assets	(61,593)	(26,412)
non-current financial assets	(1,833)	(1)
Cash receipts on disposals of[4]:		
investment properties and other fixed assets	188,386	96,285
non-current financial assets	-	-
Investments in equity associates and joint ventures	-	(1,625)
Impact of changes in the scope of consolidation with change of ownership	-	-
Change in loans and advances granted	1,799	10,839
Net cash flow from investing activities	**126,757**	**79,086**
Dividends paid to shareholders of the parent company (final)	(43,957)	(56,863)
Dividends paid to shareholders of the parent company (interim)	-	(43,123)
Dividends paid to non-controlling interests	(8,194)	(6,728)
Capital increase and reduction	(1)	-
Other transactions with shareholders	-	-
Changes in treasury shares	(1,825)	960
Increase in borrowings and financial debt	1,097,167	1,499,700
Decrease in borrowings and financial debt	(901,800)	(1,912,400)
Repayment of lease liabilities	(959)	(644)
Interest received	23,447	33,349
Interest paid	(32,933)	(53,332)
Net cash flow from financing activities	**130,947**	**(539,080)**
Change in cash position	**392,588**	**(305,034)**
Net cash at beginning of year	72,012	377,046
Net cash at end of year	464,600	72,012
of which cash and cash equivalents	464,611	72,024
of which bank overdrafts	(11)	(12)

		2020	2019
(1)	*Depreciation and amortization exclude the impact of impairments on current assets*		
(2)	*Other calculated expenses and income mainly comprise:*		
	- discounting adjustments to construction leases	*(340)*	*(355)*
	- lease rights received from tenants and spread over the firm term of the lease	*(2,472)*	*(2,899)*
	- financial expenses spread out	*434*	*921*
	- interest on non-cash loans	*24*	*102*
(3)	*The change in working capital requirements breaks down as follows:*		
	- trade receivables	*(31,420)*	*1,623*
	- trade payables	*1,555*	*(929)*
	- other receivables and payables	*35,561*	*(2,382)*
	Total working capital requirements	***5,696***	***(1,688)***

(4) These amounts are presented in gross values excluding the impact of the exchange between Mercialys and SCI AMR concerning the Gassin (sale), Montauban and Valence 2 (acquisitions) real estate assets, which led to the payment of a Euro 37 million balance to Mercialys

2. Main highlights of 2020

Impacts relating to the covid-19 pandemic

The start of 2020 was marked by considerable uncertainty linked to the covid-19 pandemic in Europe and France, with the French government issuing an order in March to close all non-essential stores from March 15 to May 11, 2020. However, the government order authorized essential stores to continue trading, which included tenant retailers representing nearly 40% of Mercialys' annualized rental base. All of Mercialys' sites therefore remained open during the nationwide public lockdown, ordered by the French government from March 16 to May 11, 2020. On May 11, following the authorization to reopen stores and the lifting of the public lockdown, Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding leisure venues and sit-down restaurants). Restaurants were able to reopen from June 2, 2020.

This full reopening of the centers was completed under optimum health and safety conditions, thanks to measures such as setting up a system to monitor real-time flow management, indicating walking directions for visitors, putting in place hand sanitizer stations, optimizing center ventilation and reinforcing disinfection procedures. Overall, in terms of site operating costs, the implementation of these measures was offset by the savings achieved, particularly on water and energy consumption, during the period when centers were partially closed. In addition to the arrangements in place before the health crisis for employees to work from home, various organizational and health measures were rolled out at the Company's head office to ensure the health and safety of its employees: providing masks and hand sanitizer, introducing social distancing measures, etc.

The government-ordered shutdown may have affected the profitability of the retailers concerned. In this context, a mediation process between tenants and landlords was considered necessary by the French government, which appointed a mediator in April 2020. This mediation process, completed in May 2020, was signed up to by all the landlord federations, including the ones that Mercialys is part of, as well as certain retailer federations, but not by representatives from the main retailers.

Mercialys has aligned itself with the core principles from this mediation process for discussions with its tenants. Negotiations were carried out with retailers on this basis throughout the year, leading to the recognition of relief measures granted and to be awarded in the financial statements at end-December 2020.

In April 2020, and in response to the French authorities' appeal in the context of the health crisis, Mercialys' Board of Directors decided to reduce its proposed dividend for 2019 from Euro 1.15 to Euro 0.95 per share. This amount corresponds strictly to the distribution requirements under the SIIC tax system for real estate investment trusts. The General Meeting on April 23, 2020 voted to approve this revised amount.

On October 28, 2020, the French President announced a new national lockdown from October 30, 2020, with non-essential stores to close again. However, Réunion Island was not concerned by this measure. During this second period of restrictions on activities, nearly 50% of the retailers from Mercialys' annualized rental base were able to remain open. Stores classed as non-essential were able to open again from November 28, 2020, with the exception of dining and leisure venues. Mercialys has continued moving forward with its actions to support its tenant retailers, offering to partly waive their 2020 fourth-quarter rent for the retailers ordered to close. Subject to the tenants concerned providing the necessary information, Mercialys will be able to benefit from the tax credit mechanism determined for compensation by the French government.

Lastly, it is important to note that the health crisis has led to a context of uncertainty concerning the preparation of appraisals and the determination of the fair value of real estate assets.

Refinancing operation

In July 2020, Mercialys carried out a refinancing operation. This concerned a Euro 300 million new bond issue with a 7-year maturity and 4.625% coupon. Alongside this, the Company completed a tender offer to redeem part of its Euro 750 million bond issue maturing in 2023. The nominal amount tendered for the offer came to Euro 181.3 million, with the redeemed bonds cancelled on July 7, 2020. The outstanding amount of the bond issue maturing in March 2023 therefore represents Euro 568.7 million.

Operations on real estate assets

On December 21, 2020, Mercialys sold the Monoprix site in Asnières-sur-Seine to a company advised by PICTURE Asset Management. The net sales price was Euro 30.8 million, higher than the appraisal value from end-June 2020 and significantly lower than the portfolio's average appraisal yield rate of 5.49% on this same date.

On December 23, 2020, Mercialys sold three Monoprix sites, located in Chaville, Puteaux and Marcq-en-Barœul, and two hypermarkets, located in Besançon and Gassin, to SCI AMR. All of these sales were completed based on a net sales price for 100% of the assets of Euro 198 million, in line with their appraisal values from end-June 2020. Alongside this, Mercialys acquired the 60.1% stake that it did not hold in the Montauban and Valence 2 shopping centers from SCI AMR. It also acquired the Dijon Chenôve shopping center directly from Amundi Immobilier, with all of these three assets at 100% giving a net sales price of Euro 42 million, in line with the appraisal values from end-June 2020. In connection with the financing of these operations, a non-proportional capital increase was carried out for SCI AMR by its shareholders, resulting in a dilution of Mercialys' interest in this vehicle from 39.9% to 25.0% (SCI AMR is consolidated by Mercialys on an equity basis). Taking into account the corresponding costs and taxes, Mercialys' total net cash-in with these operations was close to Euro 120 million.

Changes in the shareholding structure

Mercialys' shareholding structure continued to evolve in 2020, with the Casino group announcing the definitive divestment of a further 5% of its stake in the Company's capital, through an amendment dated August 21, 2020 to the equity swap agreement signed with Crédit Agricole Corporate and Investment Bank (CACIB) on July 26, 2018 (AMF declaration no.2020DD697899). In this declaration, the Casino group had indicated that the agreement would be settled exclusively in cash through to December 28, 2020. Following this operation, the concert of companies owned by Jean-Charles Naouri holds 18,559,506 Mercialys shares, representing 20.16% of its capital and voting rights.

On August 27, 2020, Crédit Agricole informed the AMF that it had exceeded the threshold representing 5% of Mercialys' capital and voting rights (AMF declaration no.2020DD697900), increasing its stake to 5.21%. On October 8, 2020, Crédit Agricole then reported that it had dropped below the threshold representing 5% of Mercialys' capital and voting rights (AMF declaration no.220C4161), reducing its interest to 0.76%.

3. Summary of the main key indicators for the period

	Dec 31, 2020
Organic growth in invoiced rents	**-7.0%**
EBITDA[28]	**Euro 131.2 million**
EBITDA / rental revenues	*74.8%*
Funds from operations (FFO[29]**)**	**Euro 95.5 million**
Funds from operations[30] **(FFO) per share**	**Euro 1.04**
Fair value of the portfolio (including transfer taxes)	**Euro 3,258.3 million**
Change vs. Dec 31, 2019 (current basis)	*-10.3%*
Change vs. Dec 31, 2019 (like-for-like)	*-5.5%*
EPRA NDV per share	**Euro 18.42**
Change vs. Dec 31, 2019	*-7.9%*
Loan to Value (LTV) – excluding transfer taxes	**38.1%**

[28] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses
[29] FFO: Funds From Operations = net income attributable to owners of the parent before amortization, gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects
[30] Calculated based on the average undiluted number of shares (basic), i.e. 91,532,357 shares

4. Review of activity

4.1. Main management indicators

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

	Number of leases	Annual MGR* + variable rents (€m)	Share of leases expiring (% annual MGR + variable)
Expired at December 31, 2020	459	27.1	15.6%
2021	176	9.2	5.3%
2022	160	9.8	5.6%
2023	106	8.7	5.0%
2024	141	9.9	5.7%
2025	147	9.3	5.3%
2026	209	22.4	12.9%
2027	234	40.2	23.1%
2028	228	16.1	9.2%
2029	163	9.7	5.6%
2030 and beyond	115	11.7	6.7%
	2,138	**173.9**	**100.0%**

** MGR: minimum guaranteed rent*

The stock of expired leases at end-2020 reflects the negotiations underway, refusals to renew leases with the payment of compensation for eviction, global negotiations for each retailer, tactical delays, etc. As part of the negotiations with retailers concerning the lockdown and store closure phases, Mercialys was often able to obtain, in exchange for rent relief measures, an extension of the firm term of leases for instance (through tenants waiving their next three-year break, deferring this three-year break, securing the early renewal of leases or signing new leases), making it possible to extend the firm term of the lease portfolio by 6.7 months on average at December 31, 2020, ensuring the sustainability of its rental flows.

➢ The **collection rate** has been affected by the health crisis. For the 12 months to end-December 2020, it came to 85.3%, compared with 96.7% at December 31, 2019. These collection rates are calculated on the full amount of rent and charges excluding tax invoiced by Mercialys to its tenants for 2020. This billing is therefore not restated for the amounts relating to the rent relief already granted and to be awarded to retailers or provisions for the impairment of receivables recognized due to certain tenants' payment arrears or legal situations (safeguard, receivership, liquidation). Restated for the relief measures granted and to be awarded in connection with the two lockdowns, the collection rate for the full year in 2020 came to 90.8% at end-December. Also restated for provisions for the impairment of doubtful receivables for the full year, it represents 99.1%.

➢ The **current financial vacancy rate** - which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans - came to 3.8%[31] at December 31, 2020, higher than at June 30, 2020 (2.5%) and December 31, 2019 (also 2.5%), particularly after the Dijon Chenôve shopping center, acquired at the end of December from Amundi Immobilier with a view to relaunching this asset, was incorporated into Mercialys' portfolio. Despite the unprecedented economic and health crisis, Mercialys has not seen an alarming increase in the number of tenants serving notice (57 at end-December 2020 vs. 41 at end-December 2019 out of a total of 2,138 leases at end-2020) thanks to the quality of its assets and its measures to support retailers. The strong diversification of its retailer portfolio has also enabled it to limit exposure to the safeguard and receivership proceedings affecting certain retailers.

➢ The **total vacancy rate**[32] was 5.4% at December 31, 2020, once again higher than the level from June 30, 2020 (3.4%) and December 31, 2019 (3.2%), following the reintegration into the consolidated portfolio of the Montauban and Valence 2 centers acquired at the end of December from SCI AMR with a view to being redeveloped. Reletting operations are already underway with a view to rapidly normalizing their vacancy levels.

➢ The **reversion** generated on the 71 leases signed (outside of any negotiations relating to the health crisis) in 2020 across the Company's entire portfolio came to +5% on average, highlighting the quality of the rental spaces offered by Mercialys and the ability of its teams to manage retailer rotation with an accretive approach, even in a disrupted operating environment.

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

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

- The analysis of the **occupancy cost ratio**[33] is ineffective for the full year in 2020 due to the periods when stores were ordered to close. Furthermore, as certain retailers' activities may show strong seasonality during the year, especially in the fourth quarter, any analysis for periods of less than one year is even more complex and potentially not relevant. At December 31, 2019, this ratio showed a very moderate level of 10.4%.

The rents received by Mercialys come from a very diverse range of retailers: with the exception of retailers that are part of the Casino Group (details presented below) and H&M (2.9%), no other tenant represents more than 2% of total rental income.

Casino Group retailers accounted for 22.7% of total rental income at December 31, 2020, significantly lower than at June 30, 2020 (27.5%) and December 31, 2019 (27.3%). This change benefited from the asset sales completed by Mercialys at end-December 2020, and particularly the sale of four Monoprix stores and two hypermarkets operating under the Géant Casino banner.

This consolidated accounting exposure is calculated factoring in all of the rent paid by Casino Group retailers. Adjusted downwards for the 49% minority interest held by BNP Paribas REIM in SAS Hyperthetis Participations and SAS Immosiris, which together own a total of 10 hypermarkets operating under the Géant Casino banner, and adjusted upwards for Mercialys' 25% minority interest in SCI AMR, which holds three Monoprix stores and two hypermarkets operating under the Géant Casino banner, Mercialys' economic exposure to rent from retailers operated by the Casino Group is 20.2%.

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

Schedule for key Casino group leases

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Saint-Denis	100%	Supermarket	01/2000	12/2008	3 - 6 - 9 commercial lease
Grenoble	100%	Monoprix	02/2010	02/2022	3 - 6 - 9 - 12 commercial lease
Saint-Étienne	100%	Hypermarket	07/2014	06/2026	3 - 6 - 9 - 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Annecy	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Lanester	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Marseille Canebière	100%	Monoprix	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

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

H&M Group lease schedule

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

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

	Number of leases	Annual MGR* + variable rents (€m)	Dec 31, 2020 (%)	Dec 31, 2019 (%)
National and international retailers	1,464	112.3	64.6%	61.2%
Local retailers	617	22.1	12.7%	11.5%
Casino cafeterias / restaurants	6	1.1	0.6%	0.6%
Monoprix	2	1.8	1.0%	4.3%
Géant Casino and other entities	49	36.7	21.1%	22.4%
Total	**2,138**	**173.9**	**100.0%**	**100.0%**

** MGR: minimum guaranteed rent*

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

	Dec 31, 2020	Dec 31, 2019
Restaurants and catering	8.6%	8.1%
Health and beauty	12.3%	11.3%
Culture, gifts and sports	16.0%	14.3%
Personal items	31.5%	31.0%
Household equipment	6.9%	6.4%
Food-anchored tenants	21.5%	26.0%
Services	3.2%	3.0%
Total	**100.0%**	**100.0%**

The **rental income structure** at December 31, 2020 shows that the majority of leases, in terms of overall rental income, include a variable clause. However, the vast majority of leases include a guaranteed minimum rent or do not have a variable clause (97.2% in terms of overall rents):

	Number of leases	€m	Dec 31, 2020 (%)	Dec 31, 2019 (%)
Leases with variable component	1,291	102.3	59%	56%
- of which MGR		*97.4*	*56%*	*53%*
- of which variable rent with MGR		*1.1*	*1%*	*1%*
- of which variable rent without MGR		*3.8*	*2%*	*2%*
Leases without variable clause	847	71.6	41%	44%
Total	**2,138**	**173.9**	**100%**	**100%**

Lastly, the rental income structure at December 31, 2020 shows a predominant share of leases indexed against the French retail rent index (ILC). For the vast majority of Mercialys' leases, indexation corresponds to the change in this index between the second quarters of N-2 and N-1 and the third quarters of N-2 and N-1.

	Number of leases	MGR (€m)	Dec 31, 2020 (%)	Dec 31, 2019 (%)
Leases index-linked to the retail rent index (ILC)	1,722	158.7	94%	94%
Leases index-linked to the construction cost index (ICC)	169	7.9	5%	5%
Leases index-linked to the tertiary activities rent index (ILAT) and non-adjustable leases	247	2.3	1%	1%
Total	**2,138**	**169.0**	**100%**	**100%**

5. Review of consolidated results

5.1. Invoiced rents, rental revenues and net rental income

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

(In thousands of euros)	**Dec 31, 2020**	**Dec 31, 2019**	**Change (%)**
Invoiced rents	172,911	188,849	-8.4%
Lease rights and despecialization indemnities	2,529	3,003	-15.8%
Rental revenues	**175,440**	**191,853**	**-8.6%**
Property tax	-14,248	-14,608	-2.5%
Reinvoiced to tenants	12,684	13,325	-4.8%
Non-recovered property tax	**-1,564**	**-1,283**	**+21.9%**
Service charges	-30,142	-33,202	-9.2%
Reinvoiced to tenants	25,871	28,911	-10.5%
Non-recovered service charges	**-4,271**	**-4,291**	**-0.5%**
Management fees	-5,860	-6,888	-14.9%
Reinvoiced to tenants	4,585	4,530	+1.2%
Losses on and impairments of receivables	-19,694	-3,342	+489.3%
Other expenses	-1,279	-1,376	-7.1%
Net property expenses	**-22,248**	**-7,076**	**+214.4%**
Net rental income	**147,357**	**179,202**	**-17.8%**

The **-8.4 points** change in invoiced rents primarily reflects the following factors:
- the impact of indexation for **+1.6 points**, representing Euro +2.9 million;
- the lower contribution by Casual Leasing, due to the opening restrictions, for **-0.8 points**, representing Euro -1.5 million;
- the contraction in variable rents, due to the opening restrictions, for **-0.9 points**, representing Euro -1.8 million;
- the actions carried out on the portfolio, including the deferral of rental measures due to the lockdown, for **-1.3 points**, representing Euro -2.5 million;
- the accounting impact of the rent relief granted to retailers in connection with the health crisis for **-5.5 points**, representing Euro -10.4 million;
- the asset acquisitions and sales completed in 2019 and 2020 for **-1.3 points**, representing Euro -2.4 million;
- other effects primarily including strategic vacancies linked to current redevelopment programs for **-0.2 points**, representing Euro -0.3 million.

Taking into account the first five effects presented above, organic growth in invoiced rents is down -7 points, linked primarily to the consequences of the health crisis.

Lease rights and despecialization indemnities[34] received over the period came to Euro 0.9 million, compared with Euro 1.1 million at December 31, 2019, with the following breakdown:

- Euro 0.9 million of lease rights linked to reletting activities (vs. Euro 1.0 million in 2019);
- a non-significant amount of despecialization indemnities, as in 2019.

After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for 2020 totaled Euro 2.5 million, compared with Euro 3.0 million for 2019.

Rental revenues therefore came to Euro 175.4 million at December 31, 2020, down -8.6% from end-2019.

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

The costs taken into account to calculate net rental income, including provisions for the impairment of receivables recorded in connection with the health crisis, represent Euro 28.1 million for 2020, compared with Euro 12.7 million for 2019. The ratio of non-recovered property operating expenses to invoiced rents therefore shows a significant increase to 16.2% at December 31, 2020, compared with 6.7% at December 31, 2019.

Net rental income is down -17.8% to Euro 147.4 million at December 31, 2020, compared with Euro 179.2 million at December 31, 2019.

5.2. Management income, operating costs and EBITDA

(In thousands of euros)	Dec 31, 2020	Dec 31, 2019	Change (%)
Net rental income	**147,357**	**179,202**	**-17.8%**
Management, administrative and other activities income	3,035	3,229	-6.0%
Other income and expenses	-6,096	-7,006	-13.0%
Personnel expenses	-13,121	-12,413	+5.7%
EBITDA	**131,174**	**163,012**	**-19.5%**
% rental revenues	74.8%	85.0%	na

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

Fees charged in 2020 totaled Euro 3.0 million, compared with Euro 3.2 million for 2019.

No **property development margin** was recorded in 2020.

Other current income in 2020 was not significant and down from the Euro 0.3 million recorded in 2019. It includes dividends received from the OPCI fund created in partnership with Union Investment in 2011. Ownership of this OPCI real estate investment fund is split between Union Investment (80%) and Mercialys (20%), and it is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates this fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating income.

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

For 2020, these expenses totaled Euro 6.1 million, compared with Euro 7.3 million in 2019. This change notably takes into account the changes in the services covered by the Services Agreement, some of which ended in 2020, as well as the Company's committed efforts to moderating operating costs.

[34] 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

Personnel expenses totaled Euro 13.1 million in 2020, compared with Euro 12.4 million in 2019. This increase in personnel expenses reflects the ongoing process by Mercialys to gradually bring back in-house support activities that were previously outsourced under the Services Agreement signed with the Casino group. In 2020, the IT support, HR support and real estate management control activities were brought back in-house, leading to an increase in Mercialys' payroll, alongside a reduction in billing under the Agreement for other current expenses.

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

As a result, **EBITDA**[35] came to Euro 131.2 million in 2020, compared with Euro 163.0 million in 2019, down -19.5%. The EBITDA margin is also down, contracting from 85.0% at December 31, 2019 to 74.8%.

5.3. Net financial items

Net financial income totaled Euro 24.6 million at December 31, 2020, compared with Euro 24.8 million at December 31, 2019. Restated for the impact of non-recurring items (hedging ineffectiveness, banking default risk, bond redemption premium, bond redemption costs, proceeds from the unwinding of swaps and exceptional amortization relating to the partial redemption of the 2023 issue), which represented Euro 1.1 million of net income at end-December 2020, vs. a Euro 1.3 million net expense at end-December 2019, net financial income came to Euro 25.7 million at end-2020, compared with Euro 23.5 million at end-2019. This change primarily reflects the impact of the refinancing operation carried out at the start of July 2020.

The **real average cost of drawn debt** for 2020 was 1.4%[36], higher than the level recorded for the first half of 2020 (1.1%), but virtually stable compared with the rates from 2019 (1.3%), primarily reflecting the full-year impact of the bond redemption in March 2019 and the refinancing operation carried out in July 2020.

The following table presents a breakdown of net financial items:

(In thousands of euros)	Dec 31, 2020	Dec 31, 2019	Change (%)
Income from cash and cash equivalents *(a)*	**61**	**190**	-68.0%
Cost of debt taken out *(b)*	-31,450	-30,887	+1.8%
Impact of hedging instruments *(c)*	7,698	8,706	-11.6%
Cost of property finance leases *(d)*	0	0	na
Expenses from gross financial debt excluding exceptional items	**-23,752**	**-22,180**	**+7.1%**
Exceptional amortization of costs in relation to the early repayment of financial debt *(e)*	-2,544	na	na
Expenses from gross financial debt *(f) = (b)+(c)+(d)+(e)*	**-26,296**	**-22,180**	**+18.6%**
Expenses from net financial debt *(g) = (a)+(f)*	**-26,236**[37]	**-21,990**	**+19.3%**
Cost of Revolving Credit Facility and bilateral loans (undrawn) *(h)*	-2,724	-2,487	+9.5%
Other financial expenses *(i)*	-300	-364	-17.6%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-3,024**	**-2,851**	**+6.1%**
Exceptional depreciation in relation to refinancing of the RCF *(k)*	na	-259	na
Other financial expenses *(l) = (j)+(k)*	**-3,024**	**-3,111**	**-2.8%**
TOTAL FINANCIAL EXPENSES *(m) = (f)+(l)*	**-29,321**	**-25,291**	**+15.9%**
Income from associates	233	0	na
Other financial income	4,406	255	ns
Other financial income *(n)*	**4,639**	**255**	**ns**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**4,700**	**444**	**ns**
NET FINANCIAL INCOME = *(m)+(o)*	**-24,621**	**-24,846**	**-0.9%**

[35] Earnings before interest, tax, depreciation and amortization
[36] This rate does not include the positive impact of net proceeds linked to the bond redemption premium, the bond redemption costs, the proceeds from unwinding swaps and the exceptional amortization relating to the partial redemption of the 2023 issue
[37] Expenses from net financial debt, in accordance with the conditions for calculation set by the covenants for the Company's bank lines, do not take into account the Euro 4.4 million of net proceeds linked to the bond redemption premium, the bond production costs and the proceeds from unwinding swaps

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

5.4.1. Funds from operations (FFO)

(In thousands of euros)	Dec 31, 2020	Dec 31, 2019	Change (%)
EBITDA	**131,174**	**163,012**	**-19.5%**
Net financial income (excluding non-recurring items[38])	-25,748	-23,512	+9.5%
Reversals of / (Allowances for) provisions	1,343	-1,252	na
Other operating income and expenses (excluding capital gains on disposals and impairments)	-1,480	-3,978	-62.8%
Tax expenses	-2,019	-3,270	-38.3%
Share of net income from equity associates and joint ventures (excluding capital gains, amortization and impairments)	2,203	3,631	-39.3%
Non-controlling interests (excluding capital gains, amortization and impairments)	-9,932	-10,462	-5.1%
FFO	**95,541**	**124,168**	**-23.1%**
FFO per share[39]	***1.04***	***1.35***	***-22.8%***

Other operating income and expenses (excluding capital gains on disposals and impairments) came to Euro -1.5 million and primarily include the impacts of provisions, as well as the launch of Ocitô's activities. In 2019, they came to Euro -4.0 million, including the impact of Euro 2.1 million of provisions recorded for a dispute concerning a site on Réunion Island.

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.

2020 recorded a **tax expenses** of Euro 2.0 million, primarily comprising the CVAE corporate value-added tax. At December 31, 2020, Mercialys did not record any impact relating to the tax credit mechanism for relief measures granted to retailers in connection with the second lockdown phase. At end-2019, the tax expense came to Euro 3.3 million.

The **share of net income from associates and joint ventures (excluding capital gains, amortization and impairments)** came to Euro 2.2 million at December 31, 2020, compared with Euro 3.6 million at December 31, 2019. The companies consolidated under the equity method in Mercialys' consolidated financial statements are SCI AMR (created in partnership with Amundi Immobilier in 2013 and in which Mercialys has a 25% stake), SNC Aix2 (in which Mercialys acquired a 50% stake in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (in which Mercialys has a 40% stake), SCI Rennes Anglet (in which Mercialys has a 30% stake), and SAS Saint-Denis Genin (in which Mercialys has a 30% stake). The change in this share over the period reflects the assets sold in 2019 by SCI Rennes Anglet, the asset sales and acquisitions completed at end-December 2020 with SCI AMR, and the impact of the rent relief measures granted by associates in connection with the health crisis.

Non-controlling interests (excluding capital gains, amortization and impairments) came to Euro 9.9 million at December 31, 2020, compared with Euro 10.5 million at December 31, 2019. They are linked to the 49% stake held by BNP Paribas REIM France in the companies Hypertethis Participations and Immosiris. As Mercialys retains exclusive control, these subsidiaries are fully consolidated.

In view of these items, **funds from operations (FFO)**, which correspond to net income before amortization, capital gains or losses on disposals net of associated costs, potential asset impairments and other non-recurring effects, came to Euro 95.5 million (versus Euro 124.2 million for 2019), down -23.1%. Considering the average number of shares (basic) at end-December, FFO represents Euro 1.04 per share at December 31, 2020, compared with Euro 1.35 per share at December 31, 2019, down -22.8%.

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

[39] Calculated based on the average undiluted number of shares (basic), i.e. 91,532,357 shares

5.4.2. Net income attributable to owners of the parent

(In thousands of euros)	Dec 31, 2020	Dec 31, 2019	Change (%)
FFO	95,541	124,168	-23.1%
Depreciation and amortization	-40,777	-40,440	+0.8%
Other operating income and expenses	34,223	7,682	+345.5%
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	1,127	-1,334	na
Share of net income from equity associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	-4,282	264	na
Net income attributable to owners of the parent	**85,833**	**90,340**	**-5.0%**

Depreciation and amortization came to Euro 40.8 million in 2020, virtually stable compared with Euro 40.4 million in 2019.

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

Other operating income came to Euro 240.7 million at December 31, 2020, compared with Euro 101.4 million at December 31, 2019. This amount includes:
- income from asset sales completed over the period for Euro 236.1 million;
- income associated with reversals of provisions on assets sold for Euro 4.7 million.

Other operating expenses totaled Euro 206.5 million at December 31, 2020, compared with Euro 93.7 million at December 31, 2019. This amount mainly includes:
- the net book value of assets disposed of during 2020 and costs relating to these disposals for Euro 193.1 million;
- provisions recorded for the impairment of investment properties for Euro 13.3 million.

On this basis, the amount of net capital gains recorded in the consolidated financial statements at December 31, 2020 for asset disposals came to Euro 47.5 million (vs. Euro 17.4 million for 2019). Capital gains from asset disposals completed in 2020 and available for distribution at 70% with the SIIC status totaled Euro 49.8 million.

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 85.8 million for 2020, compared with Euro 90.3 million for 2019.

5.5. Financial structure

5.5.1. Debt cost and structure

At December 31, 2020, Mercialys' **drawn debt** totaled Euro 1,651.2 million, with the following breakdown:

- a bond issue with a residual nominal amount of Euro 568.7 million, with a fixed coupon of 1.787%, maturing in March 2023;
- a bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- a bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 4.625%, maturing in July 2027;
- a private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.00%, maturing in November 2027;
- Euro 332.5 million of outstanding commercial paper, with a rate close to zero.

Cash and cash equivalents came to Euro 464.6 million at December 31, 2020, compared with Euro 72.0 million at December 31, 2019. 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 +134.9 million;
- cash receipts / payments related to disposals / acquisitions of assets completed in 2020: Euro +126.8 million;
- dividend payments to parent company shareholders and non-controlling interests: Euro -52.2 million;
- issues and repayment of borrowings net of the change in outstanding commercial paper: Euro +195.4 million;
- net interest paid: Euro -9.5 million.

Net financial debt came to Euro 1,188.8 million at December 31, 2020, compared with Euro 1,373.2 million at December 31, 2019.

The **real average cost of drawn debt** at December 31, 2020 was 1.4%[40], higher than the level recorded at end-June 2020 (1.1%) and virtually stable compared with the rate from 2019 (1.3%), primarily reflecting the full-year impact of the bond redemption in March 2019 and the refinancing operation carried out in July 2020.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**, with a hedged or fixed-rate debt position (including commercial paper) representing 92% at end-December 2020, compared with 82% at end-June 2020 and 86% at end-December 2019.

5.5.2. Debt maturity and liquidity

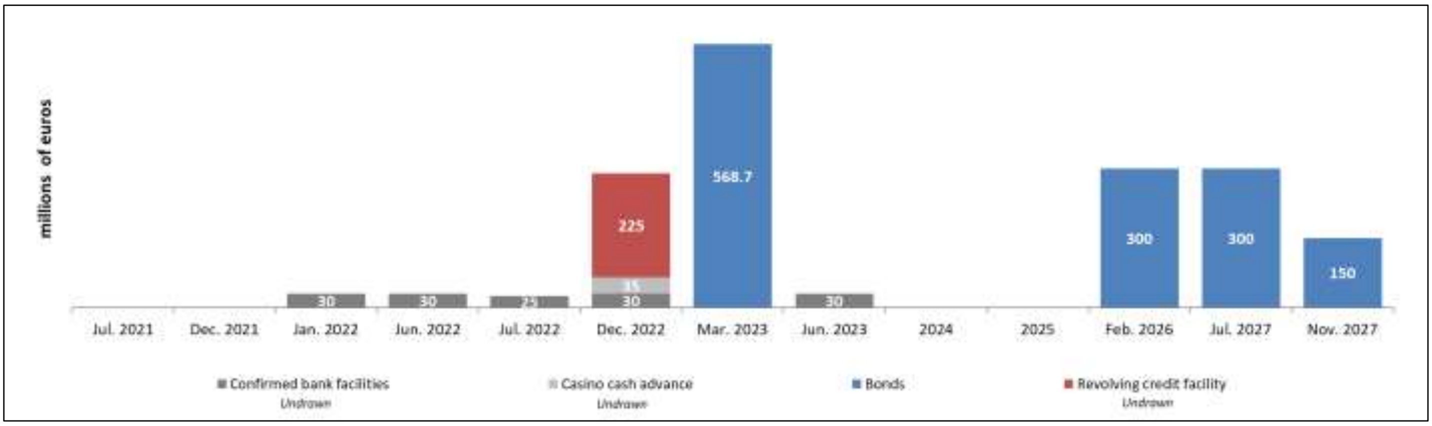
The **average maturity of drawn debt** was 3.5 years at December 31, 2020, following the refinancing operation carried out in July 2020, based on a new Euro 300 million bond issue with a maturity of seven years and the partial redemption of the bond issue maturing in 2023 for a nominal value of Euro 181.3 million.

Mercialys also has Euro 405 million of **undrawn financial resources**, enabling it to benefit from a satisfactory level of liquidity:

- a Euro 225 million revolving bank credit facility, maturing in December 2022. The Euribor margin is 125 basis points (for a BBB rating); if undrawn, this facility is subject to payment of a 40% non-use fee;
- five bilateral confirmed bank facilities for a total amount of Euro 145 million, maturing between January 2022 and June 2023. The Euribor margins are 150 basis points or lower (for a BBB rating) or fixed rate; if undrawn, these facilities are subject to payment of a non-use fee representing up to 40% of the margins;
- a Casino current account advance for up to Euro 35 million, maturing at December 31, 2022. The Euribor margin is progressive; if undrawn, this facility is subject to payment of a 40% non-use fee.

In addition, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012. It has been used for Euro 332.5 million (outstanding at December 31, 2020).

The following chart presents Mercialys' **bond debt maturity schedule and undrawn financial resources** (excluding commercial paper) at December 31, 2020:



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

5.5.3. Bank covenants and credit rating

Mercialys' financial position at December 31, 2020 satisfied all the various covenants included in the different credit agreements.

The **loan to value (LTV) ratio excluding transfer taxes** came to 38.1% at end-December 2020, compared with 39.5% at December 2019, well below the contractual covenants. An LTV covenant of less than 55% applies to 60% of the confirmed bank lines, with an LTV covenant of less than 50% for the other facilities. The Company has maintained a very balanced financial structure, with its management of liabilities and sales more than offsetting the effects of the economic and health crisis, which were reflected in reduced rent receipts in the second, third and fourth quarters of 2020, as well as pressure on site appraisal values.

The LTV including transfer taxes was 35.8% at end-December 2020, compared with 37.1% at end-December 2019.

	Dec 31, 2020	Dec 31, 2019
Net financial debt (in millions of euros)	1,188.8	1,373.2
Appraisal value excluding transfer taxes (in millions of euros)[41]	3,122.0	3,479.3
Loan to value (LTV) - excluding transfer taxes	**38.1%**	**39.5%**

Similarly, the **interest coverage ratio (ICR)** was 5.0x at end-December 2020, significantly higher than the contractual covenant (ICR > 2x), vs. 7.4x at end-December 2019.

	Dec 31, 2020	Dec 31, 2019
EBITDA (in millions of euros)	131.2	163.0
Expenses from net financial debt (in millions of euros)	-26.2[42]	-22.0
Interest coverage ratio (ICR)	**5.0x**	**7.4x**

The two other contractual covenants are also met:
- the **fair value of assets excluding transfer taxes** at December 31, 2020 was Euro 3.1 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 December 31, 2020 (below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%).

Mercialys is rated by Standard & Poor's. On June 9, 2020 and December 1, 2020, the agency confirmed its rating for Mercialys of BBB (outlook negative).

5.6. Equity and ownership structure

Consolidated equity totaled Euro 895.2 million at December 31, 2020, compared with Euro 860.0 million at December 31, 2019.

The main changes that affected consolidated equity during the year were as follows:
- net income for 2020: Euro +94.1 million;
- payment of the final dividend for 2019 of Euro 0.48 per share and dividends paid to non-controlling interests: Euro -52.2 million;
- transactions on treasury shares: Euro -1.8 million;
- change in fair value of financial assets and derivatives: Euro -5.1 million.

[41] Including the market value of investments in associates for Euro 56.4 million for 2020 and Euro 59.7 million for 2019, since the value of the portfolio held by associates is not included in the appraisal value

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

The **number of outstanding shares** at December 31, 2020 was 92,049,169, unchanged compared with December 31, 2019.

	2020	2019	2018
Number of shares outstanding			
- At start of period	92,049,169	92,049,169	92,049,169
- At end of period	92,049,169	92,049,169	92,049,169
Average number of shares outstanding	92,049,169	92,049,169	92,049,169
Average number of shares (basic)	**91,532,357**	**91,789,610**	**91,733,866**
Average number of shares (diluted)	**91,532,357**	**91,789,610**	**91,733,866**

At December 31, 2020, Mercialys' shareholding structure had the following breakdown: Casino Group (20.16%), Generali Group (8.01%), treasury stock (0.56%), other shareholders (71.27%).

5.7. Distribution

The final dividend for 2020, paid on April 29, 2020, was Euro 0.48 per share, with Euro 44.0 million in total dividends, fully paid in cash.

Taking into account the very uncertain economic and health context, marked by restrictive measures aimed at safeguarding the Company's cash position, Mercialys' Board of Directors on October 21, 2020 decided unanimously to not pay out an ordinary interim dividend for 2020.

At December 31, 2020, Mercialys' accounting net income (parent company) totaled Euro 69.8 million, with Euro 61.5 million for the exempt sector and Euro 8.3 million for the taxable sector.

The start of 2021 has continued to see widespread disruption due to the measures adopted to manage the health crisis, leading to the closure of many shopping centers and the introduction of a curfew, with significant impacts on the stores that are able to remain open. This is widely affecting the macroeconomic context, illustrated by a sharp fall in consumer confidence in January 2021.

To safeguard the Company's liquidity in this very uncertain environment, the Board of Directors will therefore submit a proposal at the General Meeting on April 22, 2021 to pay a dividend of Euro 0.43 per share for 2020, with a total of Euro 39.6 million based on the number of shares outstanding at December 31, 2020 (without taking into account the cancellation of dividends on treasury shares on the payment date). The proposed dividend will correspond to 41% of 2020 FFO and offer a 6.0% yield on the 2020 closing share price.

This proposed dividend is based on the distribution requirement with the SIIC tax status concerning exempt profits from property rental or sub-letting operations. It does not include the distribution based on 70% of exempt profits for 2020 from the disposal of properties and investments in real estate companies, i.e. Euro 0.39 per share. Under the requirements for SIIC real estate investment trusts, this amount will need to be distributed by 2022 at the latest. However, if the health and economic environment improves in 2021, the Board of Directors could decide to pay out an interim dividend during the second half of the year corresponding to part of these 2020 capital gains.

Subject to approval by the Ordinary General Meeting on April 22, 2021, shareholders will be able to opt for: 1/ this dividend to be paid in shares, or 2/ this dividend to be paid in cash. As applicable, the dividend will be released for payment in cash or shares on May 21, 2021, with an ex-dividend right date of April 29, 2021, taking into account the timeframes required to put these options in place.

6. Changes in scope and valuation of the asset portfolio

6.1. Asset acquisitions

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

6.2. Completion of extension or requalification projects

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

6.3. Asset disposals

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

6.4. Appraisal valuations and changes in scope

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

At December 31, 2020, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 36 sites at December 31, 2020, based on an on-site inspection of seven of these sites during the second half of 2020, and on an update of the appraisals carried out at June 30, 2020 for the other sites. No on-site inspections were carried out during the first half of 2020;
- Catella Valuation conducted the appraisal of 13 sites at December 31, 2020, based on an update of the appraisals carried out at June 30, 2020;
- Cushman & Wakefield conducted the appraisal of nine sites at December 31, 2020, based on an update of the appraisals carried out at June 30, 2020;
- CBRE conducted the appraisal of one site at December 31, 2020, based on an update of the appraisal carried out at June 30, 2020;
- Galtier performed the appraisal for Mercialys' remaining sites, i.e. two sites, at December 31, 2020, based on an update of the appraisals carried out at June 30, 2020;
- An internal appraisal was carried out for the three assets acquired during the second half of 2020.

These appraisals have been carried out in the context of the health crisis linked to Covid-19 and the real estate appraisers' reports include a significant uncertainty clause for valuations due to this crisis, which is having significant repercussions across all business sectors, including the real estate sector, with, to varying degrees, impacts on sales prices, investments and lettings, in terms of both values and volumes. Certain market data used by appraisers to assess values may be from before this crisis. The inclusion of this clause indicates that the assessments have been determined by the appraisers in a context of greater uncertainty due to the health crisis, but it does not call into question the fair values determined in this way.

On this basis, the **portfolio value** was Euro 3,258.3 million including transfer taxes at December 31, 2020, compared with Euro 3,634.4 million at December 31, 2019. Excluding transfer taxes, this value was Euro 3,065.6 million at end-2020, compared with Euro 3,419.5 million at end-2019.

The portfolio value including transfer taxes is therefore down -10.3% over 12 months (-5.5% like-for-like[43]) and -7.5% over six months (-2.3% like-for-like). The change in the portfolio value excluding transfer taxes is consistent with the same proportions.

The **average appraisal yield rate** was 5.72% at December 31, 2020, compared with 5.49% at June 30, 2020 and 5.26% at December 31, 2019.

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

Type of property	Average yield rate Dec 31, 2020	Average yield rate Jun 30, 2020	Average yield rate Dec 31, 2019
Regional and large shopping centers	5.44%	5.32%	5.07%
Neighborhood shopping centers and city-center assets	7.31%	6.25%	6.12%
Total portfolio[44]	5.72%	5.49%	5.26%

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at December 31, 2020, as well as the corresponding appraised rental income.

Type of property	Number of assets	Appraisal value (excluding transfer taxes)		Appraisal value (including transfer taxes)		Gross leasable area		Appraised potential net rental income	
	at Dec 31, 2020	at Dec 31, 2020		at Dec 31, 2020		at Dec 31, 2020			
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,596.7	84.7%	2,758.0	84.6%	643,691	78.3%	150.1	80.6%
Neighborhood shopping centers and city-center assets	26	458.6	15.0%	489.2	15.0%	176,691	21.5%	35.8	19.2%
Subtotal	**51**	**3,055.3**	**99.7%**	**3,247.2**	**99.7%**	**820,382**	**99.8%**	**185.9**	**99.8%**
Other sites[44]	4	10.4	0.3%	11.1	0.3%	1,954	0.2%	0.4	0.2%
Total	**55**	**3,065.6**	**100.0%**	**3,258.3**	**100.0%**	**822,336**	**100.0%**	**186.3**	**100.0%**

The Partnership Agreement, under which Mercialys benefited from privileged access to the retail real estate development operations carried out by the Casino Group, was not extended by the parties and therefore expired on December 31, 2020. As Mercialys is the joint owner or joint operator of most of its sites with the Casino Group, development or redevelopment opportunities will be negotiated on a case-by-case basis by both companies. Mercialys continues to have significant potential for development, as the Company has built up a robust portfolio of projects for the medium term (Euro 407 million by 2027) outside the framework of this agreement.

7. Outlook

At the start of 2021, Mercialys' activity has continued to be disrupted by the partial or total operating restrictions set for a certain number of economic stakeholders and the restrictions on public movement. The company deplores the exceptional closure of stores and sites that have introduced widespread health measures to protect visitors.

As a result, Mercialys is not in a position at this stage to publish specific full-year objectives for 2021. These objectives will be updated as soon as possible depending on the outlook.

In the meantime, Mercialys is reaffirming its priorities, i.e. focusing its efforts on its operational management, deploying the last-mile delivery platform and protecting balance sheet positions.

8. Subsequent events

In January 2021, Mercialys set up a bond redemption agreement concerning the issue with a residual nominal of Euro 568.7 million maturing in March 2023. With an initial term of six months and covering a total of Euro 50 million, this agreement aims to buy back part of this issue, drawing on the Company's significant cash position at end-2020, then to cancel these debt securities.

On January 29, 2021, the French Prime Minister ordered the closure of all non-food stores with over 20,000 sq.m of gross leasable area, as well as non-food stores in shopping centers with a gross leasable area of over 20,000 sq.m. This definition is extremely broad, as the 20,000 sq.m is calculated by adding together all of a site's areas for food or non-food stores, as well as their stockroom and office areas.

Furthermore, the French government has stated that food stores in shopping centers will remain open, whether they are supermarkets or specialist food stores (e.g. bakeries). Pharmacies will also be exempt and will remain open. In addition, it

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

announced that the minimum space ratio per person has been reinforced for all retail spaces (stores over 400 sq.m and shopping centers), based on one person per 10 sq.m, compared with one person per 8 sq.m previously.

Stores that are closed will no longer be able to offer click and collect services or order collection services. However, they will still be able to offer deliveries for their products.

These closure measures came into force on Sunday January 31, 2021. They also apply on Réunion Island, where Mercialys operates.

As a result of these measures, 44% of Mercialys' rental base is able to remain open.

Following the announcement of these measures, the Ministry for the Economy, Finance and the Recovery indicated that relief measures will be put in place to support retailers.

Illustrating this, retailers concerned by the closure of shopping centers *"will benefit from the reinforced solidarity fund, with the right to choose between compensation for loss of sales up to Euro 10,000 or compensation for 20% of sales up to a maximum of Euro 200,000 per month. For chain-based retailers, particularly major integrated retailers for which the Euro 200,000 of compensation would be insufficient, they will be offered arrangements to cover 70% of their fixed costs. These support measures will allow retailers to cover their rent and costs. Stores that are closed will be entitled to the furlough scheme without requiring them to make any top-up contributions. They will be entitled to the exemption from employer's contributions, as well as support for the payment of payroll taxes".*

Lastly, Bruno Le Maire, French Minister of the Economy, indicated publicly on February 1, 2021 that: *"Rents will be covered. […] And, I made a commitment to do this on Saturday, I talked with all of these shopping center representatives: it is perfectly normal that from the moment we close them, they will not have costs to cover".* The conditions for this cover, which may be indirect, are not known to date.

9. EPRA performance measurements

Mercialys applies the EPRA[45] recommendations for the indicators provided below. EPRA is the representative organization for listed real estate companies in Europe and issues recommendations on performance indicators to improve the comparability of financial statements published by the various companies.

In its half-year financial report and its Universal Registration Document, Mercialys publishes all the EPRA indicators defined by the Best Practices Recommendations, which can be found on EPRA's website. The following table summarizes the EPRA indicators at end-December 2020, end-June 2020 and end-December 2019:

	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019
EPRA earnings - Euros per share	1.04	0.69	1.35
EPRA NAV - Euros per share	19.08	19.72	20.53
EPRA NNNAV - Euros per share	18.42	19.90	20.01
EPRA NRV - Euros per share	21.18	22.00	22.87
EPRA NTA - Euros per share	19.04	19.68[46]	20.49
EPRA NDV - Euros per share	18.42	19.90	20.01
EPRA net initial yield - %	5.28%	5.16%	4.94%
EPRA topped-up net initial yield - %	5.33%	5.20%	5.00%
EPRA vacancy rate - %	5.4%	3.4%	3.2%
EPRA cost ratio (including direct vacancy costs) - %	27.0%	17.0%	16.8%
EPRA cost ratio (excluding direct vacancy costs) - %	25.6%	15.7%	15.6%
EPRA capital expenditure - In millions of euros	61.6	6.0	26.4

9.1. EPRA earnings and earnings per share

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

(In millions of euros)	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019
Net income attributable to owners of the parent	**85.8**	**33.2**	**90.3**
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	4.3	-0.2	-0.3
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	-1.1	-1.4	1.3
Other operating income and expenses	-34.2	11.1	-7.7
Depreciation and amortization	40.8	20.2	40.4
EPRA EARNINGS	**95.5**	**63.0**	**124.2**
Average number of shares (basic)	91,532,357	91,609,039	91,789,610
EPRA EARNINGS PER SHARE (in euros)	**1.04**	**0.69**	**1.35**

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

[45] European Public Real Estate Association

[46] Value adjusted from Euro 19.72 per share, as published in the 2020 Half-Year Financial Report, to Euro 19.68 per share, in order to more accurately reflect the new methodology for calculating EPRA NTA

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

(In millions of euros)			Dec 31, 2020		
	EPRA NAV	**EPRA NNNAV**	**EPRA NRV**	**EPRA NTA**	**EPRA NDV**
IFRS equity attributable to shareholders	**692.9**	**692.9**	**692.9**	**692.9**	**692.9**
Includes[47] / Excludes[48]:					
i) Hybrid instruments	0.0	0.0	0.0	0.0	0.0
Diluted EPRA NAV	**692.9**	**692.9**	**692.9**	**692.9**	**692.9**
Includes[47]:					
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,021.9	1,021.9	1,021.9	1,021.9	1,021.9
ii.b) Revaluation of IPUC[49] (if IAS 40 cost option is used)	0.0	0.0	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[50]	17.5	17.5	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases[51]	0.0	0.0	0.0	0.0	0.0
iv) Revaluation of trading properties[52]	0.0	0.0	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,732.3**	**1,732.3**	**1,732.3**	**1,732.3**	**1,732.3**
Excludes[48]:					
v) Deferred tax in relation to fair value gains of IP[53]	0.0	0.0	0.0	0.0	
vi) Fair value of financial instruments	14.1		14.1	14.1	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet				0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet				-4.1	
Includes[47]:					
ix) Fair value of fixed interest rate debt		-45.9			-45.9
x) Revaluation of intangibles to fair value	0.0	0.0	0.0		
xi) Real estate transfer tax[54]		0.0	192.7	0.0	
NAV	**1,746.4**	**1,686.4**	**1,939.0**	**1,742.3**	**1,686.4**
Fully diluted number of shares	91,532,357	91,532,357	91,532,357	91,532,357	91,532,357
NAV per share (in euros)	**19.08**	**18.42**	**21.18**	**19.04**	**18.42**

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

(In millions of euros)	Jun 30, 2020 EPRA NAV	EPRA NNNAV	EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**639.1**	**639.1**	**639.1**	**639.1**	**639.1**
Includes[55] / Excludes[56]:					
i) Hybrid instruments	0.0	0.0	0.0	0.0	0.0
Diluted EPRA NAV	**639.1**	**639.1**	**639.1**	**639.1**	**639.1**
Includes[55]:					
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,129.7	1,129.7	1,129.7	1,129.7	1,129.7
ii.b) Revaluation of IPUC[57] (if IAS 40 cost option is used)	0.0	0.0	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[58]	19.7	19.7	19.7	19.7	19.7
iii) Revaluation of tenant leases held as finance leases[59]	0.0	0.0	0.0	0.0	0.0
iv) Revaluation of trading properties[60]	0.0	0.0	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,788.5**	**1,788.5**	**1,788.5**	**1,788.5**	**1,788.5**
Excludes[56]:					
v) Deferred tax in relation to fair value gains of IP[61]	0.0	0.0	0.0	0.0	
vi) Fair value of financial instruments	18.5		18.5	18.5	
vii) Goodwill as a result of deferred tax	0.0	0.0	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				-4.3	
Includes[55]:					
ix) Fair value of fixed interest rate debt		34.8			34.8
x) Revaluation of intangibles to fair value	0.0	0.0	0.0		
xi) Real estate transfer tax[62]		0.0	208.1	0.0	
NAV	**1,807.0**	**1,823.3**	**2,015.0**	**1,802.7**	**1,823.3**
Fully diluted number of shares	91,609,039	91,609,039	91,609,039	91,609,039	91,609,039
NAV per share (in euros)	**19.72**	**19.90**	**22.00**	**19.68[63]**	**19.90**

[55] "Include" indicates that an asset (whether on or off balance sheet) should be added to the shareholders' equity, whereas a liability should be deducted
[56] "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back
[57] Difference between development property held on the balance sheet at cost and fair value of that development property
[58] Revaluation of intangibles to be presented under adjustment (x) Revaluation of Intangibles to fair value and not under this line
[59] Difference between finance lease receivables held on the balance sheet at amortized cost and the fair value of those finance lease receivables
[60] Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties
[61] Deferred tax adjustments are presented on page 15 of the EPRA Best Practices Recommendations Guidelines
[62] Real estate transfer tax adjustments are presented on page 17 of the EPRA Best Practices Recommendations Guidelines
[63] Value adjusted from Euro 19.72 per share, as published in the 2020 Half-Year Financial Report, to Euro 19.68 per share, in order to more accurately reflect the new methodology for calculating EPRA NTA

(In millions of euros)	Dec 31, 2019 EPRA NAV	EPRA NNNAV	EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**658.0**	**658.0**	**658.0**	**658.0**	**658.0**
Includes[64] / Excludes[65]:					
i) Hybrid instruments	0.0	0.0	0.0	0.0	0.0
Diluted EPRA NAV	**658.0**	**658.0**	**658.0**	**658.0**	**658.0**
Includes[64]:					
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,195.5	1,195.5	1,195.5	1,195.5	1,195.5
ii.b) Revaluation of IPUC[66] (if IAS 40 cost option is used)	0.0	0.0	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[67]	23.4	23.4	23.4	23.4	23.4
iii) Revaluation of tenant leases held as finance leases[68]	0.0	0.0	0.0	0.0	0.0
iv) Revaluation of trading properties[69]	0.0	0.0	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,876.9**	**1,876.9**	**1,876.9**	**1,876.9**	**1,876.9**
Excludes[65]:					
v) Deferred tax in relation to fair value gains of IP[70]	0.0	0.0	0.0	0.0	
vi) Fair value of financial instruments	7.7		7.7	7.7	
vii) Goodwill as a result of deferred tax	0.0	0.0	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				-3.6	
Includes[64]:					
ix) Fair value of fixed interest rate debt		-40.0			-40.0
x) Revaluation of intangibles to fair value	0.0	0.0	0.0		
xi) Real estate transfer tax[71]		0.0	214.7	0.0	
NAV	**1,884.6**	**1,836.8**	**2,099.4**	**1,881.0**	**1,836.8**
Fully diluted number of shares	91,789,610	91,789,610	91,789,610	91,789,610	91,789,610
NAV per share (in euros)	**20.53**	**20.01**	**22.87**	**20.49**	**20.01**

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

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

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

(In million euros)	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019
Investment property – wholly owned	3,065.6	3,314.6	3,419.5
Assets under development (-)	0.0	-6.2	-5.0
Completed property portfolio excluding transfer taxes	**3,065.6**	**3,308.4**	**3,414.6**
Transfer taxes	192.7	208.1	214.7
Completed property portfolio including transfer taxes	**3,258.3**	**3,516.4**	**3,629.3**
Annualized rental revenues[72]	178.5	186.9	184.8
Non-recoverable expenses (-)[73]	-6.4	-5.6	-5.6
Annualized net rents	**172.1**	**181.4**	**179.2**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	1.7	1.6	2.1
Topped-up net annualized rent	**173.8**	**183.0**	**181.3**
EPRA NET INITIAL YIELD	**5.28%**	**5.16%**	**4.94%**
EPRA TOPPED-UP NET INITIAL YIELD	**5.33%**	**5.20%**	**5.00%**

9.4. EPRA vacancy rate

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

The EPRA vacancy rate was 5.4% at end-December 2020, higher than the level from end-June 2020 (3.4%) and end December 2019 (3.2%). "Strategic" vacancies following decisions to facilitate extension or redevelopment plans represent 160bp within this vacancy rate.

(In million euros)	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019
Rental value of vacant units	10.0	6.3	6.0
Rental value of the entire portfolio	183.9	182.3	186.7
EPRA vacancy rate	**5.4%**	**3.4%**	**3.2%**

[72] 2020 annualized rental revenues include a normalized view of the Casual Leasing business, which was exceptionally affected by the health crisis during this year
[73] Non-recoverable expenses for 2020 include an annualized view of the acquisitions of the Montauban, Valence 2 and Dijon Chenôve sites, acquired by Mercialys on December 23, 2020

9.5. EPRA cost ratios

(In million euros)	Dec 31, 2020	Jun 30, 2020	Dec 31, 2019	Comments
Administrative and operating expense line per IFRS income statement[74]	-19.2	-9.3	-19.7	Personnel expenses and other costs
Net service charge costs/fees[75]	-5.8	-3.5	-5.6	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	-1.3	0.0	-2.4	Rental management fees
Other income and expenses[76]	-21.0	-2.9	-4.7	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	0.0	
Total	**-47.3**	**-15.7**	**-32.3**	
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	0.1	Non-group rents paid
- Service charges recovered through comprehensive invoicing (with rent)	0.0	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-47.3**	**-15.7**	**-32.3**	**A**
Direct vacancy costs[77]	2.5	1.3	2.3	
EPRA costs (excluding vacancy costs) (B)	**-44.8**	**-14.4**	**-30.0**	**B**
Gross rental revenues less ground rent costs[78]	175.4	92.0	191.8	Less costs relating to construction leases and long-term ground leases
Less: service fee and service charge cost components of gross rental revenues	0.0	0.0	0.0	
Plus: share of joint ventures' gross rental revenues (less ground rent costs)	0.0	0.0	0.0	
Rental revenues (C)	**175.4**	**92.0**	**191.8**	**C**
EPRA COST RATIO including direct vacancy costs	**-27.0%**	**-17.0%**	**-16.8%**	**A / C**
EPRA COST RATIO excluding direct vacancy costs	**-25.6%**	**-15.7%**	**-15.6%**	**B / C**

[74] The administrative and operating expense line per IFRS income statement does not include personnel costs that are capitalized for projects or allocated to sales, for Euro 1.4 million at December 31, 2020, Euro 0.5 million at June 30, 2020 and Euro 1.3 million at December 31, 2019

[75] The net service charge costs/fees for 2020 correspond to the data from the income statement. Unlike the EPRA net initial yield calculation, they do not include an annualized view of the acquisitions of the Montauban, Valence 2 and Dijon Chenôve sites, acquired by Mercialys on December 23, 2020

[76] Other income and expenses for 2020 include the impact of Euro 13.7 million of non-recurring provisions linked to the health crisis

[77] 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

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

9.6. EPRA capital expenditure

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

(In millions of euros)	Dec 31, 2020			Jun 30, 2020			Dec 31, 2019		
	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total
Acquisitions	44.8	0.0	44.8	0.1	0.0	0.1	0.0	0.0	0.0
Developments	7.8	0.0	7.8	0.9	0.0	0.9	5.3	0.0	5.3
Investment properties	8.0	0.0	8.0	4.5	0.0	4.5	18.7	0.0	18.7
Incremental lettable space	*3.3*	*0.0*	*3.3*	*2.3*	*0.0*	*2.3*	*7.3*	*0.0*	*7.3*
No incremental lettable space	*3.0*	*0.0*	*3.0*	*1.0*	*0.0*	*1.0*	*7.0*	*0.0*	*7.0*
Tenant incentives	*0.1*	*0.0*	*0.1*	*0.1*	*0.0*	*0.1*	*1.4*	*0.0*	*1.4*
Other material non-allocated types of expenditure	*1.6*	*0.0*	*1.6*	*1.1*	*0.0*	*1.1*	*2.9*	*0.0*	*2.9*
Capitalized interest (if applicable)	1.0	0.0	1.0	0.5	0.0	0.5	2.5	0.0	2.5
Total Capex	**61.6**	**0.0**	**61.6**	**6.0**	**0.0**	**6.0**	**26.4**	**0.0**	**26.4**
Conversion from accrual to cash basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Capex on cash basis	**61.6**	**0.0**	**61.6**	**6.0**	**0.0**	**6.0**	**26.4**	**0.0**	**26.4**

Acquisitions for the period concern the Dijon Chenôve, Valence and Montauban assets.

Development capital expenditure concerns the Le Port Retail Park on Réunion Island, as well as the development of strategic initiatives (Ocitô and coworking).

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

- Under "incremental lettable space", primarily work relating to the traditional project portfolio (shopping center transformations, mixed-use urban projects) and the strategic projects rolled out at various sites (Ocitô, coworking, Poulanges);
- Under "no incremental lettable space", primarily maintenance capex;
- Under "other material non-allocated types of expenditure", expenditure relating to IT, the marketing and digital ecosystem, and the CSR certification of assets.