

Activity at end-September 2021

Operational and commercial trends gradually normalizing

Improvement in collection rate trends

Reduction in vacancy rate moving forward

Vincent Ravat, Mercialys' Chief Executive Officer: "Following 18 months of activity subject to major disruptions, the shopping centers are starting to see a normalization of their environment, against the backdrop of an improvement in the health and economic situation. The performances of Mercialys' sites are starting to gradually return to the historical levels seen previously, with the operational and financial indicators at end-September 2021 showing an improvement in their trends compared with the end of June 2021. These trends are being driven in particular by a resumption of retailers' real estate developments. Nevertheless, the rollout of the various support measures that the French government has committed to put in place to enable retailers to honor their rent payments for the periods when they were ordered to close in 2021 is still vital in order to fully normalize the relationship between landlords and tenants".

I. Rental revenues still affected by the impacts of the health crisis and scope effects

At end-September 2021, Mercialys' **invoiced rents** totaled Euro 126.9 million, down -7.0% on a current basis compared with end-September 2020 (-8.1% year-on-year at end-June 2021) and -2.9% like-for-like (-4.0% year-on-year at end-June 2021).

(In thousands of euros)	Year to end-September 2020	Year to end-September 2021	Change Current basis (%)	Change Like-for-like basis (%)
Invoiced rents	136,382	126,878	-7.0%	-2.9%
Lease rights	1,925	1,673	-13.1%	
Rental revenues	138,308	128,551	-7.1%	

These changes reflect the following elements:

	Year to end-September 2021		Year to end-June 2021 (for reference)	
Indexation	+0.2 pp	+€0.3m	+0.3 pp	+€0.2m
Contribution by Casual Leasing	-0.3 pp	-€0.5m	-0.4 pp	-€0.4m
Contribution by variable rents	-0.7 pp	-€0.9m	-0.8 pp	-€0.8m
Actions carried out on the portfolio	-1.8 pp	-€2.5m	-2.3 pp	-€2.1m
Accounting impact of "Covid-19 rent relief" granted to retailers for the 2020 lockdowns	-0.3 pp	-€0.4m	-0.8 pp	-€0.7m
Like-for-like growth	-2.9 pp	-€3.9m	-4.0 pp	-€3.7m
Asset acquisitions and sales	-4.0 pp	-€5.5m	-4.0 pp	-€3.6m
Other effects	-0.1 pp	-€0.1m	-0.1 pp	€0.0m
Growth on a current basis	-7.0 pp	-€9.5m	-8.1 pp	-€7.3m

The trend for invoiced rents at end-September 2021 is encouraging, with a slightly positive level of indexation that continued to support the Company's revenues in similar proportions to the first half of 2021, while business excluding indexation reveals quite a significant upturn. While the contributions from Casual Leasing and variable rents improved slightly, the ramping up of the portfolio actions (renewals, relettings, reduction of vacancy levels) benefited the trend significantly, reflecting the Company's proactive approach. The negative accounting impact of the "Covid-19 rent relief" granted to retailers in connection with the 2020 lockdowns also shows an improvement, thanks in particular to the reduced level of relief granted in the third quarter of 2021 for the second lockdown in 2020 (month of November 2020 for reference) and recognized without being spread in the accounts.

The letting actions carried out since the start of the year paved the way for a marked reduction in the **current financial vacancy** rate at end-September 2021. This rate was 3.4% at September 30, 2021, versus 4.0% at June 30, 2021, and the total vacancy rate is also down significantly to 5.0% at September 30, 2021, compared with 5.7% at June 30, 2021. The vacancy rate, which temporarily reflected the effects of the health crisis and the impact of the acquisition of centers to be repositioned or redeveloped in December 2020, is rapidly returning to more standard levels. For reference, the total vacancy rate was 3.2% at end-2019.

These positive developments are supported by improving economic activity trends and Mercialys can confirm renewed interest among retailers for development in France. The commercial actions rolled out in the third quarter of 2021 made it possible to record a number of relettings, with an average reversion rate of +8.3%. For the year to end-September 2021, the **reversion** achieved on renewals and relettings came to an average of -3.6% (-2.0% excluding the retailer Camaïeu, which was subject to liquidation proceedings and a takeover by a new investor), with a significant sequential improvement versus -6.5% for the year to end-June 2021 (-5.4% excluding Camaïeu).

The leases signed confirm the Company's two key pillars for reletting: 1/ further strengthening the diversification of its retail mixes, with a gradual reduction in textiles exposure in particular; 2/ ensuring a strong focus on the selection of day-to-day products offered at affordable prices. Mercialys is also moving forward with its work to attract new retailers supporting its centers' leading positions in their catchment areas, illustrated by the first leases signed in its portfolio with the restaurant chains Hippopotamus and IT Trattoria for instance.

Lastly, the gross **collection rate** (i.e. calculated on the full amount of rent and charges excluding tax billed to tenants) for the year to end-September 2021 was 83.7%, reflecting the continued normalization of relations with retailers. Per quarter, the rate came to 83.5% for the first quarter, 76.1% for the second quarter and 91.4% for the third quarter. The gross collection rate for 2020 is now up to 89.3%.

Lease rights and despecialization indemnities received over the period, after factoring in the deferrals required under IFRS, came to Euro 1.7 million, compared with Euro 1.9 million at September 30, 2020.

Rental revenues totaled Euro 128.6 million at end-September 2021, down -7.1% compared to end-September 2020.

II. Center indicators fluctuating in view of the various health measures, but with a marked return on-site by consumers

The level of operational activity for nine Mercialys shopping centers was negatively affected for several weeks during the third quarter of 2021, primarily in August, due to the French State's introduction of a requirement to show a health pass to access certain sites. Combined with the easing of the health measures over the same period in 2020, as well as a differential between the large shopping centers that remained closed for longer than other formats, the performance levels for 2021 are being affected by an unfavorable base effect and show quite a strong level of volatility month on month, with customers gradually returning to the centers since summer 2020. As a result of these various impacts, the comparison of footfall and retailer sales trends between Mercialys' portfolio and the national index is not relevant.

Aggregate **footfall** in Mercialys shopping centers¹ for the third quarter of 2021 represented 91.7% of the level for the same period in 2020 and 83.6% of the normalized figure from 2019. The significant disruption to footfall in August 2021 linked to the introduction of the health pass at major sites across the portfolio, with these requirements only gradually lifted in September, prevented a significant bounce-back in the number of visitors during the third quarter of 2021 following the third lockdown. Per month, the performance levels compared with 2020 came to -6.7% for July, -13.0% for August and -5.0% for September.

The **retailer sales** trends also show strong month-on-month fluctuations. Compared with the same period in 2020, their change came to +3.2% in July, -14.7% in August and -3.8% in September. For reference, summer 2020 saw a particularly sustained level of activity, buoyed by a strong desire to return to in-store consumption following the lifting of the restrictions linked to the first lockdown.

To further strengthen its centers' appeal, Mercialys is capitalizing on the relevance of their positioning and their retail mix, as well as the various marketing activation drivers available to it, including its personalized digital loyalty program Prim' Prim'. Over the recent period, Mercialys was able to record excellent response rates from customers when using this tool. For example, on Réunion Island, the rollout of "smart timeslots" offering promotional benefits for customers before 11am on weekday mornings, aimed at encouraging visits to the centers during these off-peak periods, led to strong progress with their performance. During these timeslots, footfall levels increased by +26.6% versus 2020, while loyalty program purchases climbed +204%. The strength of this e-loyalty program is driving interest among retailers, illustrated by the fact that 65% of the 920 retailers, all banners combined, registered for the Prim' Prim' loyalty tool have used it since the start of September.

In addition to continuously improving its digital tools, Mercialys is continuing to move forward with its strategy to gradually diversify the way its centers are used. The key developments from the third quarter of 2021 include the leases signed for two Maison Médicale de Garde (MMG) healthcare centers at the Clermont-Ferrand and Toulouse Fenouillet sites, representing a total leasable area of over 1,800 sq.m. In terms of diverse uses, the Company is also getting ready to open its fourth coworking site, once again based on direct management, through its Cap Cowork brand, at the Nîmes shopping center, taking this activity's total leasable area up to over 1,500 sq.m, which was previously unlet. 156 workspaces will be available to local entrepreneurs or remote workers at four of the Company's sites. The level of interest among consumers for this offering confirms the relevance of this new range of services for Mercialys, with two larger-scale coworking projects already being looked into as part of the upcoming reconfiguration of the Tours and Dijon sites.

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

III. Mercialys launches the transition of its financing to build closer links with its CSR commitments

In the third quarter of 2021, Mercialys raised the amount of a bilateral bank line from Euro 30 million to Euro 40 million, with a new maturity of five years. Mercialys also extended the term of another bilateral line for Euro 30 million, based on a new maturity of three years.

These undrawn financing lines, set up with leading French banks (LCL and BNP Paribas), include ESG criteria that are representative of the Company's efforts with the operational management of its retail sites, including the portfolio's BREEAM certification and a carbon roadmap compatible with Paris climate agreement.

Mercialys is launching that way the transition to link its financial structure more closely to CSR commitments, capitalizing on its ambitious sustainable development strategy "4 Fair Impacts For 2030" and responding to the stakes of its financial stakeholders.

In September 2021, Standard & Poor's upgraded the outlook for Mercialys' financial rating to BBB / outlook stable.

IV. Dividend and outlook

During its meeting on February 15, 2021, Mercialys' Board of Directors had indicated that it would limit its dividend proposal for the 2021 General Meeting to the amount strictly required for distribution by the SIIC tax status, in relation to the Company's recurrent income for 2020. The Board of Directors had also indicated that the capital gains from the asset sales in December 2020, with 70% to be distributed within 24 months of the operation's completion under the same tax status and representing around Euro 35 million, would not be distributed immediately due to the reduced visibility concerning the economic context with the health crisis.

While the situation has gradually improved during the last few months, the remaining effects of the periods of government-ordered closures and the recent impacts of the health pass on certain retailers are reflected in a recovery rate that has not yet fully normalized, making it necessary to maintain a certain level of caution.

In this context, during its various meetings in the fourth quarter of 2021, the Board of Directors will review the possibility of an interim dividend to be paid out before the end of the year, depending on changes in the health, operational and economic situation.

With regard to its outlook, Mercialys is able to confirm, excluding the impacts of a further deterioration in the health situation between now and the end of the year and the French State potentially not respecting its commitments to retailers affected by the government-ordered closures, its expectations for funds from operations (FFO) per share to be at least stable in 2021 versus 2020.

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This press release is available on www.mercialys.com

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About Mercialys

Mercialys is one of France's leading real estate companies. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends, on its own behalf and for third parties. At June 30, 2021, Mercialys had a real estate portfolio valued at Euro 3.2 billion (including transfer taxes). Its portfolio of 2,102 leases represents an annualized rental base of Euro 169.8 million. Mercialys has been listed on the stock market since October 12, 2005 (ticker: MERY) and has "SIIC" real estate investment trust (REIT) tax status. Part of the SBF 120 and Euronext Paris Compartment B, it had 93,886,501 shares outstanding at June 30, 2021.

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, 2020 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business. Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstances that might cause these statements to be revised.

MERCIALYS RENTAL REVENUES

2020	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Q1	Q2	Q3	Q4
Invoiced rents	46,518	90,732	136,382	172,911	46,518	44,214	45,650	36,529
Lease rights	632	1,271	1,925	2,529	632	639	654	604
Rental revenues	47,150	92,003	138,308	175,440	47,150	44,853	46,305	37,132
Change in invoiced rents	+0.4%	-3.3%	-2.4%	-8.4%	+0.4%	-7.0%	-0.5%	-25.6%
Change in rental revenues	0.0%	-3.6%	-2.6%	-8.6%	0.0%	-7.2%	-0.6%	-25.4%

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