MERCIALYS

2019 UNIVERSAL REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT AND THE INTEGRATED REPORT

TABLE OF CONTENT

INTEGRATED REPORT 2

Leadership team 3
Company profile 6
Strategy 8
Governance 18
Performance 24

1 **COMMENTS ON THE FISCAL YEAR** 37

AFR 1.1 Activity report 38
AFR 1.2 Financial report 42
1.3 Real estate portfolio 60

2 **CORPORATE SOCIAL RESPONSIBILITY** 69

AFR 2.1 Mercialys' CSR strategy 70
AFR 2.2 Energy and greenhouse gas emissions 75
AFR 2.3 Asset resilience and adaptability 78
AFR 2.4 Circular economy 79
AFR 2.5 Biodiversity 81
AFR 2.6 Accessibility and connectivity 81
AFR 2.7 Customer well-being, health and safety 82
AFR 2.8 Community life and economic development 85
AFR 2.9 Responsible value chain 86
AFR 2.10 Talents and diversity 91
AFR 2.11 Organization and quality of life at work 95
Appendices 97

3 **CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS** 117

AFR 3.1 Consolidated financial statements 118
AFR 3.2 Separate financial statements 176

4 **CORPORATE GOVERNANCE** 213

AFR 4.1 Management and control of the Company 214
4.2 Compensation and benefits of Directors and corporate officers 243

5 **RISK FACTORS** 273

AFR 5.1 Organization of internal control and risk management 274
AFR 5.2 Description and management of risks 280

6 **ORGANIZATION OF THE MERCIALYS GROUP AND BUSINESS RELATIONSHIPS WITH CASINO GROUP COMPANIES** 297

6.1 Operational organization 298
6.2 Business relationships with Casino group companies 298
6.3 Mercialys organization chart – Subsidiaries and shareholdings 305

7 **STOCK MARKET INFORMATION AND SHARE CAPITAL** 313

7.1 Stock market information 314
7.2 Share capital and shareholdings 322

8 **ANNUAL GENERAL MEETING** 335

8.1 Draft resolutions 336

9 **ADDITIONAL INFORMATION** 363

AFR 9.1 Information about the Company 364
AFR 9.2 Other regulatory disclosures 383
AFR 9.3 Statutory Auditors and person responsible for the Universal Registration Document 384
9.4 Cross-reference tables 387
9.5 Subject index and glossary 391

The Universal Registration Document from the www.mercialys.com website can be consulted and downloaded

AFR Identifies the information contained in the Annual Financial Report, as required of listed companies in accordance with Article L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulation of the AMF, the French Financial Markets Authority.

MERCIALYS

2019 UNIVERSAL REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT AND THE INTEGRATED REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The Universal Registration Document was filed on March 23, 2020, with the French Financial Markets Authority (AMF) as the competent authority in accordance with Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of said regulation. The Universal Registration Document may be used for the purposes of a public offering of financial securities or the admission of financial securities to trading on a regulated market if it is accompanied by a simplified prospectus and, where applicable, a summary and all the amendments made to the Universal Registration Document. The entirety thus constituted is approved by the AMF in accordance with Regulation (EU) 2017/1129.

FINANCIAL CALENDAR

April 20, 2020 (1)
2020 first-quarter activity

April 23, 2020
Annual General Meeting

April 27, 2020 (2)
Ex-dividend date

April 29, 2020 (2)
Dividend payment

July 27, 2020 (1)
2020 first-half earnings

July 28, 2020
Financial information meeting

October 19, 2020 (1)
Activity at end-September 2020

Important information

This integrated report is modeled on the reference framework established by the International Integrated Reporting Council (IIRC). It covers all of Mercialys' consolidated entities and naturally contains forward-looking data and information.

This document 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 Mercialys' actual results and strategy to differ materially from those anticipated in or based on these forward-looking statements.

Please refer to Mercialys' Universal Registration Document for the year ended December 31, 2019, available on the Company's website www.mercialys.com, and specifically Section 5 "Risk factors", for a description of the main risk factors 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, in case of future events or any other circumstances that might cause these statements to be revised.

(1) After market close. / (2) Subject to approval at the Annual General Meeting on April 23, 2020.

MESSAGE FROM THE CHAIRMAN, ÉRIC LE GENTIL

2019 was another year of outstanding success for Mercialys, with excellent results from a financial, sustainability and operational perspective.

With organic rental income growth of +3.6%, a +7.9% increase in funds from operations (FFO), a dividend of €1.15 per share, delivering a yield of 9.3% versus the end-December 2019 share price, and an effectively managed Loan To Value (LTV) ratio (excluding transfer taxes) of 39.5%, Mercialys once again confirmed the quality of its asset portfolio, its management and its position as an industry leader in Europe.

It also made remarkable progress from a sustainability perspective in 2019, including scientific approval from the SBTi(1) for its strategy to tackle climate change, the continued BREEAM In-Use(2) certification of its portfolio, building awareness of CSR issues among its end customers and retailers, and the transformation of its executive management structure based on a new Management Committee with 50% women members.

Lastly, from an operational perspective, Mercialys has continued to demonstrate in 2019 its outstanding capacity to anticipate industry developments, aiming to align its sites with tomorrow's retail trends. Its many different initiatives include launching a home delivery platform for meals from the centers' restaurants and opening a pilot coworking space.

The start of 2020 has been marked by a global health crisis. Mercialys' Board of Directors and Executive Leadership Team are fully mobilized in order to ensure the best level of continuity for operations. The government measures adopted, although significant, allow several categories of Mercialys' tenant retailers to remain open. Nevertheless, the lockdown is having a major impact on footfall across the sites and raising questions about retailers' solvency and therefore the ability to collect rents. In this context, the 2020 guidance published by Mercialys in February is no longer applicable and will be updated once the outlook for the health context has become clearer.

The 2020 Annual General Meeting will be held on April 23. The health and safety of our shareholders, our teams and all our stakeholders are our main priority. I would therefore ask our shareholders to submit any questions they may have to the Board of Directors ahead of the event and to vote on the resolutions online or by post. All the conditions for doing so are presented in the General Meeting brochure. They also have the option to appoint me to represent them if they wish.

Yours sincerely,

Éric Le Gentil
Chairman of the
Board of Directors

> *"Mercialys has continued to demonstrate in 2019 its outstanding capacity to anticipate industry developments."*

(1) The Science Based Targets initiative (SBTi) is a non-profit organization that assesses, based on criteria defined by scientific experts, the alignment between the greenhouse gas emission reduction targets set by companies and the recommendations of the Intergovernmental Panel on Climate Change (IPCC), in order to ensure that these targets effectively limit the increase in global temperatures to 2°C by 2100 compared with 1990. / (2) BREEAM (BRE Environmental Assessment Method) is the world's foremost environmental assessment method and rating system for buildings. BREEAM sets the standard worldwide for best practices in sustainable building construction and is one of the most widely used measures of a building's environmental performance. The in-use environmental performance of buildings is calculated based on two key areas: asset performance (asset's intrinsic quality) and building management (asset's management).

QUESTIONS FOR THE CHIEF EXECUTIVE OFFICER

VINCENT RAVAT, WHEN YOU WERE APPOINTED, YOU LAUNCHED A NEW STRATEGIC VISION. HOW DID THIS MOVE FORWARD IN 2019?

Our business is faced with changes in what customers expect and the ways they consume. This is accelerating and I wanted to put Mercialys in the best possible position to respond to this. I believe in physical retail's fundamentals and its essential role in the regions. I also believe in adapting it to the current changes incrementally, rather than any sudden shift away from historic models.

This adaptation is already moving forward for Mercialys, set out with the 5 strategic pillars that we announced at the start of 2019. The aim is to further strengthen the characteristics that have laid the foundations for our shopping centers' success up until now, focusing on services, societal anchoring and the consolidation of local flows across the regions.

With the inauguration of several pilot projects aimed at increasing the multi-functionality of our sites and integrating them within the last-mile logistics chain, we are consolidating Mercialys' position at the forefront of innovation for retail real estate. Alongside this, the strengthening of our digital service and marketing ecosystem, supporting an increasingly personalized customer relationship, is aligning Mercialys with the core trends for tomorrow's retail.

MERCIALYS HAS A VERY ROBUST CSR APPROACH. HOW DO YOU SUCCESSFULLY RECONCILE YOUR STAKEHOLDERS' DIVERSE EXPECTATIONS?

Mercialys is an engaged company with clear commitments, illustrated by its CSR approach, which has won multiple awards in the last few years. Its multi-local asset portfolio and its positioning at the heart of its catchment areas enable it to effectively understand the various needs and urban environments.

The whole challenge is to effectively integrate:
1/ the expectations of consumers constantly looking for new choices and immediacy;
2/ the growing environmental and societal demands of the regions;
3/ the structurally long timeframes involved with responsible and sustainable real estate developments.
Our initiatives therefore combine a balance between essential core consumption and a regular rotation of retail mixes, as well as CSR and rational investments to support fair regional development between the various stakeholders.

This year, the Board of Directors incorporated a quantifiable CSR criterion, representing 20%, into the long-term variable compensation for executives[1], highlighting its commitment to the integration of all these issues and the alignment of interests.

WILL THE CURRENT YEAR BE A TURNING POINT FOR MERCIALYS?

The start of 2020 has been extremely disrupted by the Coronavirus epidemic. Mercialys' priorities at this stage are to protect its robust balance sheet foundations, ensure the safety of its staff and customers, and dialogue with its retailers looking for solutions to ensure the sustainability of everyone's activities. All our efforts are currently focused on managing this situation and looking into the conditions that will enable Mercialys to take on board the new paradigms in an economic and social environment that is likely to be significantly transformed.

One of Mercialys' core features is its agility, and especially its ability to adapt. I am committed to continuing to establish this entrepreneurial culture, built around flexibility, a shared ambition and freedom for initiatives supporting innovation and value creation. Capitalizing on our operational excellence, which has been the foundation for our results in line with the industry's highest standards for years, we will continue to evolve, to enrich ourselves with ideas from our employees and customers, to test out concepts and to research innovative partnership and investment frameworks. We will also continue moving forward with our CSR strategy, drawing up new five-year goals and action plans, establishing its increasingly core position at the heart of our model.

(1) Subject to the 2020 compensation policy for executive officers being approved at the Annual General Meeting on April 23, 2020.

“One of Mercialys’ core features is its agility, and especially its ability to adapt. I am committed to continuing to establish this entrepreneurial culture, built around flexibility, a shared ambition and freedom for initiatives supporting innovation and value creation.”

85%
EBITDA margin

€3,634M
portfolio value
(including transfer taxes)

€469M
of development projects

MERCIALYS ESSENTIALS

Mercialys is a real estate company founded in 2005 and specialized in managing and developing the value of retail assets.

With 47 shopping centers and 6 high-street retail assets[1] at end-December 2019, Mercialys is a market leader for shopping centers in France. The Company's 844,000 sq.m portfolio is home to more than 900 international, national and local retailers, attracting over 100 million visitors each year.

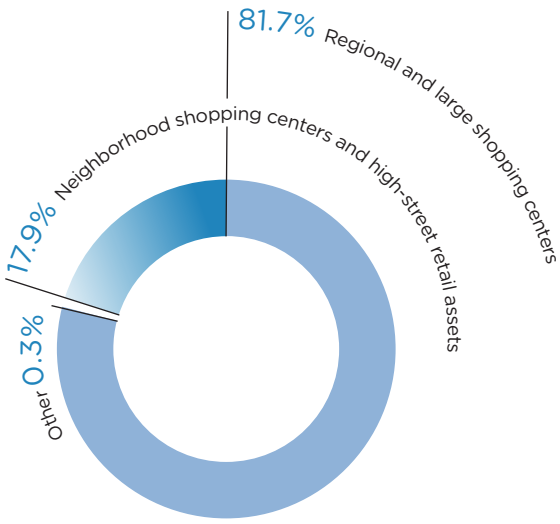
Mercialys' asset portfolio is made up primarily of leading retail sites, all located in mainland France and overseas territories. These sites are located in areas with demographic and income trends that are significantly higher than the national average, predominantly in medium-sized cities. These geographies have been a key feature of the Company's investment and disposal strategy for the past decade, enabling its assets, in addition to their intrinsic qualities, to benefit from buoyant underlying socioeconomic factors and less intense competition.

Mercialys has a flexible, multi-local organization. It is structured around central functions at head office level and staff deployed in the field, with at least one center manager for each site, overseen by a regional director. Under mandates and a service agreement, the Company outsources some of its administrative activities, including the rental and technical management of its shopping centers.

BREAKDOWN OF THE PORTFOLIO BY REGION[2]

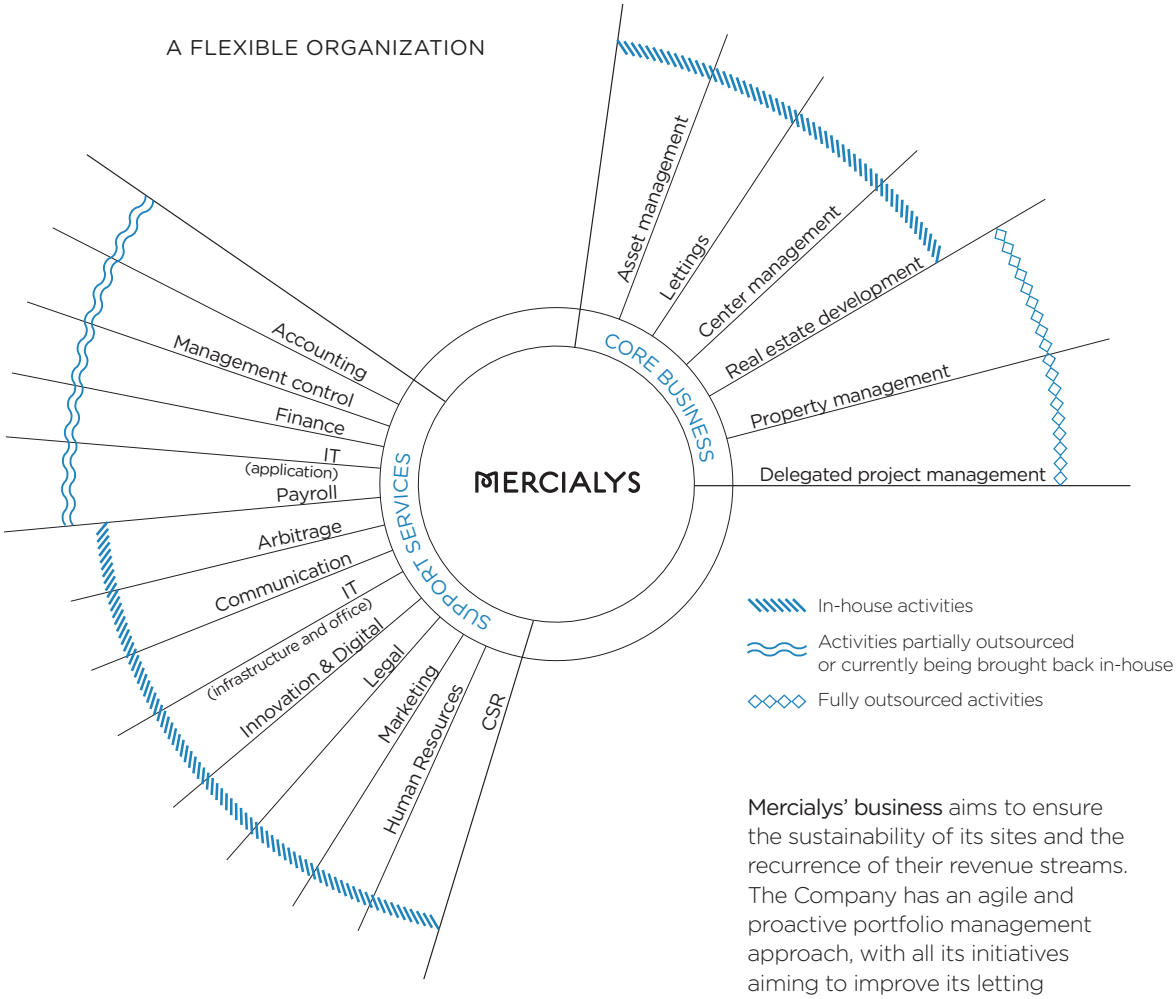
BREAKDOWN OF ASSETS BY CATEGORY

% of the portfolio's total value including transfer taxes



(1) In addition to 5 dispersed assets. / (2) Excluding dispersed assets.

A FLEXIBLE ORGANIZATION



111 employees

41% of employees deployed on site

75% of employees part of homeworking programs(1)

OUR VALUES

Proximity
Agility
Commitment
Innovation

OUR MISSION

Making customers' lives easier each day

OUR VISION

Offering shopping centers that are on a human scale, have close links with their communities and create sustainable value for all our stakeholders

Mercialys' business aims to ensure the sustainability of its sites and the recurrence of their revenue streams. The Company has an agile and proactive portfolio management approach, with all its initiatives aiming to improve its letting potential, sustainability and value growth.
To achieve this, Mercialys has developed a dynamic commercial strategy since it was created, tailoring its retail mix to each catchment area and regular changes in consumers' expectations. It combines this with an ongoing selective investment and disposal strategy. On the one hand, Mercialys invests in modular, environmentally responsible assets, and on the other hand, regularly divests its mature sites in order to reinvest these funds, particularly in its project pipeline.
Lastly, as a leading retail real estate company, Mercialys plays a key role in terms of shaping the urban environment and interacting with retailers, end customers, local authorities and associations. In line with this broad-ranging economic and societal responsibility, it is committed to listening to its stakeholders and operating with the greatest respect for ethics and compliance principles at all times.

(1) Among eligible employees.

RETAIL REAL ESTATE AND CONSUMPTION TRENDS

As a retail real estate company, Mercialys' business is positioned at the crossroads between two key sectors for the French economy: retail and real estate. Its challenges and stakes are therefore linked to: 1/ its understanding of changes in the way that end customers consume and its ability to adapt to tenant retailers' needs; 2/ its effective management of its real estate tools and, more specifically, its ability to transform them in line with its positioning as a multi-local real estate company, the new conception of urban spaces and the challenges relating to the ecological transition.

Polarization of flows

Impacted by sociological, demographic and technological developments, which are resulting in new lifestyles, practices and mindsets, the real estate and retail sectors are undergoing a deep transformation.

This transformation represents an opportunity for real estate companies if they can successfully identify and understand the complex underlying factors behind these changes. Drawing on its experience and listening to its stakeholders, Mercialys has this fine-grained understanding of the various dynamics at work.

In light of mobility constraints, specific regional development trends and French lifestyle choices, a polarization can be seen on three levels.
These polarization trends are linked directly to the dominance of certain forms of transport and residential preferences that vary depending on the types of urban development. They are reflected in very different conditions for access to consumption and characterize each catchment area throughout the region, which requires a case-by-case approach and analysis for retail real estate.

POLARIZATION OF REGIONS

Growth in the population, employment and wealth densely concentrated in the Paris Region and in France's coastal and border areas.

POLARIZATION TOWARDS PERIPHERAL AREAS

Outside of the Paris Region and very large cities, this growth tends to be concentrated in peripheral areas outside cities, rather than city centers.

POLARIZATION AROUND MASTER AREAS

In these medium-sized cities, consumption is concentrated in dominant peripheral retail hubs, which account for the majority of retail stores and are preferred destinations for consumers.

Diverse expectations

The different expectations and practices of people living in very large and medium-sized cities in France are summarized below:

	HOUSING	MOBILITY	CONSUMPTION
VERY LARGE CITIES	• Intensive and focused on centrality • Collective • Reduced living spaces, notably limiting storage capacity	• Extensive transport network and use of soft forms of transport • Reduced number of car owners, against a backdrop of restrictive public policies for this means of transport	• Fragmentation in time and space • Multiple buying journeys • Weaker commercial loyalty
MEDIUM-SIZED CITIES	• Extensive and focused on peripheral areas • Low-rise individual homes • Larger living spaces, notably with possibilities for storage	• Weaker regional coverage with public transport, against a backdrop of public policies to rationalize the network • Virtually systematic and daily use of cars and reduced use of soft forms of transport in relation to the distances to be covered	• Concentration in master areas • Increased recurrence • Interest in local products

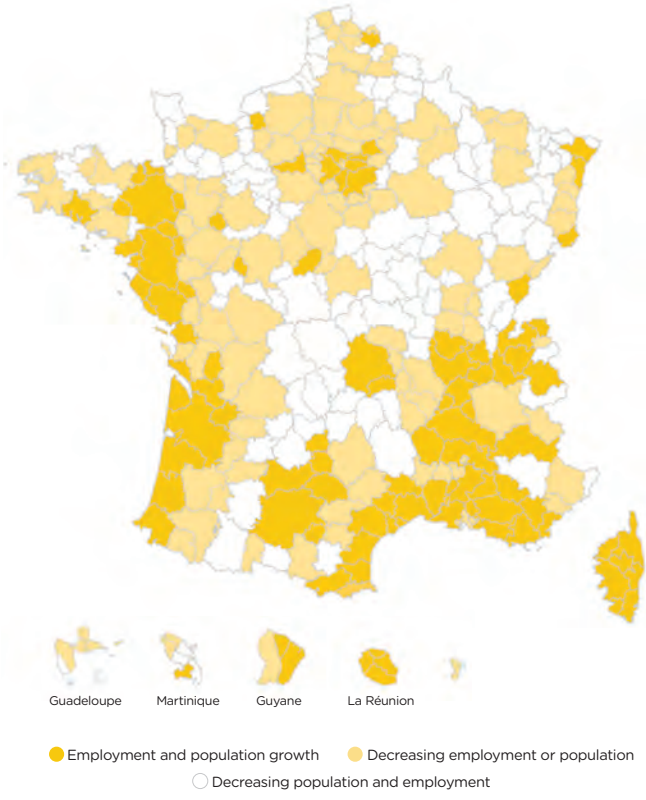
In addition to these differences between types of cities, other factors affect consumers' effective expectations, such as:

• the specific features of France's regions: consumers from the various regions do not buy exactly the same products and services;

• the economic and sociological disparities between the regions: the recent demonstrations are an illustration, at national level, of the significant social divides affecting the country and reflect major inequalities in terms of levels of financial comfort and societal and environmental expectations.

As a result, consumers' needs are localized, specific and differentiated. Understanding them and addressing them through adapted retail offerings is an essential condition for performance in retail real estate. It is therefore possible to have a variety of competitive positionings and retail formats, as their long-term viability does not depend on their size, but their ability to provide an effective response to their target customers' expectations.

SOCIOECONOMIC TRENDS PER FRENCH REGION(1)



(1) Source: Insee

Understanding consumers' expectations

Whether they live in very large or medium-sized cities, most French consumers are covered by a choice matrix that combines the satisfaction of 3 fundamental needs with an ongoing tradeoff between the perceived value of goods or services and the effort needed to acquire them.
On this basis, they determine the path of least resistance between their need and its satisfaction, regardless of whether their distribution channels are physical or virtual, as technological progress has made consumers fundamentally omnichannel.

In a country where more than 50% of consumption is linked to social transfers, pricing accessibility is a major determining factor for buying decisions. Secondary considerations may also come into play, based on rational underlying factors that are specific to each consumer's sensitivity.

With regard to food consumption for instance, although consumers support organic, few actually buy organic in the end due to budget reasons. Organic food purchases reflect both environmental convictions and health concerns linked to the origins or treatment of the products offered, and therefore a desire among customers to protect their health.
Similarly, purchases of packaging-free food products or local produce are based on a personal approach to reducing packaging and the carbon footprint of products consumed, as well as a search for low-price products.

To offer each customer a personalized solution, it is therefore necessary to be able to capture their expectations, which means being attentive to them and avoiding traditional undifferentiated sales and marketing approaches for instance. This is valid for both shopping centers and retailers, independently from their scale, their reputation or their business sector.

CONSUMER CHOICE MATRIX

Adapted offerings

New technologies are valuable tools, because they multiply the opportunities for contacts and exchanges with consumers. The digitalization of points of sale is a necessary development in order to support their new expectations. However, this will not replace the in-store experience. This experience and the human contact that it involves represent the primary determining factor behind consumers' preference for physical points of sale, which highlights the importance for retailers to modernize their concepts, focused on more qualitative, daring and differentiating human interactions, within a highly regulated framework for using personal data.

While they appreciate the service, the vast majority of consumers refuse to pay the costs involved with delivering goods to their homes, which complicates the resolution of the economic equation for last-mile logistics. This is particularly evident in medium-sized cities, where extensive peripheral urban developments make it complicated to achieve scale effects. In these areas, "ship from store" delivery appears to be the most financially sustainable option, while the technical responses to the last-mile delivery issue without additional human costs (e.g. autonomous cars and drone deliveries) are not viable within a foreseeable future.

Lastly, consumers' growing demand for product advice over the last few years has led them to prefer specialized offerings. This specialization is now essential for retailers across all sectors, leading to a rationalization of marketing positionings, the creation of real customer expertise and a reallocation of resources. This trend is clearly illustrated by the realignment - underway or planned - of several food retailers around their historic business, as well as the success achieved by medium-sized stores specialized in sport, leisure or household equipment.

STRATEGY AND POSITIONING ALIGNED WITH THESE REALITIES

In an increasingly competitive physical retail environment, the challenge for market participants concerns their ability to respond, asset by asset, to the needs of local consumers.

Faced with the growing complexity of customer journeys, the winning players, in terms of both retailers and shopping centers, stand out through the following key features:

- **clear positioning** and **strong identity**
- focus on **transparency** and **product quality**
- culture of more **local** and **responsible** retail
- **fluid omnichannel** logistics

Since it was founded, Mercialys has been developing its assets in line with this approach, building market-leading shopping destinations.
The Company's sustainable outperformance reflects its value proposition: offering retailers' end customers, through a network of shopping centers that are on a human scale and closely aligned with their local realities, the certainty that they will be able to find the essential products that they consume, making it possible to immediately satisfy their needs with a quick, simple and human buying experience, combined with value for money.

3 longstanding know-how
generating competitive advantages

REAL ESTATE KNOW-HOW
Portfolio of evolving, modular real estate assets

RETAIL KNOW-HOW
Adaptive, omnichannel retail concept

CSR KNOW-HOW
Powerful, responsible dynamics with strong local roots

5 new strategic pillars
to invent tomorrow's retail real estate

The Company has a proven capacity for innovation. Mercialys has pioneered many different practices that have been adopted by the industry, such as Casual Leasing, a single commercial identity, e-loyalty programs and even reducing the size of hypermarkets.
In 2019, this ability to anticipate trends was set out with the publication of five new strategic pillars for the transformation of its sites. These aim to capitalize on the portfolio's characteristics in order to respond to the sector's paradigm shift.
These pillars are broken down into a number of concrete operational initiatives, engaging all the employees, brought together in multidisciplinary project teams and adopting a pragmatic "test and learn" approach.

PILLAR 1 KNOWLEDGE AND PERSONALIZATION
Multiplying personalized interactions with retailers and end customers by further enhancing the Company's proprietary digital and service ecosystem.

PILLAR 2 ADAPTED OFFERING AND SERVICES
Diversifying the centers' offering more effectively by including more services, leisure facilities and non-retail circuits, for a richer, differentiating customer experience.

PILLAR 3 MULTI-FUNCTIONALITY
Moving beyond the traditional use of centers to establish them as functionally diverse spaces, capitalizing on space not used previously for letting and integrating local stakeholders' aspirations for limiting urban sprawl.

PILLAR 4 LAST-MILE OPERATOR
Developing services that integrate the centers into the last-mile logistics chain, capitalizing on Mercialys' digital maturity to accelerate the omnichannel dimension of its sites.

PILLAR 5 STRONG MULTI-LOCAL ROOTS
Establishing the centers within a more responsible and sustainable approach to retail and consumption, adapted to local needs, while exploring alternative concepts and ramping up the selection of non-retail events offered at sites, to consolidate their legitimacy and centrality.

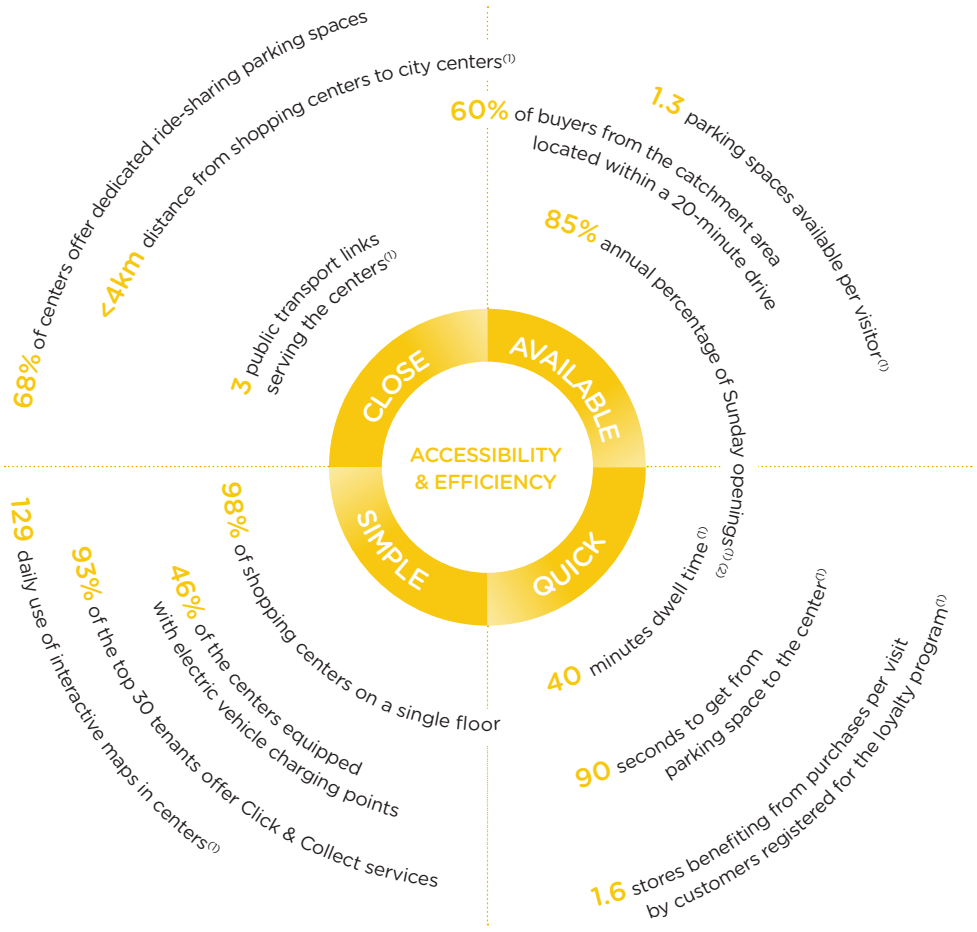
REAL ESTATE KNOW-HOW

Portfolio of evolving, modular real estate assets

Mercialys' first competitive advantage lies in its proven real estate know-how, enabling it to hold a portfolio of market-leading assets. Its shopping centers are designed in line with the specific urban features of the various medium-sized cities, notably based around two key success factors for a simple, seamless buying experience: accessibility and efficiency.

ACCESSIBILITY is ensured through the sites' design and prime locations. Mercialys' assets are always located at the heart of their primary catchment area, not far from city centers, with outstanding transport links, long opening hours, optimized parking facilities, clear signs inside the shopping centers, etc.

EFFICIENCY refers to an efficient buying experience, made possible by these assets, as well as Mercialys' ability to make rapid changes to them. Their modularity ensures that they are always effectively aligned with the needs of retailers and customers, laying the foundations for their core position within their catchment area.



(1) On average. / (2) Including large food stores.

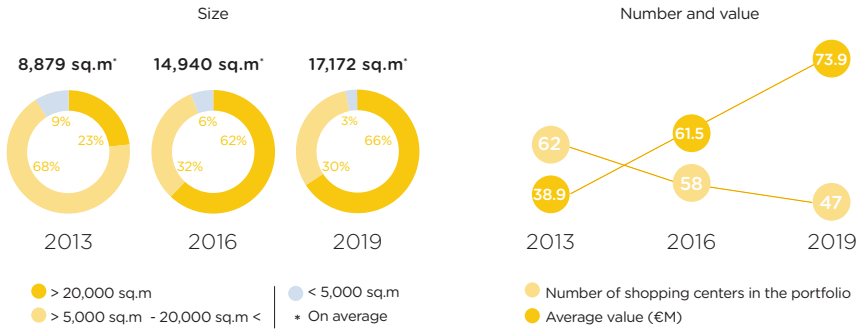
To support its real estate excellence, Mercialys has applied a dynamic asset rotation strategy for years. This is built around its asset management approach, selling mature sites, based on the Company's criteria, and making selective reinvestments in assets with residual development potential. This recycling of capital enables Mercialys to support its development, while keeping debt levels effectively under control. At end-December 2019, the Company's portfolio comprised 58 assets, valued at Euro 3,634.4 million including transfer taxes. Its shopping centers have an average size of 17,172 sq.m and an average value of Euro 73.9 million including transfer taxes, significantly higher than the levels from 2005.

This portfolio is made up primarily of sites that:
- are leaders or co-leaders in their catchment areas; *i.e.* located in master consumption areas in urban hubs;
- are located in dynamic regions in mainland France and overseas territories;
- offer real estate and commercial development potential.

This realignment of the portfolio around a limited number of centers with critical mass enables Mercialys to optimize its asset management, which also contributes to its industry-leading position for profitability.

BREAKDOWN OF MERCIALYS SHOPPING CENTERS

(% of their value including transfer taxes)



FEATURES OF MERCIALYS SHOPPING CENTER LOCATIONS

86%(1)
proportion of centers located within the 1st or 2nd commercial zone of their catchment area

(1) In proportion to appraisal values including transfer taxes.

	Demographic growth(1)	Gross disposable income per capital growth(1)
Mercialys' geographic exposure(2)	+6.95%	+18.13%
French average(3)	+5.00%	+15.76%
Outperformance	195bp	237bp

(1) For 2005-2015, latest fully available INSEE data. / (2) Weighted by surface area. / (3) Mainland France.

Guided by its focus on creating value, Mercialys always invests with a selective, rational approach. Its development projects follow a strict logic to further strengthen the letting potential of its sites and consolidate their dominant positions. At end-2019, the Company had a deep and flexible Euro 468.6 million project pipeline with:
- retail space requalification projects (notably reducing hypermarket space to set up new shops and medium-sized stores);
- new retail space creation projects (extending shopping centers, building retail parks and food courts);
- mixed-use urban projects (renovating and redeveloping existing assets with functional diversity and flexible programming).

Projects covering **26 OF THE COMPANY'S 53** shopping centers and high-street assets.

DIVISIBLE and **PHASABLE** projects, enabling quick project launches and completion schedules.

Projects exclusively at **EXISTING** sites (brownfield), with a fully **CONTROLLED** risk profile.

MERCIALYS' DEVELOPMENT PIPELINE

(in millions of euros)

	Total investment	Target net yield on cost	Completion
Committed projects	11.3	7.1%	2020
Controlled projects	218.9	6.8%(1)	2021/25
Identified projects	238.4	7.0%(1)	2022/26
Total projects	468.6	6.9%(1)	2020/26

(1) Excluding the impact of mixed-use urban projects, which could also generate property development margins.

RETAIL KNOW-HOW

Adaptive, omnichannel retail concept

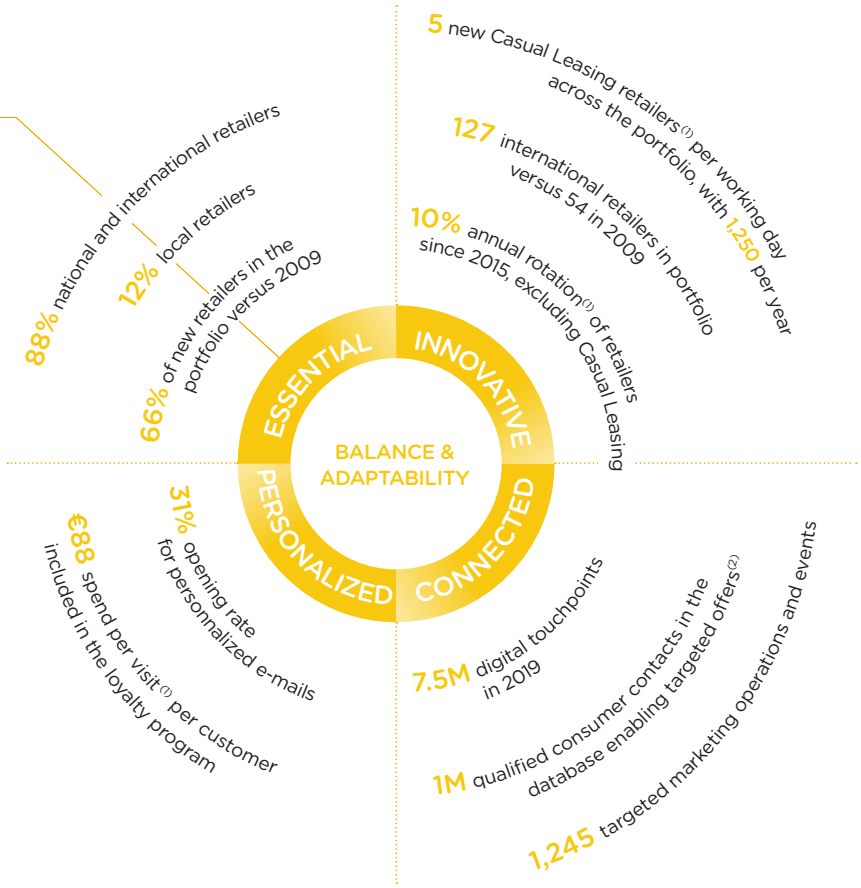
Mercialys' second competitive advantage concerns its retail know-how, which aims to ensure that the products and services offered are perfectly aligned with the needs of retailers and end customers. It is built around two key success factors: balance and adaptability.

BALANCE refers first of all to the core offering of consumer goods (*i.e.* the 20% of the listings consumed 80% of the time) at Mercialys' sites, satisfying customers' essential needs with affordable pricing and products, which is a key factor in consumers' choices. It is also reflected in the diverse retail mix achieved, in terms of exposure to both different segments and specific brands or types of retailers, making the assets highly resilient.

ADAPTABILITY characterizes the ability of these mixes to evolve in response to changes in the catchment areas' requirements, consumer habits, different times of the year, etc. From this perspective, Casual Leasing complements traditional leases, providing an endless source of retail innovation and opportunities for centers to stand out. Through a regular rotation of tenants and concepts, it helps ensure a vibrant retail mix, offering new discoveries for customers each time they visit centers. Adaptability also refers to Mercialys' ability to understand and satisfy customers' expectations through an increasingly specific and individualized approach.

Breakdown of annualized contractual rent by business sector

Personal items	31%
Food-anchored tenants	26%
Culture, gifts and sports	14%
Health and beauty	11%
Restaurants and catering	8%
Household equipment	6%
Services	3%



(1) On average. / (2) In compliance with the General Data Protection Regulation (GDPR).

Mercialys builds its retail excellence by anticipating trends in the catchment areas and harnessing its increasingly fine-grained understanding of consumers' expectations, thanks in particular to the development of digital tools. The Company is able to count on a powerful omnichannel ecosystem, placed under the dedicated umbrella brand for its sites: G La Galerie.
This ecosystem includes a centralized marketing platform and services for retailers and end customers. It enables the convergence of their in-store and digital buying experiences and represents a robust tool for capturing expectations, carrying out predictive analysis, enhancing the customer experience, personalizing communications, building loyalty and driving more fluid exchanges between Mercialys, retailers and consumers.
It reinforces the many different physical marketing actions and events carried out in the centers, all for a cost that is significantly lower than an individualized center-specific approach. In addition, all of Mercialys' marketing and service tools are proprietary, enabling the Company to free itself up from the rising costs involved with buying traffic from the internet giants (GAFAs[1]).

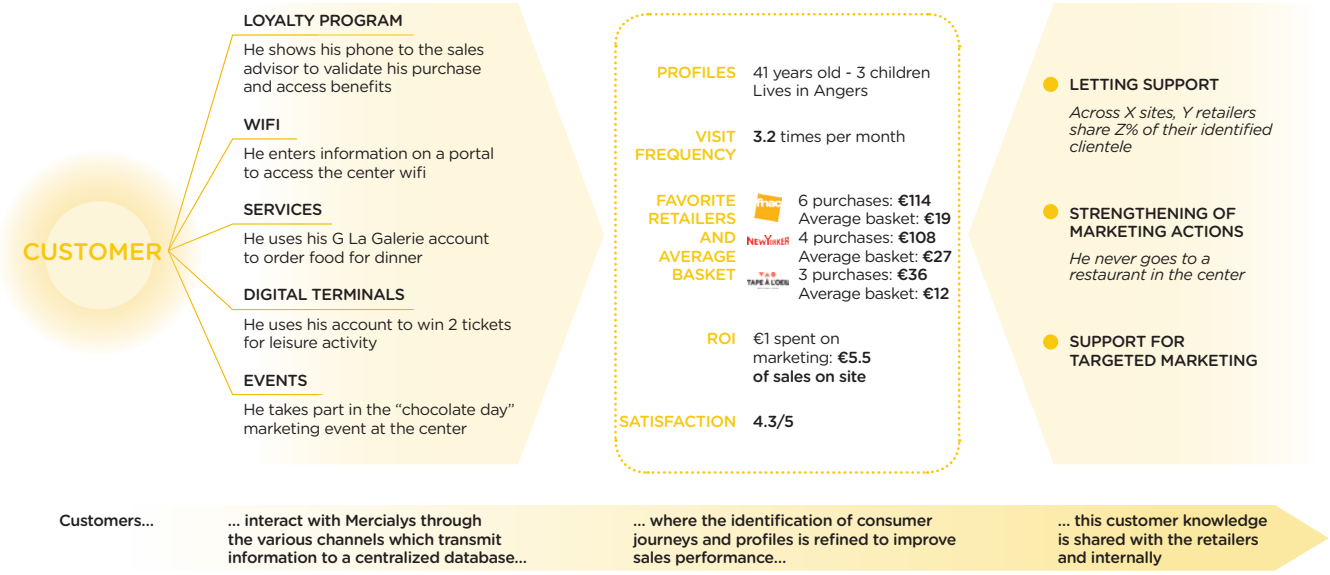
G La Galerie

- **UNIQUE** brand and architectural concept
- Integrated **DIGITAL** B to B and B to C **ECOSYSTEM** and **SERVICES**
- **NATIONAL** marketing campaigns around a strong identity with a **LOCAL** focus for events and activities

The G La Galerie ecosystem makes it possible to develop extremely fine-grained knowledge of customers' needs and to tailor their retail offering to their individual needs. This ensures that their expectations are satisfied more effectively, with a more engaging buying experience, supporting center footfall and differentiation, as well as retailer sales.
As illustrated below, Mercialys' marketing actions aim to capitalize on each customer touchpoint - both physical and digital - to collect information and enhance their profile[2]. To date, Mercialys knows 20% of the individual customers from each catchment area on average for the 33 centers that are fully equipped with the G La Galerie system.
This customer knowledge is based on several criteria, such as the frequency of visits, the level of satisfaction and the retailers visited. Since 2018, Mercialys has also been able to access customers' average spend figures, irrespective of the retailer.

This improved understanding of expectations and habits is a key driver for strengthening customer loyalty. These data enable effectively targeted communications for events at the centers and specific retailer offers, improving the rates for customers returning to stores.
Alongside this, Mercialys' database makes it possible to approach center footfall on a store-by-store basis. Each center can share its database's statistical analysis with tenants in order to prepare targeted marketing actions for each store and its customers or prospects, ultimately benefiting the site's overall footfall figures.

KNOWING CUSTOMERS TO TAYLOR THE OFFERING AND MEET THEIR NEEDS MORE EFFECTIVELY



(1) Google, Apple, Facebook and Amazon. / (2) In compliance with the General Data Protection Regulation (GDPR).

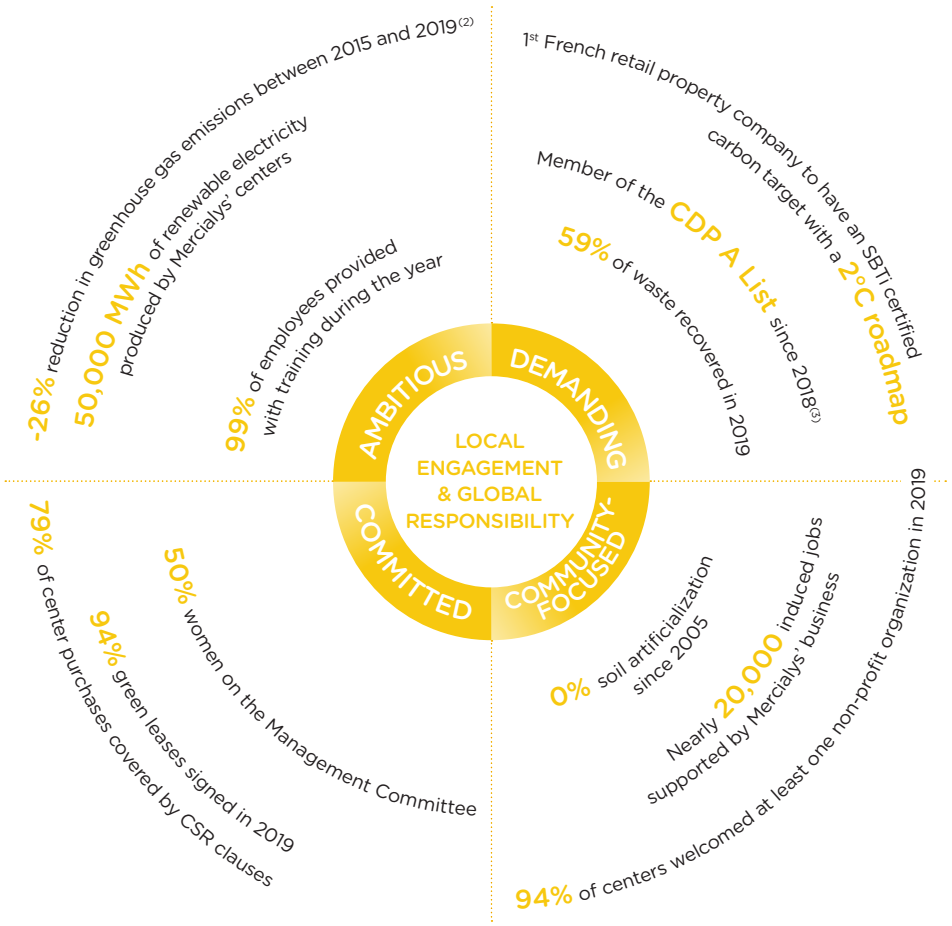
CSR KNOW-HOW

Powerful, responsible dynamics with strong local roots

Mercialys' third competitive advantage stems from its ability to take into account all its stakeholders. Its positioning close to its communities enables it to effectively understand civil society's expectations and the issues faced. Through its presence in a large number of regions and cities across France, Mercialys is able to effectively assess diverse local realities and needs, ensuring that its actions are always responsible and sustainable.

LOCAL ENGAGEMENT refers to the central economic and social positioning of Mercialys' shopping centers, reflected in particular in its good understanding of socioenvironmental trends and developments in the various regions. This capability enables the Company to identify the stakes involved and capitalize on opportunities for progress and value creation over the medium and long term, further consolidating the centers' legitimacy and leadership in their catchment areas.

GLOBAL RESPONSIBILITY refers to the MERY'21 CSR strategy mapped out in 2015 to respond to global issues through 10 priorities covering the risks and opportunities to be addressed by the Company. These priorities, their objectives set for 2020 and their contribution to the Sustainable Development Goals[1] are presented in the table opposite. While solutions are defined globally, most of them are implemented locally based on operational action plans that are tailored to the specific features and realities of each site. The next five-year plan for the CSR strategy is currently being finalized and will be published soon.



(1) SDGs: the Sustainable Development Goals adopted by the UN in 2015 define 17 priorities for development that is socially equitable, environmentally safe, economically prosperous, inclusive and predictable looking ahead to 2030. / (2) Scopes 1 and 2 on a like-for-like basis, location-based method. / (3) Carbon Disclosure Project (CDP): non-profit international organization which studies each year the impact of major listed companies on CO_2 emissions and climate change.

PRIORITIES	GOALS	CONTRIBUTION TO SDGs
Energy and greenhouse gas emissions	• Reduce energy consumption per sq.m by -20% by 2020 • Align its business with a 2°C compatible carbon roadmap	
Asset resilience and adaptability	• Ensure the adaptability of assets • Enable the assets to progress by one level of BREEAM In-Use certification	
Circular economy	• Recover 55% of waste in 2020 • Reduce water consumption by -15%	
Biodiversity	• Engage in protecting ordinary biodiversity	
Accessibility and connectivity	• Increase the percentage of visitors using alternative means of transport to individual petrol and diesel cars by +15% • 80% of visitors have a positive image of center accessibility	
Customer wellbeing, health and safety	• 100% of assets with a high level of security and health and safety • Increase comfort and quality of life in the centers • Strengthen visitor satisfaction • Increase tenant satisfaction	-
Community life and economic development	• Promote local employment • Facilitate social harmony	
Responsible value chain	• 80% of purchases over Euro 10,000 with CSR clauses • Build CSR awareness across the value chain	
Talents and diversity	• Identify, attract and retain talents • Combat all forms of discrimination	
Organization and quality of life at work	• Ensure employee health and safety • Develop employee engagement	

IMPLEMENTING THE CSR STRATEGY

GOVERNANCE

- Reporting to the Audit, Risks and Sustainable Development Committee
- Head of CSR part of the Management Committee
- CSR correspondents in each center

STAKEHOLDER ENGAGEMENT

- 27% of employees trained on CSR in 2019
- 95% of property managers trained on the CSR management tools in 2019
- 93% of centers have covered CSR during a meeting with tenant retailers

MEASURING PERFORMANCE

- 90% of centers have a monthly monitoring system for key environmental indicators
- 15% of variable annual compensation and 20% of long-term variable compensation for executives linked to CSR in 2020(1)
- 100% of management-grade employees have specific annual CSR targets for their activities

(1) Subject to the 2020 compensation policy being approved at the Annual General Meeting.

BOARD OF DIRECTORS ALIGNED WITH THE BEST STANDARDS

Mercialys' strategy is led by a Board of Directors that is effectively aligned with market best practices. The Board regularly reviews the way that it operates and its representativeness in order to ensure for both shareholders and the market that it always performs its missions with the independence and objectivity required.

Professionalism, engagement and female majority

Mercialys' Board of Directors has evolved over the years, enabling it to consolidate the Company's outstanding practices and to specifically further strengthen its ability to develop a proactive and responsible strategy. In line with the Casino group's gradual reduction of its stake in Mercialys' capital, its representation on the Board has been reduced and today it holds 3 out of 11 seats. Moreover, in February 2019, it was decided to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer.
At February 12, 2020, the date when the accounts for 2019 were approved, the Board of Directors was made up of 11 directors, including 7 independent directors and 6 women.

54.5%
women directors at end-2019

56
average age at end-2019

100%
French directors at end-2019(1)

11
members

5.6 YEARS
of seniority on average at end-2019

86%
attendance rate in 2019

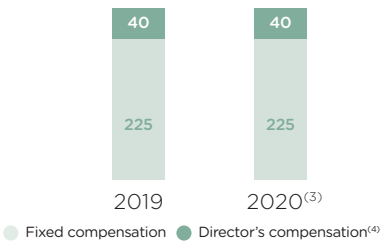
8
meetings in 2019

63.6%
independent directors at end-2019

Compensation for the Chairman of the Board of Directors

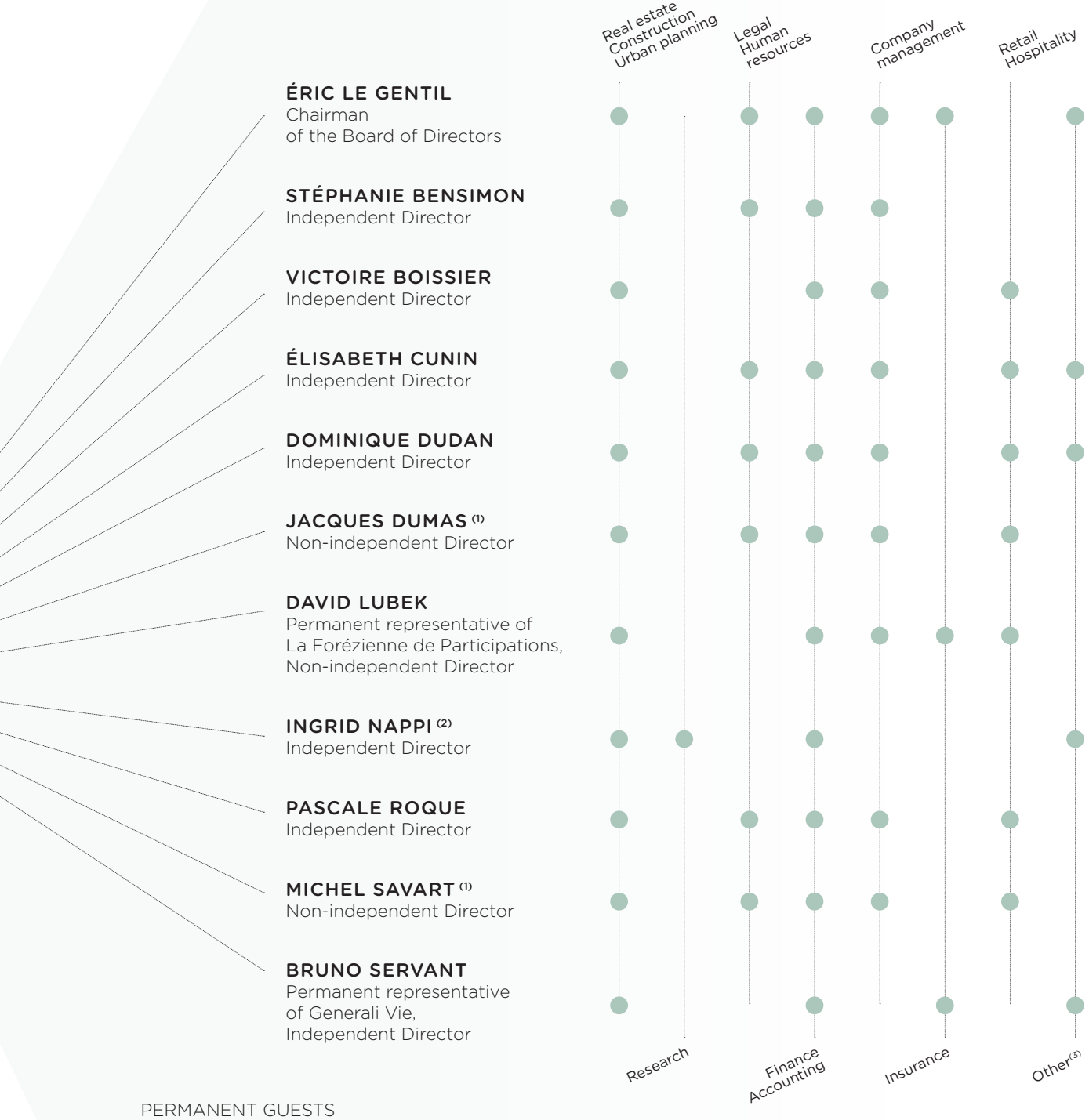
The compensation package for the Chairman of the Board of Directors, Mr. Éric Le Gentil, includes compensation for his position as a director and his fixed compensation for the missions entrusted to him in addition to his general responsibilities under the legislation in force(2). He does not receive any variable compensation in cash or securities.

CHANGE IN THE COMPENSATION POLICY FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS
(in thousands of euros)



(1) In accordance with the Company's exclusively French geographic exposure. / (2) Notably overseeing relations with the Company's main shareholders and financial and/or industrial partners and helping define the strategy and monitor its implementation. / (3) Subject to approval at the 2020 Annual General Meeting. / (4) For 100% attendance.

AREAS OF EXPERTISE



ÉRIC LE GENTIL
Chairman
of the Board of Directors

STÉPHANIE BENSIMON
Independent Director

VICTOIRE BOISSIER
Independent Director

ÉLISABETH CUNIN
Independent Director

DOMINIQUE DUDAN
Independent Director

JACQUES DUMAS (1)
Non-independent Director

DAVID LUBEK
Permanent representative of
La Forézienne de Participations,
Non-independent Director

INGRID NAPPI (2)
Independent Director

PASCALE ROQUE
Independent Director

MICHEL SAVART (1)
Non-independent Director

BRUNO SERVANT
Permanent representative
of Generali Vie,
Independent Director

PERMANENT GUESTS

VINCENT RAVAT
Chief Executive Officer

ÉLIZABETH BLAISE
Deputy Chief Executive
Officer

With 3-year terms of office and one third renewable every year, as well as the regular integration of new directors, Mercialys' Board of Directors has a clear commitment to promoting diversity and renewing its expertise.

This panel of experienced members with established expertise guarantees a professional, informed approach to all the issues encountered by the Company and represents a source of strategic insights and innovation.

(1) Reappointment submitted for approval at the 2020 Annual General Meeting. / (2) Non-renewal of her term of office submitted for approval at the 2020 Annual General Meeting. / (3) Including IT and CSR.

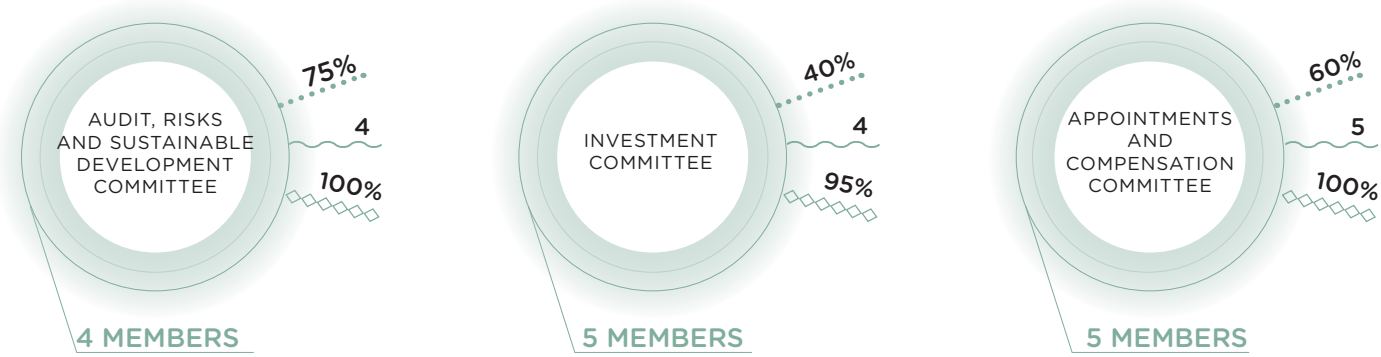
THREE SPECIALIZED COMMITTEES

Mercialys' Board of Directors is supported by three Specialized Committees, and it has defined their responsibilities and the specific ways that they operate. These Committees are made up exclusively of directors, appointed by the Board based on their training and experience.

Expert and diligent

The three Specialized Committees that assist the Board of Directors are the Audit, Risks and Sustainable Development Committee, the Investment Committee and the Appointments and Compensation Committee. They are all chaired by female independent directors and their composition ensures the balanced representation, independence and expertise of their members, supporting Mercialys' objective management and differentiating strategy.

COMPOSITION OF THE SPECIALIZED COMMITTEES



4 MEMBERS

Ms. STÉPHANIE BENSIMON
(Chairwoman)
Ms. INGRID NAPPI
Ms. PASCALE ROQUE
Mr. MICHEL SAVART

5 MEMBERS

Ms. DOMINIQUE DUDAN
(Chairwoman)
Mr. ÉRIC LE GENTIL
Mr. DAVID LUBEK
Mr. MICHEL SAVART
Mr. BRUNO SERVANT

1 PERMANENT GUEST

Mr. VINCENT RAVAT
Chief Executive Officer

5 MEMBERS

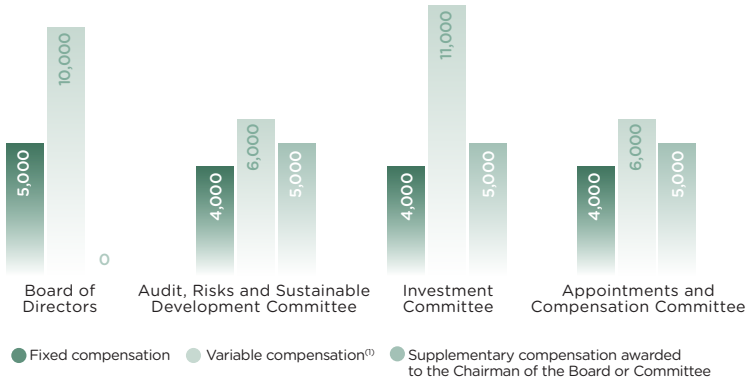
Ms. ÉLISABETH CUNIN
(Chairwoman)
Ms. VICTOIRE BOISSIER
Ms. DOMINIQUE DUDAN
Mr. JACQUES DUMAS
Mr. ÉRIC LE GENTIL

••••• Percentage of independent directors ~~~ Number of meetings in 2019 ◇◇◇ Attendance rate

Compensation for directors

In return for their expertise and their contribution to the Company's good governance, Mercialys' directors receive compensation. This compensation is designed to be balanced, virtuous and aligned with the Company's corporate interests. The directors' compensation policy also ensures strict compliance with the recommendations from the AFEP-MEDEF Code and Mercialys takes all necessary measures to avoid potential conflict of interest situations.

COMPENSATION POLICY FOR DIRECTORS
(in euros)

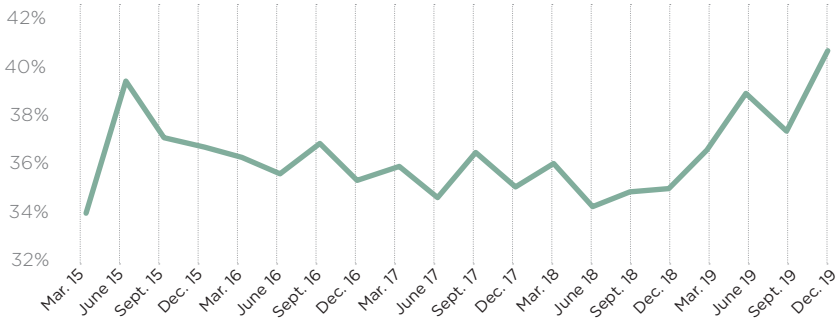


(1) For 100% attendance, directors' variable compensation being based on their individual effective rate of attendance for the Board of Directors and the Specialized Committees.

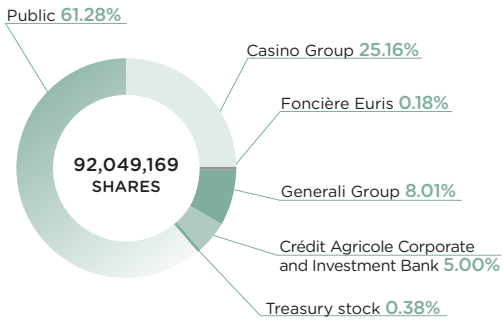
BALANCED AND ENGAGED SHAREHOLDER BASE

Mercialys has been listed on Euronext Paris Compartment A (ticker: MERY; ISIN: FR0010241638) since its initial public offering on October 12, 2005. The Company is part of the SBF 120, several real estate industry indexes (EPRA[1], IEIF[2]) and the Gaïa SRI index. The Company has a stable shareholder base, characterized by the presence of a major industrial shareholder: the Casino group. Its good understanding of retail trends and real estate stakes enables Mercialys to deploy a strategy that is aligned with the real estate sector's structurally long timeframes, while taking into account CSR issues, ethics and the expectations of all the various stakeholders to deliver sustainable growth that is shared more effectively.
Nevertheless, Mercialys' shareholding structure is still very open and diversified. The free float, now up to over 60%, ensures an excellent level of liquidity for the Company's shares and allows shareholders to take up significant positions. At December 31, 2019, Mercialys' top 33 shareholders[3] held more than 40% of its capital and voting rights, and many of them have been shareholders for years.

CHANGE IN THE PERCENTAGE OF MERCIALYS' CAPITAL AND VOTING RIGHTS
HELD BY ITS TOP 33 SHAREHOLDERS

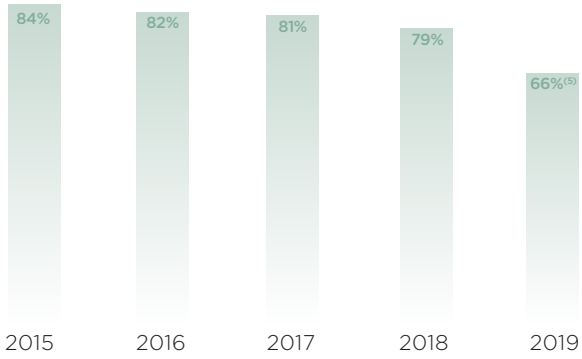


SHAREHOLDING STRUCTURE
AT JANUARY 31, 2020[4]



By applying the "one share, one vote" rule, Mercialys ensures identical treatment for all its shareholders and this is reflected in the very high levels of participation in its General Meeting each year. More specifically, the Company's commitments include:
1/ ensuring that resolutions are compliant with the recommendations of proxy voting agencies;
2/ maintaining regular, proactive dialogue with its shareholders;
3/ making it easier for shareholders to express themselves, thanks in particular to the simplified approach for submitting questions and resolutions and the option for voting electronically.

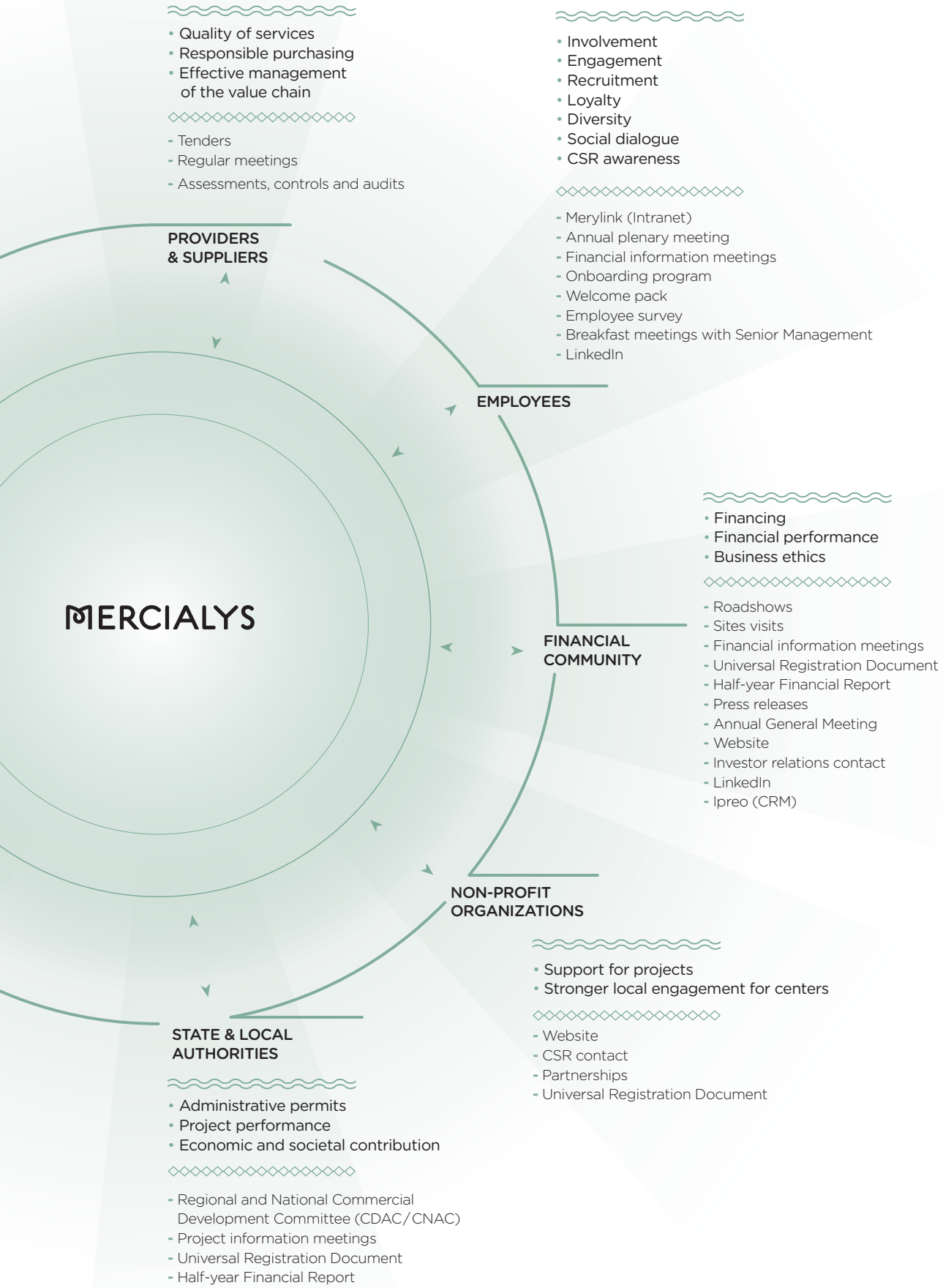
CHANGE IN THE PERCENTAGE OF SHAREHOLDERS
PRESENT, REPRESENTED OR VOTING ONLINE OR BY POST
AT THE LATEST ORDINARY GENERAL MEETINGS



(1) EPRA: European Public Real Estate Association. / (2) IEIF: Institut de l'Épargne Immobilière et Foncière. / (3) Excluding the Casino group, Generali Group and remaining securities in the process of being sold by Crédit Agricole Corporate and Investment Bank. / (4) Based on disclosure thresholds reported to the AMF in January 2020. / (5) The 15% of Mercialys' capital sold by the Casino group to Crédit Agricole, under an equity swap agreement, represented a non-voting position in 2019, with the bank treating the holding of these securities as a hedging position.

REGULAR DIALOGUE WITH STAKEHOLDERS

Through its business, Mercialys is part of a major ecosystem of stakeholders with which it builds solid relationships and maintains regular dialogue. This dynamic approach enables Mercialys to incorporate its ecosystem's expectations into its strategic reviews, while taking on board the core economic, social, societal, environmental and governance stakes, with a focus on creating lasting and shared value. This dialogue also offers opportunities to build long-term partnerships and more generally to align the Company with a process of continuous improvement and innovation.

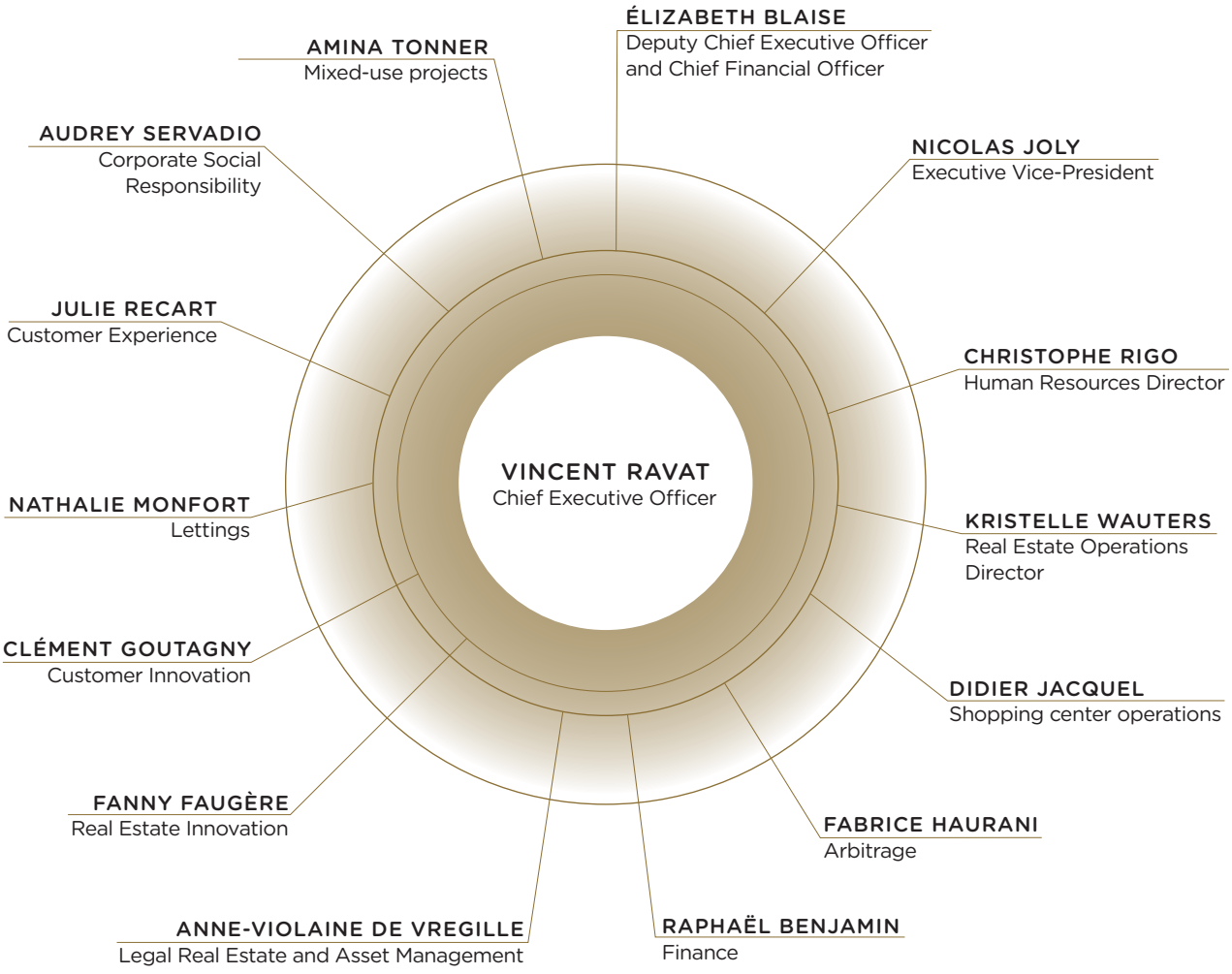

MERCIALYS
PROVIDERS & SUPPLIERS
• Quality of services
• Responsible purchasing
• Effective management of the value chain
- Tenders
- Regular meetings
- Assessments, controls and audits
EMPLOYEES
• Involvement
• Engagement
• Recruitment
• Loyalty
• Diversity
• Social dialogue
• CSR awareness
- Merylink (Intranet)
- Annual plenary meeting
- Financial information meetings
- Onboarding program
- Welcome pack
- Employee survey
- Breakfast meetings with Senior Management
- LinkedIn
FINANCIAL COMMUNITY
• Financing
• Financial performance
• Business ethics
- Roadshows
- Sites visits
- Financial information meetings
- Universal Registration Document
- Half-year Financial Report
- Press releases
- Annual General Meeting
- Website
- Investor relations contact
- LinkedIn
- Ipreo (CRM)
NON-PROFIT ORGANIZATIONS
• Support for projects
• Stronger local engagement for centers
- Website
- CSR contact
- Partnerships
- Universal Registration Document
STATE & LOCAL AUTHORITIES
• Administrative permits
• Project performance
• Economic and societal contribution
- Regional and National Commercial Development Committee (CDAC/CNAC)
- Project information meetings
- Universal Registration Document
- Half-year Financial Report

MANAGEMENT COMMITTEE SUPPORTING THE STRATEGY'S EXECUTION

Multidisciplinary, female majority and strong operational focus

Mercialys made certain changes to its executive management structure in 2019, building a multidisciplinary and inclusive Management Committee, with a very strong operational focus and a large number of female members. Mercialys was the top company from the SBF 120 in the "Le Point" and "L'Express" rankings for the representation of women in management committees and executive bodies.

The Management Committee was made up of 15 people at February 12, 2020, when the 2019 accounts were approved. This new expanded composition ensures that it is effectively representative and that the various areas of expertise available to the Company can be capitalized on. All the members have a clear understanding of the challenges involved in Mercialys' business and sector. Their diverse ages, professional backgrounds and experiences represent a source of in-depth exchanges and insights. Their complementary areas of expertise, combined with their broad knowledge base and proximity to the field, further strengthen the Committee's organizational flexibility.



Balanced and virtuous executive compensation policy aligned with the strategy

Mercialys has an executive compensation policy that is focused on contributing to the Company's short-term and long-term value creation. This policy is compliant with the recommendations from the AFEP-MEDEF Code and is built around three principles:

OBJECTIVE RECOGNITION OF PERFORMANCE

- Variable component higher than the fixed component within the overall compensation package
- Focus on quantifiable criteria for the annual variable and long-term components

VALUING SUSTAINABILITY DIMENSIONS

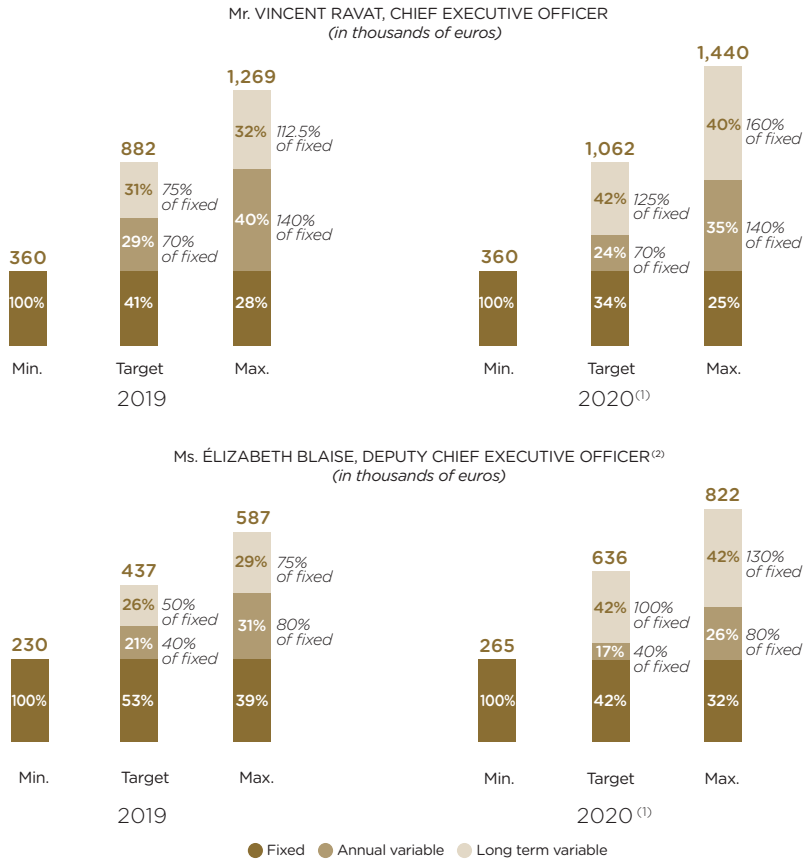
- Inclusion of quantifiable CSR criteria in the annual variable component
- Inclusion of a quantifiable CSR criterion in the long-term variable component (1)

CONVERGENCE OF INTERNAL AND EXTERNAL INTERESTS

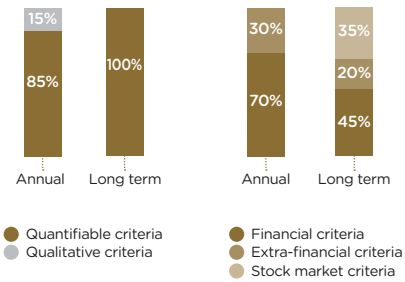
- Alignment of the interests of executives and shareholders: long-term variable component paid as shares, subject to performance, presence and holding criteria
- Internal fairness: average pay gaps between executives and employees measured and stable over time

The compensation policy *(ex ante)* and the payment of items of compensation *(ex post)* are set each year by the Board of Directors after consulting with the Appointments and Compensation Committee. They are submitted for approval by shareholders at the Annual General Meeting, in accordance with the regulations in force.
Executive compensation primarily includes a fixed component, a variable annual component and a long-term variable component. The criteria, objectives and thresholds applied to determine the variable components are justified and demanding. The level of compensation for executives is also reasonable in view of the excellent results achieved each year by Mercialys, their experience and the levels of compensation for employees.

COMPENSATION STRUCTURE



2020 VARIABLE COMPENSATION CRITERIA FOR EXECUTIVES (1)



EQUITY RATIOS (3) AND COMPENSATION POLICY APPROVAL RATE

	2019 average	2019 median	Votes approving the 2019 compensation policy
Chief Executive Officer	11.05	12.68	97.4%
Deputy Chief Executive Officer	6.72	7.71	96.4%

(1) Subject to the 2020 compensation policy being approved at the Annual General Meeting. / (2) As the Deputy Chief Executive Officer is continuing in her role as Chief Financial Officer, half of her compensation is based on her corporate office and half on her employment contract. / (3) Calculation methodology detailed in the Universal Registration Document.

RISK MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT AND BUSINESS ETHICS

Mercialys is committed to managing its risk profile effectively, while ensuring that its activities are aligned with the best standards of professional ethics. All its internal control and risk management arrangements aim to ensure that the objectives set by Management are achieved, while safeguarding the Company's future and ensuring full compliance with ethical principles.

Organization and approach

Mercialys manages its risks within a collaborative, community-based approach. The Company has positioned its risk management system at the heart of both its strategy and its operations: it is overseen by a Risk Prevention Committee, which reports to the Executive Leadership Team, and all employees ensure that operational measures are put in place.

The Risk Prevention Committee liaises directly with the Audit, Risks and Sustainable Development Committee, which regularly reviews the means in place and issues recommendations on the audit work carried out.

RISK PREVENTION COMMITTEE'S MISSIONS

Risk mapping

The Risk Prevention Committee's core risk management tool is the risk map, which identifies all the risks that Mercialys is exposed to. 55 risks have been identified and are broken down into categories in accordance with the ESMA guidelines(1). Mercialys has defined 8 of them. To ensure the pragmatic management and monitoring of its risks, the Company has rated them according to their priority. This prioritization system is based on a rating that includes the two dimensions from the mapping matrix: the risk's impact and its probability of occurrence.

IMPACT

Measures the potential impact of a risk for Mercialys if it was to occur

4 types of impact

QUANTIFIABLE
- Funds From Operations (FFO)
- Net Asset Value (NAV)

NON-QUANTIFIABLE
- Ability to ensure the implementation of the strategy and continuity of operations
- Reputation

3 rating levels

LOW

MODERATE

HIGH

PROBABILITY

Possibility of a risk occurring, at least once, over different timeframes

3 rating levels

UNLIKELY

POSSIBLE

PROBABLE

The map is updated on a regular basis. Active monitoring of emerging developments and frequent exchanges with employees make it possible to monitor changes in the risks in line with Mercialys' environment, while rapidly and efficiently adapting the hedging arrangements and levels as required. They also aim to proactively identify new risks.

(1) ESMA31-62-1293 "Guidelines on Risk Factors under the Prospectus Regulation".

Priority risks

Mercialys rates net risks. The priority risks have either: a *moderate* impact with a *probable* probability, or a *high* impact with a *possible* or *probable* probability. 8 of the 55 risks identified meet these criteria. They cover 3 categories and are presented below.

CATEGORY	8 RISKS	IMPACT	PROBABILITY	TREND
Risks related to the sector	• Risk related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market	NAV	◆	→
	• Risk related to the competition	FFO	■	→
	• Risk related to new forms of consumption	FFO	■	→
Risks related to business activities	• Risk related to retailer arbitrage and reletting	FFO	◆	↗
	• Risk related to the safety and security of operations and a deterioration in the portfolio	Reputation	■	→
	• Risk related to acquisitions and construction operations	NAV	■	→
	• Risk related to key providers	Implementation of the strategy and continuity of operations	◆	↘
Risks related to the financial position	• Risk related to interest rates, the cost of debt, liquidity and financing	FFO	◆	↗

OVERVIEW OF RISK MANAGEMENT ARRANGEMENTS

PRINCIPLES	OBJECTIVES	PARTICIPANTS	TOOLS	RESULTS
• Collaborative approach • Rapid operational implementation • Interactive process • Preventative approach	• Identify • Monitor • Measure • Steer	• Audit, Risks and Sustainable Development Committee • Executive Leadership Team • Risk Prevention Committee • Ethics and Compliance Director • Operational managers • Employees	• Risk mapping • Interviews with employees • Communication and awareness	• Arrangements at the heart of the management team's strategy • Risk profile known and managed effectively

Company's firm focus on sustainable development and ethics

On account of its scale, sector and/or activity, which is concentrated exclusively in France, Mercialys is not subject to a certain number of regulations that have come into force in the last few years. However, in line with its commitments, the Company has voluntarily rolled out certain policies, processes and action plans to respond to various issues which, even not regulatory requirements, are essential for respecting professional ethics and compliance.

For instance, Mercialys has put in place:
- A Sustainability Performance Report (DPEF), reviewed by an independent third-party organization;
- A corruption risk map and dedicated assessment and control procedures, as well as an internal whistleblowing procedure, in accordance with the legislation in force;
- A Stock Market Code of Ethics to prevent insider trading;
- A vigilance approach to monitor practices across its value chain, notably by mapping the Company's spending, integrating CSR clauses into key contracts and deploying measures to monitor and assess suppliers and providers.

In addition, the Company has a Director of Compliance and Ethics, who also serves as the DPO[1]. The Director of Compliance and Ethics is a member of the Risk Prevention Committee and works in line with the Code of Ethics and Code of Conduct, which is available in English and French on Mercialys' website: www.mercialys.com.

(1) Data Protection Officer: person in charge of data protection in an organization.

BUSINESS MODEL GENERATING TOTAL PERFORMANCE

Mercialys' strategy is built around the continuous transformation of its commercial offering and real estate assets, adapting them in line with changes in buying behavior and developing and consolidating their rental revenues, while respecting their environment.

To achieve this, the Company harnesses six types of resources within a business model creating both financial and sustainability-based value for all its stakeholders.

Resources serving the strategy

HUMAN RESOURCES
- 111 expert employees
- 37 average age
- 55% women
- 70% management-grade employees

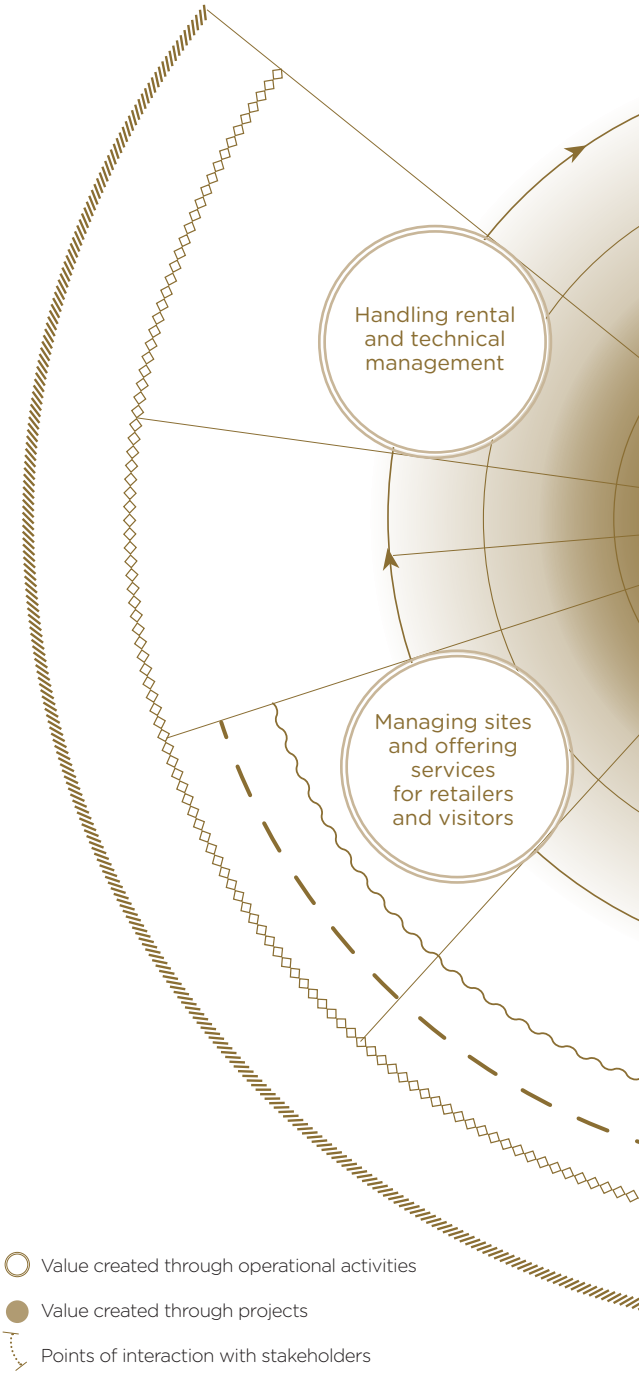
INTELLECTUAL AND TECHNOLOGICAL RESOURCES
- Intangible capital, including the G La Galerie brand and Mercialys' digital ecosystem, with 1 million qualified customers in its databases

ORGANIZATIONAL AND GOVERNANCE RESOURCES
- Organizational capital, perfectly reflected in the Company's four values: proximity, agility, commitment and innovation
- Engaged and balanced shareholder base

FINANCIAL RESOURCES
- Euro 410 million of undrawn financial resources
- Balanced financial profile:
  - 1.3% average cost of drawn debt
  - 3.8 years average maturity of drawn debt
  - 39.5% LTV excluding transfer taxes(1)
  - 7.4x ICR(2)
  - 8.4x net debt/EBITDA

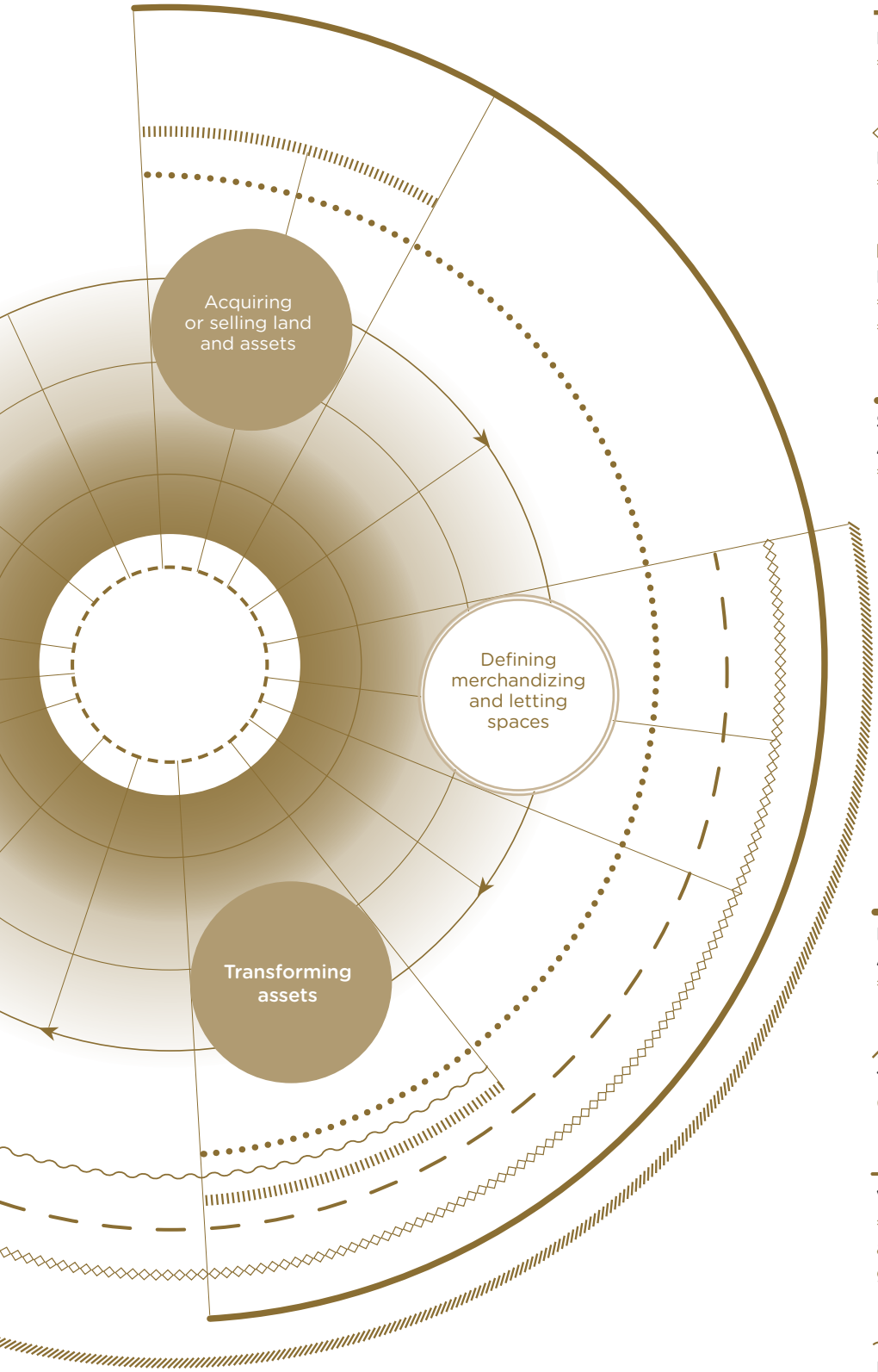
LAND RESOURCES
- Euro 468.6 million of development projects for 2020-2026
- 26 assets concerned, representing 49% of the number of assets in the portfolio(3)

ENVIRONMENTAL RESOURCES
- 56,605 MWh of energy consumed
- 159,418 m³ of drinking water consumed



(1) Loan To Value = net financial debt / (portfolio's fair value excluding transfer taxes + market value of investments in associates). / (2) Interest Coverage Ratio = EBITDA / net finance costs. / (3) Excluding the 5 dispersed assets.

Virtuous circle of activities across the entire real estate cycle



Value creation shared with stakeholders

EMPLOYEES
€12.4M of compensation paid

PROVIDERS AND SUPPLIERS
€13M of purchases

FINANCIAL COMMUNITY
€107M of dividends paid
€25M of financial expenses paid

STATE AND LOCAL AUTHORITIES
€3.3M of tax paid

PROFESSIONAL ORGANIZATIONS AND COMPETITORS
€84K of annual contributions

TENANT RETAILERS
Over 100M annual visitors

VISITORS AND END CUSTOMERS
€6.5M budget for marketing funds, associations and economic interest groups (GIE)

NON-PROFIT ORGANIZATIONS
1,929 job offers shared across the centers

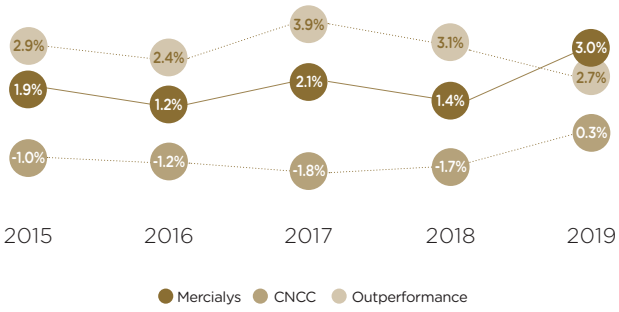
CREATING LASTING FINANCIAL AND SUSTAINABILITY-BASED VALUE

Through its organization focused exclusively on achieving excellence over the short, medium and long term, Mercialys creates lasting value. The attractiveness of its centers is managed each day with several key operational indicators and this is reflected in the outstanding financial and sustainability results achieved by the Company each year.

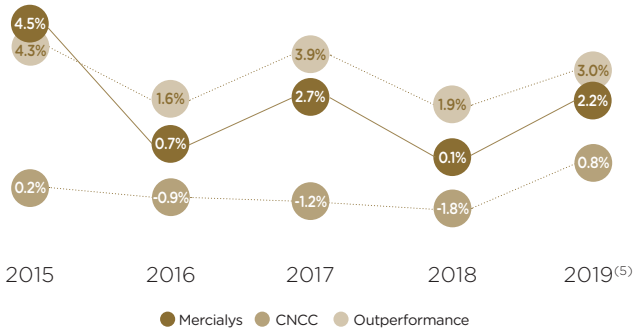
The operational performance of Mercialys' centers is assessed based on:

- Their **footfall**(1), or the number of visitors counted at entrances to the Company's large centers and main convenience shopping centers;
- Their **retailer sales**(1), which measure tenant retailers' operational performance and therefore their financial health;
- The **occupancy cost ratio**(2) for retailers in the centers, which assesses the weighting of real estate costs in their profit and loss and therefore the sustainability of the rents charged;
- The **current financial vacancy rate**(3), which makes it possible to assess the centers' commercial management;
- The **recovery rate**(4), which assesses the effective proportion of rent, charges and work invoiced to tenants and effectively received by the Company.

CHANGE IN SHOPPING CENTER FOOTFALL



CHANGE IN RETAILER SALES



(1) Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing nearly 90% of the value of the Company's shopping centers. / (2) 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. / (3) Mercialys' vacancy rate does not include agreements relating to the Casual Leasing business. / (4) Over 12 months. / (5) Year to end-November 2019.

CHANGE IN THE OCCUPANCY COST RATIO

CHANGE IN THE CURRENT FINANCIAL VACANCY RATE

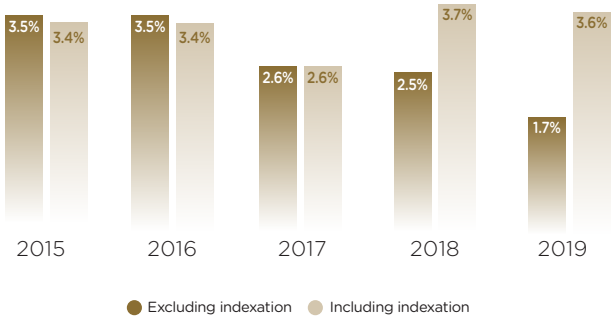
CHANGE IN THE RECOVERY RATE

FINANCIAL PERFORMANCE

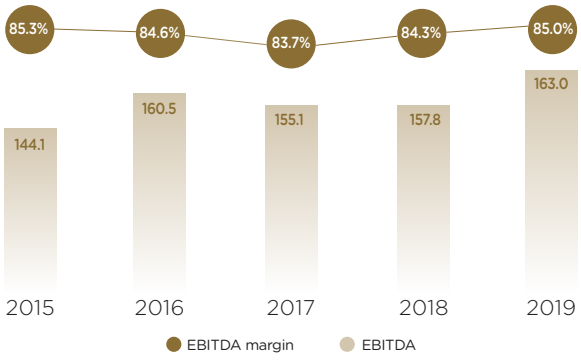
Financial performance is primarily assessed based on:

- **Organic growth in rental income**, which measures the change in the Company's revenues excluding the impact of acquisitions and disposals;
- **EBITDA margin**[1], which assesses the efficiency of its operational management;
- **Funds From Operations** (FFO), which makes it possible to assess the change in its recurrent income;
- **Net Asset Value** (NAV), which measures the residual value of the Company's assets after reimbursing its creditors;
- **LTV, ICR** and **net debt/EBITDA** ratios, which make it possible to assess the sustainability of its debt;
- **Dividend yield**, with 95% of FFO and 70% of capital gains from asset disposals to be distributed as dividends in accordance with the tax status of French listed real estate investment trusts (SIIC), which Mercialys has been entitled to since 2005.

CHANGE IN THE ORGANIC RENTAL INCOME GROWTH RATE



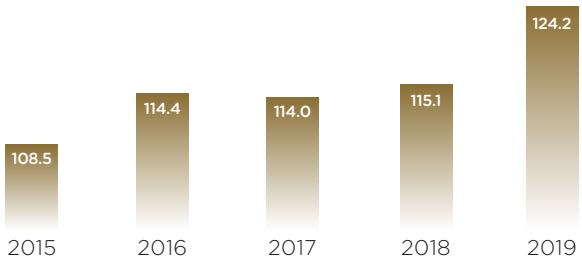
CHANGE IN EBITDA *(in millions of euros)* AND THE EBITDA MARGIN



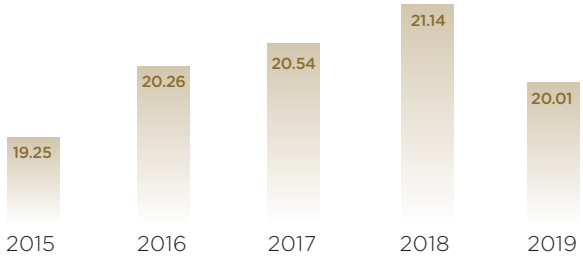
(1) Earnings before interest, taxes, depreciation, amortization and other operating income and expenses. Margin calculated on rental revenues.

FINANCIAL PERFORMANCE

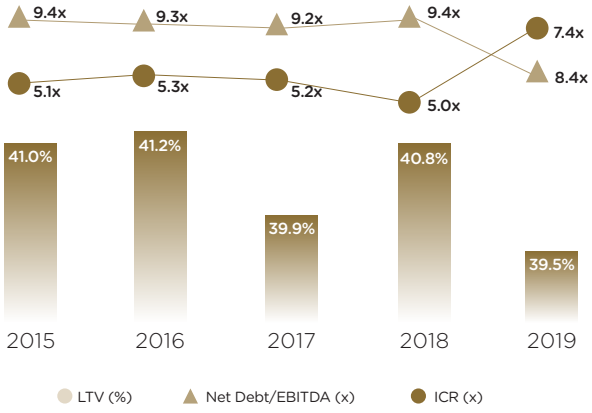
CHANGE IN FUNDS FROM OPERATIONS (FFO)
(in millions of euros)



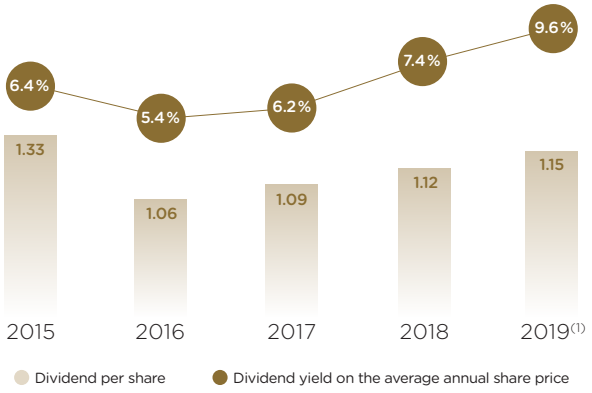
CHANGE IN EPRA NNNAV
(in euros per share)



CHANGE IN THE LTV *(excluding transfer taxes)*, ICR AND NET DEBT/EBITDA RATIOS



CHANGE IN THE DIVIDEND *(in euro per share)* AND DIVIDEND YIELD



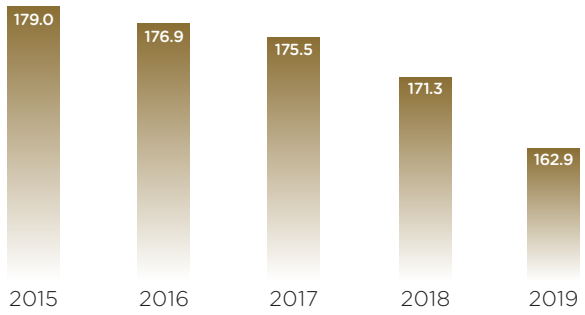
(1) Subject to approval at the Annual General Meeting on April 23, 2020.

SUSTAINABILITY PERFORMANCE

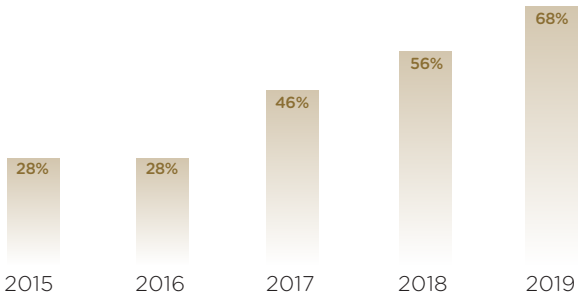
Mercialys' sustainability performance is monitored based on the following aspects:

- **Energy intensity per square meter** for its centers, which illustrates their efficiency in terms of energy consumption;
- **Percentage of the portfolio** that is BREEAM In-Use certified, the retail real estate sector's leading international certification;
- **Shopping center waste recovery**, which demonstrates the cooperation established between the Company and its retailers in terms of sustainable development;
- Direct and indirect **carbon emissions** (scopes 1 and 2), a key indicator for monitoring the effective management of Mercialys' carbon footprint, in line with its commitment to tackling climate change;
- **Employee training**, which ensures their professional development and the effective alignment between their profiles and the Company's future requirements for skills;
- **Gender pay gap**, which assesses the ability to ensure equal treatment for all employees and to recognize their unique features and diversity.

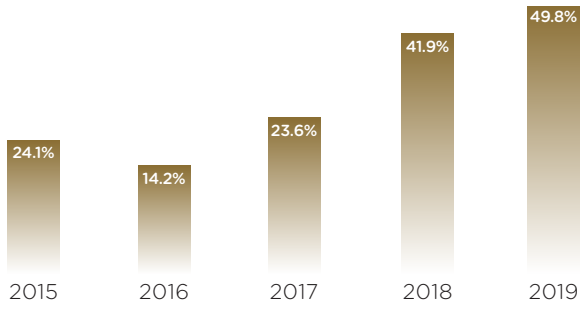
CHANGE IN ENERGY INTENSITY PER SQUARE METER
(in kWh/sq.m - like-for-like basis)



CHANGE IN THE PERCENTAGE OF THE PORTFOLIO WITH BREEAM IN-USE CERTIFICATION
(% of the portfolio's total value including transfer taxes)



CHANGE IN THE SHOPPING CENTERS' WASTE RECOVERY RATE
(like-for-like basis)

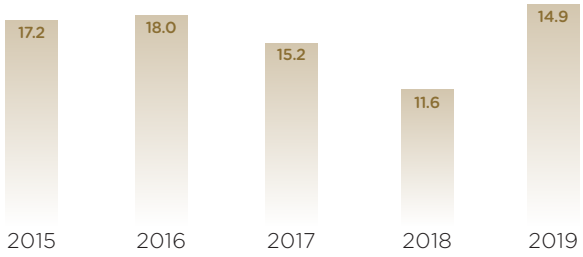


SUSTAINABILITY PERFORMANCE

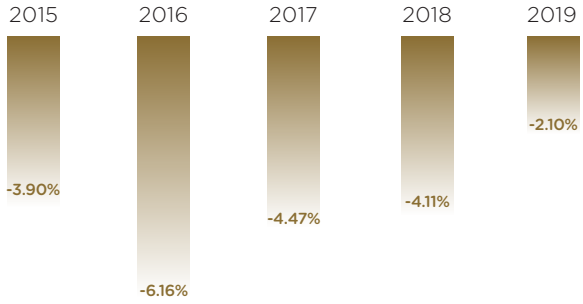
CHANGE IN DIRECT AND INDIRECT CARBON EMISSIONS PER SQ.M

(Scopes 1 and 2 - in tons of CO_2 equivalent - market-based method – like-for-like basis)

CHANGE IN THE AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE TRAINED



CHANGE IN THE GENDER PAY GAP(1)



(1) Excluding senior executives.

Mercialys' sustainability performance levels are in line with its MERY'21 CSR strategy goals and were recognized once again in 2019 by the leading industry benchmarks and rating agencies.

For instance, Mercialys confirmed its "Prime" status with the rating agency ISS-Oekom and its inclusion in the CDP A List, for the second consecutive year, recognizing its leadership for sustainable development, taking into account the expectations of all its stakeholders and its value creation on multiple levels.
Mercialys' voluntary commitments and maturity in terms of CSR were also recognized with its continued Green Star rating by GRESB(1), for the third consecutive year, and its score of 90/100, ranking it in fifth place for retail real estate companies in Europe.
Lastly, with the Company's strong commitment to information and reporting transparency, it once again received two EPRA Gold Awards, in addition to the award for Best Registration Document on the SBF 120 at the 10th *Grands Prix de la Transparence*(2) ceremony.

	2015	2016	2017	2018	2019
GRESB	-	Score: 64/100	Score: 84/100 Green Star status achieved	Score: 87/100 Green Star status	Score: 90/100 Green Star status
CDP	-	-	Rating: A-	Rating: A Inclusion in the A List	Rating: A A List status maintained
Gaïa Index	Score: not comparable Member of the Gaïa index	Score: 73/100 Member of the Gaïa index	Score: 79/100 Member of the Gaïa index	Score: 82/100 Member of the Gaïa index	Score: 83/100 Member of the Gaïa index
vigeo eiris	Score: 47/100	Score: 47/100 (no review in 2016)	Score: 51/100	Score: 51/100 (no review in 2018)	Score: 63/100(3)
SUSTAINALYTICS	-	Score: 39/100(3)	Score: 67/100(3)	Score: 67/100(3) (no review in 2018)	Score: 75/100
MSCI	Rating: A	Rating: A	Rating: A	Rating: BBB	Rating: A
ISS-oekom	Rating: D+	Rating: D+	Rating: C-	Rating: B- "Prime" status achieved	Rating: B- "Prime" status maintained
TRANSPARENCE	#79 on SBF 120	#83 on SBF 120	#3 on SBF 120 Year's Most Improved Award	#1 on SBF 120 Grand Prix "All Categories" Award	Classified out of category Registration Document Award
EPRA	BPR Gold Award	BPR Gold Award	BPR Gold Award sBPR Gold Award	BPR Gold Award sBPR Gold Award	BPR Gold Award sBPR Gold Award
Ethics & Boards	#10 on SBF 120	#6 on SBF 120	#12 on SBF 120	#4 on SBF 120	No review to date

(1) Global Real Estate Sustainability Benchmark: international benchmark that assesses the CSR policies and performances of real estate companies each year. / (2) Each year, the Grands Prix de la Transparence awards recognize listed French companies from the SBF 120 for the clarity and quality of their regulatory reporting, based on over 200 objective criteria concerning their main financial and sustainability reporting materials. / (3) Estimated.

+1.7%
Organic growth in rents excluding indexation

85%
EBITDA margin

+7.9%
FFO growth

1

COMMENTS ON THE FISCAL YEAR

1.1 Activity report 38

1.1.1 Selective asset base and innovative projects to address the polarization of the retail real estate market and consumers' new needs 39

1.1.2 Disposals representing Euro 122.4 million including transfer taxes in 2019, with an average premium of 8.4% above appraisal values 40

1.1.3 Portfolio of development projects in response to the new retail real estate paradigm 40

1.1.4 EPRA NNNAV down -5.4% over 12 months 41

1.1.5 Balanced financial structure, with a competitive cost of financing 41

1.2 Financial report 42

1.2.1 Financial statements 42

1.2.2 Highlights of 2019 45

1.2.3 Summary of the main key indicators for the period 46

1.2.4 Review of activity 46

1.2.5 Comments on the consolidated results 49

1.2.6 Changes in the scope of consolidation and valuation of the asset portfolio 55

1.2.7 Outlook 56

1.2.8 Subsequent events 57

1.2.9 EPRA performance measurements 57

1.3 Real estate portfolio 60

1.3.1 A portfolio valued at Euro 3,634 million including transfer taxes at December 31, 2019 60

1.3.2 A portfolio of diversified retail assets located in high-potential geographic areas 63

1.1 Activity report

Mercialys once again generated excellent results in 2019, posting organic growth of +3.6% in invoiced rents, of which +1.7% excluding indexation, significantly above the annual objective of at least +1% excluding indexation. Funds From Operations (FFO) advanced by +7.9% to Euro 124.2 million, again well above the annual objective of at least +4%, corresponding to Euro 1.35 per share[1].

Mercialys' shopping centers continued to demonstrate their appeal, with footfall and retailer sales significantly above the national average (+270bp and +220bp outperformance respectively on the indices of the French council of shopping centers – CNCC). While the fourth quarter of 2019 benefited from a favorable comparison base, with the end of 2018 having been marked by social unrest, the underlying positive trend proved powerful. In a context of increasing polarization of retail real estate, Mercialys is capitalizing on (i) a portfolio refocused on the master areas of dynamic medium-sized cities and (ii) customer knowledge fine-tuned by tools allowing the implementation of offers and activities tailored to visitors, thereby helping boost their loyalty. The reversion generated in 2019 was maintained at a persistently very positive rate of +9.2%.

The balance sheet structure remained sound, with a debt ratio (LTV excluding transfer taxes) of 39.5% at the end of 2019, compared with 40.8% at the end of 2018, and an interest coverage ratio (ICR) of 7.4x, compared with 5.0x a year ago. Mercialys sold Euro 122.4 million of assets including transfer taxes in 2019, with an average premium of 8.4% to the appraised values. Coupled with high selectivity in its restructuring and extension investments, this contributed to maintaining good balance sheet equilibrium.

Significant progress has also been made on projects going to the very core of the use of assets and the sustainability of their local roots. They include the opening of the first health center in a shopping center in Furiani in Corsica, the opening of a coworking site in Angers, tests carried out on the home delivery platform for meals from the restaurants in the Angers shopping center, and the installation of interior and exterior fittings aimed at promoting customer comfort in Toulouse. These initiatives can easily be replicated on numerous other Mercialys sites, with little investment. The Company's plan in 2020 is to continue implementing these projects, while resuming its investments and continuing its asset rotation to strengthen its balance sheet further.

To this end, Mercialys has earmarked ten non-strategic assets for sale, with an asset value of approximately Euro 200 million including transfer taxes (i.e. approximately 5% of the value of the portfolio at the end of December 2019). It also reserves the possibility of selling individual sites or units if opportunities arise. At the same time, at the end of December 2019, the Company had a project pipeline of Euro 468.6 million going out to 2026, i.e. potential additional rental income of Euro 26.7 million[2], and an average target yield rate of 6.9%[2]. The depth and flexibility of its portfolio offer Mercialys the prospect of quick and sequenced building starts in line with opportunities appearing on the various sites, and notably emerging needs within their respective catchment areas. 26 of the 53 shopping centers and high-street sites owned by the Company at the end of 2019 accordingly benefit from controlled or identified projects, around two-thirds of them at Mercialys' initiative.

EPRA NNNAV was Euro 20.01 per share at the end of 2019, down -5.4% year on year, mainly reflecting the fall in the value of portfolio. Mercialys' Board of Directors will propose to the Annual General Meeting of April 23, 2020 the payment of a dividend of Euro 1.15 per share (including the interim dividend of Euro 0.47 per share paid in October 2019), an increase of +2.7% compared with 2018 and a yield of 9.3% on the share price at the end of December 2019. This dividend represents a payout of 85% of 2019 FFO, which accordingly covered both the payment of the dividend (Euro 106 million) and investments related to IT maintenance and developments (Euro 9.5 million). The ex-dividend date is April 27, 2020, and the dividend will be paid on April 29, 2020.

(1) Based on the average basic number of shares, i.e. 91,789,610 shares.
(2) Excluding the impact of mixed-use high-street projects, which can also generate property development margins.

1.1.1 Selective asset base and innovative projects to address the polarization of the retail real estate market and consumers' new needs

The retail real estate sector is currently facing two major trends. The first concerns a dual polarization phenomenon in terms of population and wealth flows across the country, which is forcing property companies to optimize their asset management and focus their portfolios on strategic locations. The second concerns the shifts in consumption patterns and societal expectations, requiring shopping center management to be aligned as closely as possible with the needs of customers and retailers.

A review of development trends across France's various regions shows the concentration of economic and demographic growth along the country's coasts and borders, as well as in the Greater Paris Region(1). These areas, which boast growth rates in terms of jobs and disposable income that are significantly higher than the national average, have been targeted for setting up Mercialys' assets and been central to its arbitrage strategy for a decade.

Within these highly dynamic regions, in an increasingly competitive environment (although the density of retail space in France is in line with the European average at 0.29 sq.m per inhabitant(2)), consumption is polarizing in "master areas", where retailers are keen to set up and which consumers prefer to visit. Mercialys has chosen to focus its investments on these leading and co-leading catchment areas in cities, in order to consolidate its dominant position over the long term. The Company estimates that its portfolio sites located in these areas represented 86% of its shopping center portfolio in value at end-2019.

In addition, faced with the transformation of consumption patterns and societal expectations, linked more to changes in the use of shopping centers than a shift from physical consumption to e-commerce (56% of French people still see bricks-and-mortar outlets as the simplest and fastest way to shop(3)), Mercialys laid down five strategic pillars in 2018 for the transformation of its sites. Major advances were made on each of them in 2019, confirming the agility of the Group's customer-centric model to support the sustainability of its real estate and commercial success.

Mercialys has stepped up its efforts to provide personalized interaction with retailers and end customers through its powerful digital and service ecosystem (e-loyalty programs, interactive terminals, WIFI, services and on-site operations). This proprietary ecosystem, whose databases passed the milestone of 1 million qualified customers in 2019, makes it possible to analyze consumption needs and patterns in detail and to implement offers and activities that are tailored to each visitor, helping boost customer loyalty and center outperformance, all without any reliance on the internet giants (GAFAs). These tools will continue to be developed in 2020, aiming to further strengthen interaction between Mercialys, retailers and end customers, thanks in particular to the implementation of predictive analysis capabilities.

This fine-tuning of customer knowledge enables Mercialys to capitalize fully on its strategy of expanding the retailer mix. This commercial policy is reflected in the integration of retailers selected in line with the characteristics of each catchment area, with a specific focus on affordability and work in three main areas:

- addressing daily needs, such as the opening of Action in Annecy and Chen Market in Massena;
- satisfying needs in terms of a distinctive offering and in-store experience, illustrated by the opening of Nespresso in Sainte-Marie or Rituals in Besançon;
- integrating services, leisure and dining options, as evidenced by the opening of La Barbe de Papa in Agen, Brut Butcher in Fréjus and Big Fernand in Le Port.

At Bastia Furiani, the inauguration of the first health facility in a shopping center in Corsica reflects the same desire to diversify the retailer mix, generating value (YOC of 8.3%) and meeting the challenges of functional diversity and local anchoring.

Diversifying their use is another key aspect for guaranteeing the future of shopping centers. Mercialys is already working on the multifunctionality of its sites, illustrated by the inauguration of the new coworking space at the Angers site, which will be followed soon by Grenoble. Deployed in areas not previously intended for use as retail space, this makes it possible to increase the total rent-generating area for a limited investment (Euro 0.4 million), while offering a differentiating service adapted to emerging trends in the world of work. By helping increase the use of assets, this concept strengthens the center's key geographic position and its local base within its catchment area. The management of these spaces by Mercialys' local teams also means that the margin on this new activity is kept in-house. These shared workspaces are easy to deploy and their replication is already being looked into at four other shopping centers located in municipalities that do not yet have a structured office market and where the coworking offer is insufficient or not professionalized.

Capitalizing on its digital expertise and maturity, Mercialys also inaugurated the Ocitô service at its Angers site in November 2019. This platform for Click & Collect services and home delivery from the center's restaurants offers an additional source of growth for the brands covered by the system to date. It also positions the Company as an intermediary for last-mile logistics, while leveraging the omnichannel dimension of its centers. In line with this ambition, Mercialys has also launched with OneStock and Groupe La Poste at the Angers site a pilot project for intermediation of retailers' e-commerce shipments from the center's points of sale, helping improve control over their costs and delivery times. It is planned to extend these services to other centers in 2020.

(1) Source: INSEE.
(2) Source: Cushman & Wakefield.
(3) Samsung Smart Retail Barometer 2019 France

All of these initiatives are making Mercialys more multi-local than ever before. To further cement its regional anchoring and consolidate its legitimacy, the Company has integrated all of the themes classed as material by its stakeholders within a sustainable development approach. Mercialys' ambitious CSR policy is rolled out to ensure close alignment with the various regions and adapted specifically for each center. On top of a fresh crop of awards in this area in 2019[1], the certification of the Company's greenhouse gas emission reduction targets by the international Science Based Targets initiative (SBTi) highlights the serious and proactive nature of its approach.

1.1.2 Disposals representing Euro 122.4 million including transfer taxes in 2019, with an average premium of 8.4% above appraisal values

The investment market slowdown continued for the retail real estate segment in 2019, despite some significant transactions in France. Against this backdrop, Mercialys made a significant number of disposals compared with its standard rate of sales, selling Euro 122.4 million of assets including transfer taxes. These divestments covered sites identified as non-core, notably because they were sized significantly below the portfolio average, as well as opportunistic deals.

Mercialys sold the Gap site for Euro 7.1 million including transfer taxes in February 2019, as well as the Monoprix sites in Saint-Germain-en-Laye for Euro 52.8 million including transfer taxes and in La Garenne-Colombes for Euro 44.1 million including transfer taxes in July 2019. Despite extensive due diligence by the dedicated mixed-use high-street development team, the projects envisaged for these two latter sites appeared to be compromised due to operating, legal and administrative constraints.

In addition, SCI Rennes-Anglet, in which Mercialys has a 30% stake, sold the Anglet hypermarket premises to a Leclerc member for Euro 21.1 million including transfer taxes in May, with Mercialys selling its directly held units at this site for Euro 3.0 million including transfer taxes at the same time. SCI Rennes-Anglet also sold the Rennes hypermarket premises to a Leclerc member for Euro 25.9 million including transfer taxes in July, with Mercialys selling its directly-held unit at this site for Euro 0.3 million including transfer taxes. Mercialys' interest in the disposal of the Rennes and Anglet sites represents a total of Euro 17.4 million including transfer taxes.

Lastly, Mercialys sold Euro 1.1 million of individual units during the year.

These transactions are helping reduce Mercialys' overall exposure to its leading tenant, in line with the Company's risk diversification.

The Company intends to continue moving forward with its asset rotation policy in 2020, prioritizing around 10 assets identified as non-core, representing a portfolio value of approximately Euro 200 million including transfer taxes, combined with the possibility of selling further sites or individual units depending on market opportunities.

1.1.3 Portfolio of development projects in response to the new retail real estate paradigm

The underlying trends mentioned above, coupled with the need to maintain balance sheet equilibrium, are key factors driving Mercialys' investments and acquisitions. Investments therefore include a detailed analysis of dynamics for the respective sites' catchment areas, covering the rationale behind the investment and medium-term profitability.

At end-December 2019, the Company's project portfolio represented Euro 468.6 million through to 2026, with Euro 26.7 million[2] of additional rental potential and an average target yield rate of 6.9%[2]. This change of Euro -89 million versus June 30, 2019 primarily reflects the resizing of certain projects on scopes deemed more appropriate.

The depth and flexibility of its portfolio offer Mercialys the prospect of quick and sequenced building starts in line with opportunities at the various sites, and particularly emerging needs within their respective catchment areas. 26 of the 53[3] shopping centers and high-street sites owned by the Company at end-2019 are covered by controlled or identified projects, with around two thirds of them at Mercialys' initiative.

(in millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost	Completion date
Committed projects	**11.3**	**5.7**	**0.8**	**7.1%**	**2020**
Le Port Retail Park	11.3	5.7	0.8	7.1%	2020
Controlled projects	**218.9**	**214.3**	**10.9[1]**	**6.8%[1]**	**2021/2025**
Redevelopments and requalifications	42.3	42.0	3.0	7.0%	2021/2022
Extensions and retail parks	118.0	114.1	7.9	6.7%	2021/2023
Mixed-use high-street projects	58.5	58.1	n/a	n/a	2024/2025
Identified projects	**238.4**	**237.6**	**15.1[1]**	**7.0%[1]**	**2022/2026**
TOTAL PROJECTS	**468.6**	**457.6**	**26.7[1]**	**6.9%[1]**	**2020/2026**

(1) Excluding the impact of mixed-use city center projects, which can also generate property development margins.

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

(1) GRESB, CDP, Ethifinance Gaïa, Vigeo Eiris, Sustainalytics, MSCI, ISS-Oekom, Grands Prix de la Transparence, EPRA.
(2) Excluding the impact of mixed-use high-street projects, which could also generate property development margins.
(3) In addition to five dispersed assets.

Mercialys has carried out hypermarket transformations at a number of the Company's sites since 2015, reducing their floorspace and reletting the space vacated by the food operator to benefit the shopping center. In this context, and in accordance with the clauses from the leases between the two companies, Casino and Mercialys are discussing new operations of this type.

Under these negotiations, the hypermarket may be awarded a rent reduction, while the space vacated would make it possible to create value alongside this. If it was not possible to reach an agreement with the Casino group, the Casino group could exercise its option to vacate these units with the three-year breaks based on the lease dates (see § 1.2.4, p. 46 et seq.). Mercialys would then look at the breakdown of these premises, reviewing the food offering in terms of both its operator and format, and increasing the space allocated to the shopping center.

1.1.4 EPRA NNNAV down -5.4% over 12 months

Mercialys' portfolio value represents Euro 3,634.4 million including transfer taxes, down -3.9% over 12 months and -3.1% over six months. Like-for-like[1], Mercialys' portfolio value contracted by -1.4% over 12 months and -0.7% over six months.

Excluding transfer taxes, the portfolio value represents Euro 3,419.5 million, also down -3.9% over 12 months and -3.1% over six months.

At end-2019, Mercialys' portfolio mainly comprised 53[2] shopping centers and high-street sites, with 47% regional or large shopping centers and 53% leading local retail sites (neighborhood shopping centers and high-street retail assets).

The average size of these shopping centers (excluding high-street retail assets) was nearly 17,200 sq.m at end-2019, versus 7,400 sq.m in 2010. Their average value was Euro 73.9 million including transfer taxes, compared with Euro 26.9 million in 2010.

The average appraisal yield rate came to 5.26% at December 31, 2019, compared with 5.20% at June 30, 2019 and 5.10% at December 31, 2018.

Mercialys' EPRA NNNAV is down -5.4% over 12 months to Euro 20.01 per share. This change of Euro -1.13 per share over one year reflects the following impacts:

- dividend payment: Euro -1.09;
- Funds From Operations: Euro +1.35;
- 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 -0.58, including a yield effect for Euro -1.18, a rent effect for Euro +0.56, and other effects for Euro +0.04;
- change in fair value of fixed-rate debt: Euro -0.55;
- change in fair value of derivatives and other items: Euro -0.26.

1.1.5 Balanced financial structure, with a competitive cost of financing

On March 26, 2019, Mercialys redeemed the Euro 479.7 million bond with a coupon of 4.125% at maturity. Mercialys also issued commercial paper over the year, with Euro 250 million outstanding at end-December 2019, based on a negative average rate. The Euro 1,450 million of drawn debt at end-December 2019 is therefore made up of three bond issues and commercial paper.

At end-2019, Mercialys had Euro 410 million of undrawn financial resources, unchanged compared with end-2018. During the first half of the year, the Company set up a new Euro 30 million bank line with a French bank that was not previously part of the banking pool. In December 2019, Mercialys also refinanced its undrawn syndicated credit facility, with a new maturity of December 2022, for Euro 225 million. Alongside this, the current account advance with the Casino group was reduced from Euro 50 million to Euro 35 million, and its maturity extended until the end of 2021. Lastly, Mercialys has a Euro 500 million commercial paper program, with the capacity to issue a further Euro 250 million taking into account the amount outstanding at December 31, 2019.

The real average cost of drawn debt for 2019 was 1.3%, comparable with the rate of 1.4% observed at end-June 2019 and significantly lower than the 1.8% recorded in 2018, reflecting the impact of both the redemption of the 4.125% coupon bond and the favorable impact of the commercial paper issue.

The average maturity of drawn debt was 3.8 years at December 31, 2019, virtually stable versus the end of 2018 (3.7 years).

Mercialys' financial structure is still extremely solid. The LTV ratio excluding transfer taxes[3] came to 39.5% at December 31, 2019, considerably lower than the 40.8% recorded at December 31, 2018. The ICR[4] was 7.4x at December 31, 2019, also a significant improvement versus December 31, 2018 (5.0x) following the redemption at maturity of the 2019 bond with a 4.125% coupon.

Mercialys will maintain its solid financial profile over the medium term.

(1) Sites on a like-for-like GLA basis.
(2) Added to these are five geographically dispersed assets with an appraisal value including transfer taxes of Euro 12.3 million.
(3) LTV (Loan To Value): Net financial debt/(portfolio's fair value excluding transfer taxes + market value of investments in associates, i.e. Euro 59.7 million for 2019 and Euro 64.4 million for 2018), since the value of the portfolio held by associates is not included in the appraisal value.
(4) ICR (Interest Coverage Ratio): EBITDA/Net finance costs.

1.2 Financial report

Pursuant to regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys group 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.

1.2.1 Financial statements

1.2.1.1 Consolidated income statement

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018
Rental revenues	**191,853**	**187,287**
Service charges and property tax	(47,811)	(45,668)
Expenses billed to tenants	42,236	40,668
Property operating expenses	(7,076)	(6,920)
Net rental income	**179,202**	**175,367**
Management, administrative and other activities income	3,229	3,076
Other income	276	285
Other expenses	(7,283)	(8,335)
Personnel expenses	(12,413)	(12,581)
Depreciation and amortization[1]	(40,440)	(37,016)
Reversals of/(Allowances for) provisions	(1,252)	(1,481)
Other operating income	102,496	30,481
Other operating expenses	(98,792)	(25,610)
Operating income	**125,023**	**124,186**
Income from cash and cash equivalents	190	430
Gross finance costs	(22,180)	(31,697)
(Net finance costs)/Income from net cash	**(21,990)**	**(31,267)**
Other financial income	255	285
Other financial expenses[1]	(3,111)	(2,195)
Net financial income	**(24,846)**	**(33,177)**
Tax expense	(3,270)	(2,402)
Share of net income from equity associates and joint ventures	2,289	1,012
CONSOLIDATED NET INCOME	**99,196**	**89,619**
attributable to non-controlling interests	8,856	8,768
attributable to owners of the parent	90,340	80,851
Earnings per share[2]		
Net income, attributable to owners of the parent (in euros)	0.98	0.88
Diluted net income, attributable to owners of the parent (in euros)	0.98	0.88

(1) Application of IFRS 16 - Leases on January 1, 2019 using the simplified retrospective method.

(2) Based on the weighted average number of shares over the period adjusted for treasury shares
weighted average number of shares (non-diluted) in 2019 = 91,789,610 shares
weighted average number of shares (fully diluted) in 2019 = 91,789,610 shares.

1.2.1.2 Consolidated balance sheet

Assets

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018
Intangible assets	3,588	2,710
Property, plant and equipment other than investment property	857	8
Investment property	2,222,452	2,322,755
Right-of-use assets[1]	9,981	-
Investments in equity associates	36,355	35,160
Other non-current assets	51,867	46,773
Deferred tax assets	1,200	1,727
Non-current assets	**2,326,300**	**2,409,134**
Trade receivables	20,532	22,341
Other current assets	36,594	49,448
Cash and cash equivalents	72,024	377,106
Investment property held for sale	111	3,753
Current assets	**129,262**	**452,648**
TOTAL ASSETS	**2,455,562**	**2,861,781**

(1) Application of IFRS 16 - Leases on January 1, 2019 using the simplified retrospective method.

Equity and liabilities

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018
Share capital	92,049	92,049
Additional paid-in capital, treasury shares and other reserves	565,909	587,551
Equity, attributable to owners of the parent	**657,958**	**679,601**
Non-controlling interests	202,072	199,944
Equity	**860,030**	**879,545**
Non-current provisions	1,128	1,063
Non-current financial liabilities	1,234,944	1,208,999
Deposits and guarantees	21,502	22,081
Non-current lease liabilities[1]	9,640	-
Other non-current liabilities	12,939	3,580
Non-current liabilities	**1,280,154**	**1,235,723**
Trade payables	13,839	14,769
Current financial liabilities	261,643	690,939
Current lease liabilities[1]	959	-
Current provisions	10,920	7,538
Other current liabilities	27,542	33,218
Current tax liabilities	474	49
Current liabilities	**315,378**	**746,513**
TOTAL EQUITY AND LIABILITIES	**2,455,562**	**2,861,781**

(1) Application of IFRS 16 - Leases on January 1, 2019 using the simplified retrospective method.

1.2.1.3 Consolidated cash flow statement

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018
Net income, attributable to owners of the parent	90,340	80,851
Non-controlling interests	8,856	8,768
Consolidated net income	**99,196**	**89,619**
Depreciation and amortization[2] and provisions, net of reversals	54,226	41,507
Expenses/(income) relating to stock options and similar	206	235
Other calculated expenses/(income)[3]	(2,133)	(1,964)
Share of net income from equity associates	(2,289)	(1,012)
Dividends received from associates	2,449	4,397
Income from asset disposals	(17,443)	(8,119)
Expenses/(income) from net financial debt	21,990	31,268
Net financial interest in respect of lease agreements[1]	328	-
Tax expense (including deferred tax)	3,270	2,402
Cash flows	**159,800**	**158,333**
Tax received/(paid)	(2,572)	(305)
Change in working capital requirement relating to operations, excluding deposits and guarantees[4]	(1,688)	8,729
Change in deposits and guarantees	(579)	(612)
Net cash flow from operating activities	**154,960**	**166,144**
Cash payments on acquisitions of:		
• investment properties and other fixed assets	(26,412)	(79,294)
• non-current financial assets	(1)	(221)
Cash receipts on disposals of:		
• investment properties and other fixed assets[5]	96,285	27,890
• non-current financial assets	-	-
Investments in equity associates[6]	(1,625)	(975)
Impact of changes in the scope of consolidation with change of ownership	-	(44)
Change in loans and advances granted[8]	10,839	(7,826)
Net cash-flow from investing activities	**79,086**	**(60,470)**
Dividends paid to shareholders of the parent company	(56,863)	(62,403)
Interim dividend	(43,123)	(45,805)
Dividends paid to non-controlling interests	(6,728)	(10,844)
Other transactions with shareholders	-	-
Changes in treasury shares	960	(3,510)
Increase in borrowings and financial debt[7]	1,499,700	1,080,043
Decrease in borrowings and financial debt[7]	(1,912,400)	(857,000)
Repayment of lease liabilities[1]	(644)	-
Net interest received	33,349	31,140
Net interest paid	(53,332)	(56,715)
Net cash-flow from financing activities	**(539,080)**	**74,904**
CHANGE IN CASH POSITION	**(305,034)**	**180,577**
Net cash at beginning of year	377,046	196,469
Net cash at end of year	72,012	377,046
• of which cash and cash equivalents	72,024	377,106
• of which bank overdrafts	(12)	(60)

(1) Application of IFRS 16 - Leases on January 1, 2019 using the simplified retrospective method.
(2) Depreciation and amortization exclude the impact of current asset impairments.

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018
(3) Other calculated expenses and income mainly comprise:		
• *discounting adjustments to construction leases*	*(355)*	*(444)*
• *lease rights received from tenants and spread out over the term of the lease*	*(2,899)*	*(1,980)*
• *financial expenses spread out*	*921*	*402*
• *interest on non-cash loans*	*102*	*(50)*
(4) The change in working capital requirement breaks down as follows:		
• *trade receivables*	*1,623*	*(7,076)*
• *trade payables*	*(929)*	*2,228*
• *other receivables and payables*	*(2,382)*	*13,577*
	(1,688)	***8,729***

(5) In 2019, cash inflows related to disposals were essentially composed of the disposals of the sites in Gap for Euro 6.4 million excluding transfer taxes, Anglet for Euro 2.8 million, La-Garenne-Colombes for Euro 39.7 million and Saint-Germain-en-Laye for Euro 47.6 million.

In 2018, cash inflows related to disposals were essentially composed of the disposals of the sites at Saint-Paul and Lannion for Euro 25.2 million excluding transfer taxes.

(6) On June 28, 2019, the General Meeting of SCI Rennes-Anglet unanimously resolved to allocate losses between the partners in proportion to their share in the capital, i.e. Euro 1,625,000 for Mercialys.

During the first half of 2018, Mercialys took part in a capital increase of the SCI AMR for Euro 975,000.

(7) In 2019, increases and decreases in borrowings and financial debt corresponded to subscriptions and redemptions of commercial papers, i.e. Euro (67,000) net of expenses in 2019, as well as the redemption of the bond in the amount of Euro 479.7 million.

In 2018, the increases and decreases of borrowings and financial debt corresponded to subscriptions and redemption of commercial papers and the establishment of the new bond representing Euro 298,466,000 net of expenses in 2018 and Euro 148,260,000 net of expenses.

(8) In 2018, Mercialys granted an additional loan of Euro 7.8 million to SCI Rennes-Anglet. This was fully repaid by SCI Rennes Anglet in the amount of Euro 10.8 million in 2019.

1.2.2 Highlights of 2019

In February 2019, Mercialys finalized the sale of the Gap site for Euro 7.1 million including transfer taxes.

In March 2019, Mercialys redeemed at maturity a residual bond of Euro 479.7 million (Euro 650 million issued in March 2012, partly redeemed in December 2014), bearing a fixed coupon of 4.125%.

In April 2019, Mercialys changed its registered office, which is now located at 16-18 rue du Quatre Septembre, 75002 Paris.

In May, SCI Rennes-Anglet, which is 30% owned by Mercialys, sold the Anglet hypermarket premises for Euro 21.1 million including transfer taxes. At the same time, Mercialys sold units directly held on this site for Euro 3.0 million including transfer taxes.

SCI Rennes-Anglet, which is 30% owned by Mercialys, sold at the beginning of July the Rennes hypermarket premises for Euro 25.9 million including transfer taxes. At the same time, Mercialys sold a directly held unit on this site for Euro 0.3 million including transfer taxes.

In July 2019, Mercialys sold the Monoprix site in Saint-Germain-en-Laye for Euro 52,8 million including transfer taxes, as well as the Monoprix site in La-Garenne-Colombes for Euro 44.1 million including transfer taxes.

In December 2019, a rider was concluded to the Cash Advance Agreement between Mercialys and Casino Finance. It lowers the advance to Euro 35 million (from Euro 50 million), and modifies the financial conditions. It expires on December 31, 2021.

In December 2019, Mercialys extended the maturity of its undrawn revolving credit facility by three years, the amount being reduced from Euro 240 million to Euro 225 million.

In 2019, Mercialys' shareholding structure changed following the Casino group's July 2018 announcement of the definitive sale of 15% of its stake in Mercialys through an equity swap with Crédit Agricole. In April and then again in September 2019, Crédit Agricole declared to the French financial markets authority that it had fallen below the thresholds of 15% and 10% of capital and voting rights, bringing its stake to 14.98% and then 9.95%. On January 14, 2020, Crédit Agricole declared to the French financial markets authority that the threshold of 5% in capital and voting rights had been crossed downwards, and that it accordingly held 4.99% of Mercialys' capital and voting rights. Lastly, a threshold crossing declaration made with the French financial markets authority on January 31, 2020 by the concert comprising Jean-Charles Naouri and the companies he directly or indirectly controls shows that the Casino group held 25.16% of capital and voting rights of Mercialys as of that date, that Foncière Euris held 0.32% of capital and voting rights of Mercialys, and Crédit Agricole 4.47% of its capital and voting rights.

1.2.3 Summary of the main key indicators for the period

	Dec 31, 2019
Organic growth in invoiced rents	+3.6%
EBITDA[1]	Euro 163.0 million
EBITDA/rental revenues	*85.0%*
Funds From Operations (FFO[2])	Euro 124.2 million
Funds From Operations (FFO) per share	Euro 1.35
Fair value of the portfolio (including transfer taxes)	Euro 3,634.4 million
Change vs. Dec 31, 2018 (total scope)	*-3.9%*
Change vs. Dec 31, 2018 (excluding the impact of 2018 and 2019 disposals)	*-1.4%*
EPRA NNNAV per share	Euro 20.01
Change vs. Dec 31, 2018	*-5.4%*
Loan to Value (LTV) - excluding transfer taxes	39.5%

(1) Earnings before interest, taxes, depreciation, amortization and other operating income and expenses.
(2) 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.

1.2.4 Review of activity

Main management indicators

Renewals and re-lettings generated average growth in the annualized rental base of +9.2%[1] for the period.

Details of the **lease expiry schedule** can be found in the table below:

	Number of leases	Annual MGR* + variable rents *(€M)*	Share of expired leases *(% annual MGR + variable rents)*
Expired at Dec 31, 2019	358	17.2	9.5%
2020	200	13.1	7.2%
2021	158	8.9	4.9%
2022	161	10.4	5.8%
2023	105	8.2	4.6%
2024	146	10.2	5.6%
2025	148	9.4	5.2%
2026	218	24.4	13.5%
2027	251	48.4	26.8%
2028	233	15.5	8.6%
2029 and beyond	166	14.8	8.2%
TOTAL	**2,144**	**180.6**	**100%**

* *MGR: Minimum Guaranteed Rent.*

The number of expired leases at end-2019 is due to ongoing negotiations, non-renewal of leases with payment of eviction compensation, comprehensive negotiations by retailers, tactical delays, etc.

The 12-month **recovery rate** at the end of December 2019 remains high at 96.7%, broadly stable compared with June 30, 2019 (96.6%) and December 31, 2018 (96.7%).

The **current financial vacancy rate** - which excludes "strategic" vacancy designed to facilitate extension/redevelopment plans - remained at a very low level. It was 2.5%[2] at December 31, 2019, stable compared with June 30, 2019 (2.6%) and December 31, 2018 (2.5%). The total vacancy rate[3] was 3.2% at December 31, 2019, comparable with the levels recorded at June 30, 2019 (3.0%) and December 31, 2018 (3.0%).

(1) Vacant at last known rent for re-lettings.
(2) The occupancy rate, as with Mercialys's' vacancy rate, does not include agreements relating to the Casual Leasing activity.
(3) 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 tenant **occupancy cost**[1] was 10.4% for large shopping centers, comparable with the level observed at June 30, 2019 (10.6%) and December 31, 2018 (10.5%). This ratio thence remains at a fairly modest level compared with that of Mercialys' peers in France. It reflects both the reasonable level of real estate costs in retailers' operating accounts and the potential for increasing rent levels upon lease renewal or redevelopment of the premises.

Mercialys earns rental income from a wide range of retailers. With the exception of the Casino group (see below for more details) and H&M (2.7%) no other tenant represents more than 2% of total rental income.

The percentage of Casino in total rental income was 27.3% at December 31, 2019, down compared to June 30, 2019 (28.9%) and to December 31, 2018 (28.7%). This change is attributable to the sale of two Monoprix sites in July 2019, as well as to overall growth in rents. This exposure is calculated on the basis of all rents paid by the Casino group.

Adjusted for the 49% stake held by BNP Paribas REIM in two companies with a total of 10 hypermarkets operated under the Géant banner, Mercialys' economic exposure to Casino group rents amounts to 24.2%.

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

EXPIRY SCHEDULES OF THE MAIN CASINO GROUP LEASES

Site	% owned by Mercialys	Type	Lease start date	Lease end date	Characteristics of the lease
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
Saint-Tropez	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
Besançon	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
Puteaux	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Chaville	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Asnières	100%	Monoprix	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Marcq-en-Barœul	100%	Monoprix	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 years firm
Corte	60%	Supermarket	07/2018	06/2030	12-year commercial lease, 9 years firm
Furiani	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9 years firm
Porto Vecchio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9 years firm
Toga	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9 years firm

(1) Ratio between rent, charges (included marketing funds) and re-invoiced works paid by retailers and their sales revenue (excluding large food stores): (rent + charges + reinvoiced works incl. tax)/ sales revenue incl. tax.

EXPIRY SCHEDULES OF H&M GROUP LEASES

Site	Lease start date	Lease end date	Characteristics of the lease
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 years firm
Brest	02/2016	02/2028	12-year commercial lease, 6 years firm
Lanester	07/2016	07/2028	12-year commercial lease, 6 years firm
Toulouse	07/2016	07/2028	12-year commercial lease, 6 years firm
Aix-en-Provence	08/2016	08/2028	12-year commercial lease, 6 years firm
Besançon	12/2016	12/2028	12-year commercial lease, 6 years firm
Quimper	05/2017	05/2029	3 - 6 - 9 - 12
Morlaix	07/2017	07/2029	12-year commercial lease, 6 years firm
Narbonne	07/2017	07/2029	12-year commercial lease, 6 years firm
Nîmes	08/2017	07/2029	12-year commercial lease, 6 years firm

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, 2019 *(as a %)*	Dec 31, 2018 *(as a %)*
National and international retailers	1,472	110.5	61.2%	60.1%
Local retailers	609	20.8	11.5%	11.2%
Casino cafeterias/restaurants	6	1.1	0.6%	0.6%
Monoprix	6	7.8	4.3%	6.4%
Géant Casino and other entities	51	40.4	22.4%	21.8%
TOTAL	**2,144**	**180.6**	**100.0%**	**100.0%**

* *MGR: Minimum Guaranteed Rent.*

The breakdown by **business sector** (including large food stores) of Mercialys' rents also remains highly diversified, with a shift in 2019 towards foodservice, health and beauty activities, as well as culture, gifts and sport:

	Dec 31, 2019	Dec 31, 2018
Restaurants and catering	8.1%	7.4%
Health and beauty	11.3%	10.6%
Culture, gifts and sports	14.3%	13.4%
Personal items	31.0%	31.5%
Household equipment	6.4%	6.8%
Food-anchored tenants	26.0%	27.5%
Services	3.0%	2.7%
TOTAL	**100.0%**	**100.0%**

The **structure of rents** at December 31, 2019 shows the predominance, in terms of overall rents, of leases incorporating a variable component, with leases incorporating a minimum guaranteed rent or without variable clauses nevertheless representing a very large majority (97.6% in terms of overall rents):

	Number of leases	(€M)	Dec 31, 2019 *(as a %)*	Dec 31, 2018 *(as a %)*
Leases with variable component	1,280	100.7	56%	54%
• *of which MGR*		*96.4*	*53%*	*52%*
• *of which variable rent with MGR*		*1.1*	*1%*	*1%*
• *of which variable rent without MGR*		*3.2*	*2%*	*2%*
Leases without variable component	864	79.9	44%	46%
TOTAL	**2,144**	**180.6**	**100%**	**100%**

Lastly, leases index-linked to the French Retail Rent Index (ILC) made up the predominant share of rents at December 31, 2019:

	Number of leases	MGR (€M)	Dec 31, 2019 (as a %)	Dec 31, 2018 (as a %)
Leases index-linked to the Retail Rent Index (ILC)	1,712	165.1	94%	93%
Leases index-linked to the Construction Cost Index (ICC)	182	8.8	5%	6%
Leases index-linked to the Tertiary Activities Rent Index (ILAT) and non-adjustable leases	238	2.5	1%	1%
TOTAL	**2,132**	**176.3**	**100%**	**100%**

1.2.5 Comments on the consolidated results

1.2.5.1 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 despecialisation indemnities paid by tenants and spread out over the firm period of the lease (usually 36 months).

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018	Change (%)
Invoiced rents	188,849	185,213	+2.0%
Lease rights and despecialisation indemnities	3,003	2,074	+44.8%
Rental revenues	**191,853**	**187,287**	**+2.4%**
Property tax	(14,608)	(14,339)	+1.9%
Rebilling to tenants	13,325	13,480	-1.1%
Non-recovered property taxes	**(1,283)**	**(860)**	**+49.2%**
Service charges	(33,202)	(31,329)	+6.0%
Rebilling to tenants	28,911	27,188	+6.3%
Non-recovered service charges	**(4,291)**	**(4,141)**	**+3.6%**
Management fees	(6,888)	(6,688)	+3.0%
Rebilling to tenants	4,530	3,921	+15.5%
Losses on and impairment of receivables	(3,342)	(2,586)	+29.2%
Other expenses	(1,376)	(1,567)	-12.2%
Property operating expenses	**(7,076)**	**(6,920)**	**+2.3%**
Net rental income	**179,202**	**175,367**	**+2.2%**

The increase in invoiced rents of **+2.0 points** results from the following:

- sustained organic growth in invoiced rents[1]: **+3.6 points**, *i.e.* Euro +6.6 million;
- acquisitions made in 2018: **+0.6 points,** i.e. Euro +1.0 million;
- impact of asset disposals in 2018 and 2019: **-1.8 points**, *i.e.* Euro -3.4 million;
- other effects, primarily including strategic vacancy linked to current redevelopment programs: **-0.3 points**, *i.e.* Euro -0.6 million.

Like-for-like, invoiced rents were up **+3.6 points**, including in particular:

- **+1.9 points** as a result of indexation[2];
- **+1.7 points** as a result of all the actions carried out on the portfolio, renewals and re-letting having generated annual average growth in the rental base of +9.2%[3] over the fiscal year.

Lease rights and especialization indemnities[4] received over the period amounted to **Euro 1.1 million**, compared with Euro 5.4 million at December 31, 2018, and break down as follows:

- Euro 1.0 million in lease rights linked to re-letting activity (vs. Euro 5.3 million in 2018), including Euro 0.7 million collected on the Le Port site on Reunion Island, which opened a catering village in June 2019 and part of its new food court in November 2019;
- an insignificant amount of despecialization indemnities, as in 2018.

After taking into account the deferrals on the firm duration of leases specified by IFRS standards, the lease rights recognized in 2019 stand at Euro 3.0 million, against Euro 2.1 million in 2018.

Rental revenues amounted to **Euro 191.9 million** in 2019, up +2.4% compared with end-2018.

(1) Assets enter the like-for-like scope used to calculate organic growth once they have been held for 12 months.
(2) In 2019, for the majority of leases, rents were indexed to the change in the French retail rent index (ILC) between the second quarter of 2017 and the second quarter of 2018 (+2.4%) and between the third quarter of 2017 and the third quarter of 2018 (+2.4%).
(3) Vacant at last known rent for re-lettings.
(4) Compensation paid by a tenant to modify the purpose of his lease and be able to exercise an activity other than that originally specified in the lease contract.

Net rental income consists of rental revenues less costs directly allocated to real estate assets. These costs include property taxes and service charges that are not re-invoiced to tenants, together with property operating expenses (which mainly comprise fees paid to the property manager that are not re-invoiced and various charges relating directly to the operation of sites).

Expenses coming within the calculation of net rental income represented Euro 12.7 million in 2019, compared with Euro 11.9 million in 2018. The ratio of non-recovered property operating expenses to invoiced rents was 6.7% at December 31, 2019, compared with 6.4% at December 31, 2018.

Through the increase in invoiced rents, the growth in lease rights and the good performance in terms of non-recovered service charges, net rental income rose by +2.2% compared with December 31, 2018 to Euro 179.2 million.

1.2.5.2 Management income, operating costs and EBITDA

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018	Change *(%)*
Net rental income	**179,202**	**175,367**	**+2.2%**
Management, administrative and other activities income	3,229	3,076	+5.0%
Other income and expenses	(7,006)	(8,050)	-13.0%
Personnel expenses	(12,413)	(12,581)	-1.3%
EBITDA	**163,012**	**157,812**	**+3.3%**
% rental revenues	85.0%	84.3%	-

Management, administrative and other activities income primarily comprises fees charged in respect of services provided by certain Mercialys staff – whether within the framework of advisory services provided by the asset management team or within the framework of shopping center management services provided by the teams – as well as letting, asset management and advisory fees relating to partnerships formed.

Fees invoiced in 2019 totaled Euro 3.2 million, compared with Euro 3.1 million in 2018.

No **property development margin** was recorded in 2019.

Other recurring income of Euro 0.3 million recognized in 2019 was stable compared to 2018. It includes dividends received from the OPCI created in partnership with the company Union Investment in 2011. Ownership of this real estate investment fund is split between Union Investment (80%) and Mercialys (20%) and is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates the 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. These operating expenses mainly include financial communication expenses, compensation paid to members of the Board of Directors, corporate communication costs, shopping center communication costs, marketing survey costs, fees paid to the Casino group for services covered by the Service agreement (accounting, financial management, human resources, IT management), professional fees (Statutory Auditors, consulting, research) and real estate asset appraisal fees.

In 2019, these expenses amounted to Euro 7.3 million, compared with Euro 8.3 million in 2018. This change is the result of the efforts made by the Company to control the cost structure.

Personnel expenses amounted to Euro 12.4 million in 2019, slightly lower than in 2018 (Euro 12.6 million).

A portion of personnel expenses are charged back to the Casino group as part of the advisory services provided by the asset management team or as part of the shopping center management services provided by Mercialys' teams (see paragraph above concerning management, administrative and other activities income).

As a result of the above, **operating income before depreciation and amortization, provisions and impairment, other operating income and expenses** (EBITDA[1]) amounted to Euro 163.0 million in 2019, compared with Euro 157.8 million in 2018, an increase of +3.3%. The ratio of EBITDA to rental revenues was 85.0% in 2019 (vs. 84.3% at end-2018).

1.2.5.3 Net financial income

On March 26, 2019, Mercialys redeemed a Euro 479.7 million bond bearing a coupon of 4.125%.

Net financial income amounted to Euro 24.8 million in 2019, compared with Euro 33.2 million in 2018. Restated for the impact of non-recurring items (hedging ineffectiveness and banking default risk), which represented an expense of Euro 1.3 million at December 31, 2019 versus an expense of Euro 0.4 million at December 31, 2018, net financial income amounted to Euro 23.5 million in 2019, compared with Euro 32.8 million in 2018.

The **average real cost of drawn debt** in 2019 was 1.3%, comparable with the level of 1.4% observed in the first half of 2019 and down sharply compared with that of 1.8% observed in 2018, reflecting the impact of repayment of bond debt and the favorable effect of the commercial paper issue.

(1) Earnings before interest, tax, depreciation and amortization.

The table below shows a breakdown of net financial items:

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018	Change *(%)*
Income from cash and equivalents *(a)*	**190**	**430**	**-55.8%**
Cost of debt taken out *(b)*	(30,887)	(43,937)	-29.7%
Impact of hedging instruments *(c)*	8,706	12,239	-28.9%
Cost of property finance leases *(d)*	0	0	n/a
Gross finance costs excluding exceptional items	**(22,180)**	**(31,697)**	**-30.0%**
Exceptional depreciation of costs in relation to the early repayment of bank loans *(e)*	n/a	n/a	n/a
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**(22,180)**	**(31,697)**	**-30.0%**
Net finance costs *(g) = (a)+(f)*	**(21,990)**	**(31,267)**	**-29.7%**
Cost of Revolving Credit Facility and bilateral loans (undrawn) *(h)*	(2,487)	(2,154)	+15.4%
Other financial expenses *(i)*	(364)	(41)	n/a
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**(2,851)**	**(2,195)**	**+29.9%**
Exceptional depreciation in relation to refinancing of the RCF *(k)*	(259)	n/a	n/a
Other financial expenses *(l) = (j)+(k)*	**(3,111)**	**(2,195)**	**+41.7%**
TOTAL FINANCIAL EXPENSES *(m) = (f)+(l)*	**(25,291)**	**(33,892)**	**-25.4%**
Income from associates	0	0	n/a
Other financial income	255	285	-10.6%
Other financial income *(n)*	**255**	**285**	**-10.6%**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**444**	**715**	**-37.9%**
NET FINANCIAL ITEMS = *(M)+(O)*	**(24,846)**	**(33,177)**	**-25.1%**

1.2.5.4 Funds From Operations (FFO) and net income attributable to owners of the parent

A. Funds From Operations (FFO)

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018	Change *(%)*
EBITDA	**163,012**	**157,812**	**+3.3%**
Net financial items (excluding the impact of hedging ineffectiveness and banking default risk)	(23,512)	(32,790)	-28.3%
Reversals of/(allowance for) provisions	(1,252)	(1,481)	-15.5%
Other operating income and expenses (excluding capital gains on disposals and impairment)	(3,978)	91	n/a
Tax expense	(3,270)	(2,402)	+36.1%
Share of net income from equity associates (excluding amortization and impairment)	3,631	4,201	-13.6%
Non-controlling interests (excluding capital gains and amortization)	(10,462)	(10,371)	+0.9%
FFO	**124,168**	**115,060**	**+7.9%**
FFO per share	1.35	1.25	+7.9%

Other operating income and expenses mainly consisted of provisions in the amount of Euro 2.1 million relating to a dispute on a site on Reunion Island stemming from a road network issue, and the transfer to expenses of Euro 1.2 million in study costs relating to projects contemplated in recent years but ultimately shelved.

The tax regime for French SIIC (REIT) companies exempts them from paying tax on their income from real estate activities, provided that at least 95% of net income from rental activities and 70% of gains on the disposal of real estate assets are distributed to shareholders. The tax expense recognized by Mercialys consists of corporate value-added tax (CVAE), corporate tax on activities not covered by the SIIC status and deferred tax.

The 2019 **tax expense** of Euro 3.3 million was mainly composed of the corporate value-added contribution (Euro 2.3 million), corporate tax (Euro 0.8 million) and deferred tax (Euro 0.2 million). This compares with Euro 2.4 million in 2018.

The amount recognized at December 31, 2019 for the **share of income from equity associates (excluding depreciation and impairment)** was Euro 3.6 million, compared with Euro 4.2 million at December 31, 2018, notably through the effect of disposals carried out by SCI Rennes-Anglet on the premises of two hypermarkets. The companies consolidated under the equity method in Mercialys' consolidated financial statements include SCI AMR (created in partnership with Amundi Immobilier in 2013), SNC Aix2 (of which Mercialys acquired 50% in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (of which Mercialys owns 40%) and SCI Rennes-Anglet (of which Mercialys owns 30%).

Non-controlling interests (excluding capital gains and amortization) amounted to Euro 10.5 million at December 31, 2019, compared with Euro 10.4 million at December 31, 2018. These are linked to the 49% stake held by BNP Paribas REIM France in the companies Hypertethis Participations and Immosiris. Since Mercialys retains exclusive control, these subsidiaries are fully consolidated.

Based on these items, **Funds From Operations (FFO)**, which correspond to the net income before depreciation and amortization, capital gains or losses on disposals net of associated fees, any asset impairment and other non-recurring effects, stood at Euro 124.2 million (against Euro 115.1 million for fiscal year 2018), up by +7.9%. Considering the average number of shares (basic) at the end of December, FFO represented Euro 1.35 per share in 2019, versus Euro 1.25 per share in 2018, an increase of +7.9%.

B. Net income attributable to owners of the parent

(in thousands of euros)	Dec 31, 2019	Dec 31, 2018	Change *(%)*
FFO	124,168	115,060	+7.9%
Depreciation and amortization and provisions	(40,440)	(37,016)	+9.3%
Other operating income and expenses	7,682	4,780	+60.7%
Hedging ineffectiveness and banking default risk	(1,334)	(387)	n/a
Non-controlling interests and equity associates: capital gains, amortization and depreciation	264	(1,585)	n/a
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**90,340**	**80,851**	**+11.7%**

Depreciation, amortization and provisions increased significantly to Euro 40.4 million in 2019, compared with Euro 37.0 million in 2018, in line with investments made in 2018 and 2019.

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

In this regard, the amount of other operating income totaled Euro 101.4 million at December 31, 2019. This amount mainly includes the proceeds from asset disposals carried out over the period.

The amount of other operating expenses was Euro 93.7 million at December 31, 2019 (vs. Euro 25.6 million at December 31, 2018). This corresponds primarily to:

- the net book value of assets disposed of during 2019 and fees related to these disposals, representing Euro 84.0 million;
- impairment of investment property in the amount of Euro 9.7 million.

On this basis, the amount of the net capital gain recognized in the consolidated financial statements at December 31, 2019 for the disposal of assets in 2019 was Euro 17.4 million (vs. Euro 6.3 million in 2018). The capital gain relating to asset sales made in 2019 and distributable in the proportion of 70% under SIIC rules amounted to Euro 14.2 million.

Net income attributable to owners of the parent, as defined in IFRS, was Euro 90.3 million for 2019, compared with Euro 80.9 million for 2018. This change is attributable chiefly to the favorable impact of net financial income and capital gains from disposals on the 2019 earnings.

1.2.5.5 Financial structure

A. Debt cost and structure

At December 31, 2019, the amount of Mercialys' **drawn debt** stood at Euro 1,450 million, composed of:

- a bond of a total nominal amount of Euro 750 million, bearing interest at a fixed-rate coupon of 1.787%, maturing in March 2023;
- a bond of a nominal amount of Euro 300 million, bearing interest at a fixed-rate coupon of 1.80%, maturing in February 2026;
- a private bond placement, of a nominal amount of Euro 150 million, bearing interest at a fixed-rate coupon of 2.00%, maturing in November 2027;
- Euro 250 million in outstanding commercial paper, with a slightly negative average rate.

Net financial debt stood at Euro 1,373.2 million at December 31, 2019, versus Euro 1,478.2 million at December 31, 2018.

The Group **cash and cash equivalents** stood at Euro 72.0 million at December 31, 2019, versus Euro 377.0 million at December 31, 2018. 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 +155.0 million;
- cash receipts/payments related to disposals/acquisitions of assets made in 2019: Euro +79.1 million;
- dividend payments to shareholders and non-controlling interests: Euro -106.7 million;
- repayment of borrowings net of commercial paper issued: Euro -412.7 million;
- net interest paid: Euro -20.0 million.

The **real average cost of drawn debt** at December 31, 2019 was 1.3%, comparable with the 1.4% rate observed at end-June 2019 and down sharply versus that of 1.8% observed at December 31, 2018, reflecting the positive impact of the repayment of the March 2019 bond and the favorable effect of the commercial paper issue at a slightly negative average rate.

At the same time, taking advantage of a very favorable market context, Mercialys increased its **debt coverage** over the fiscal year in order to optimize its sequence of financial expense. As such, fixed-rate debt (including commercial paper) represented 86% of total debt at December 31, 2019, versus 63% at December 31, 2018.

B. Liquidity and debt maturity

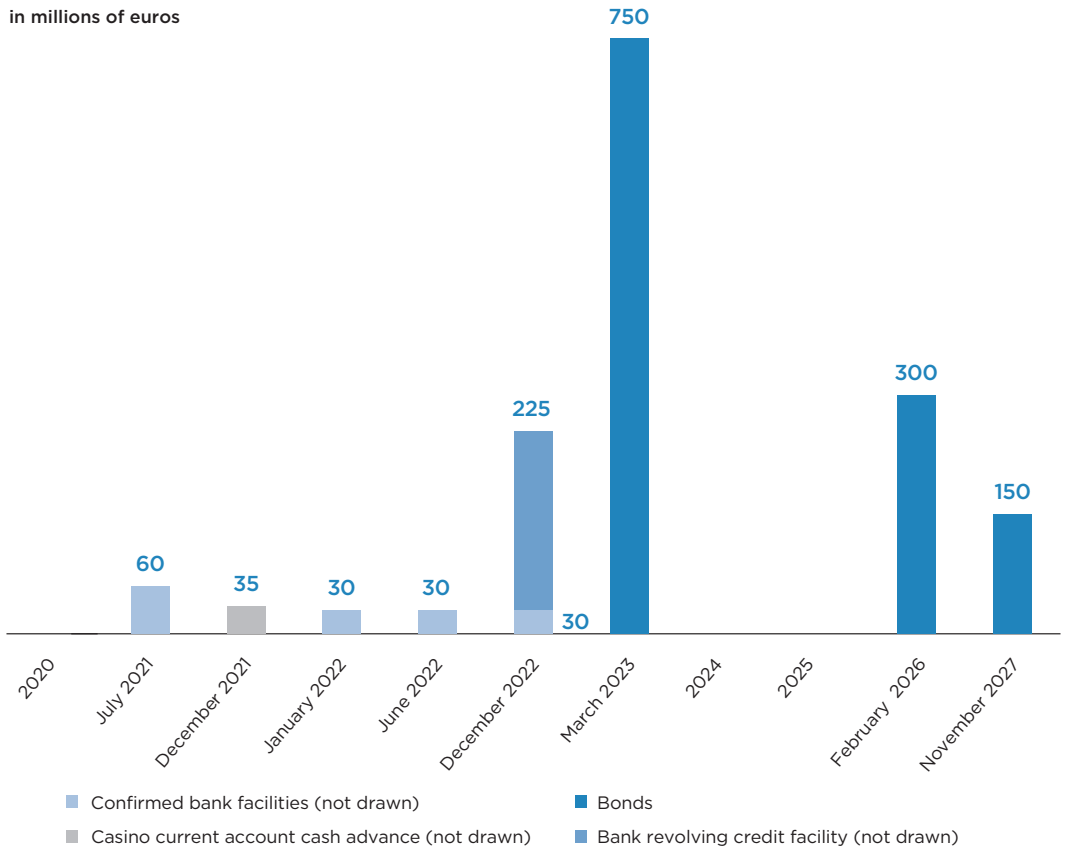
The **average maturity of drawn debt** was 3.8 years at December 31, 2019, virtually stable versus December 31, 2018 (3.7 years).

Mercialys also has **undrawn financial resources** of up to Euro 410 million, enabling it to benefit from a satisfactory level of liquidity:

- a bank revolving credit facility of Euro 225 million maturing in December 2022. This facility bears interest at EURIBOR + a margin of 125 bp (for a BBB rating); if undrawn, it is subject to payment of a non-use fee of 40% of the margin;
- five confirmed bilateral bank facilities in a total amount of Euro 150 million, maturing between July 2021 and December 2022. The margin on EURIBOR is less than or equal to 100 bp (for a BBB rating);
- a current account cash advance from Casino capped at Euro 35 million, maturing on December 31, 2021, with a non-use fee of 40% of the margin.

In addition, Mercialys benefits from a commercial paper program of Euro 500 million that was arranged in the second half of 2012. It is used up to Euro 250 million (outstanding at December 31, 2019).

The graph below shows the Group's **debt maturity schedule** at December 31, 2019 and undrawn financial resources (excluding commercial paper):



C. Bank covenants and credit rating

Mercialys' financial position at December 31, 2019 satisfied all the various covenants included in the different credit agreements.

As such, the debt ratio (LTV: **Loan To Value**) stands at 39.5% (vs. 40.8% at the end of 2018), well below the covenants. An LTV covenant of less than 55% applies to 60% of confirmed bank lines, the balance of these facilities implying an LTV covenant of less than 50%.

	Dec 31, 2019	Dec 31, 2018
Net financial debt *(in millions of euros)*	1,373.2	1,478.2
Property assets appraisal value excluding transfer taxes *(in millions of euros)*[(1)]	3,479.3	3,621.2
LOAN TO VALUE (LTV)	**39.5%**	**40.8%**

(1) Including the fair value of investments in associates for Euro 59.7 million in 2019 and Euro 64.4 million in 2018, since the value of the portfolio held by associates is not included in the appraisal value.

Likewise, the ratio of EBITDA/net finance costs (ICR: **Interest Coverage ratio**) stood at 7.4x, well beyond the contractual covenant (ICR >2). This indicator was negatively impacted in 2018 by the carrying cost of the early refinancing of the bond maturing in March 2019.

	Dec 31, 2019	Dec 31, 2018
EBITDA *(in millions of euros)*	163.0	157.8
Net finance costs	(22.0)	(31.3)
INTEREST COVERAGE RATIO (ICR)	**7.4X**	**5.0X**

The two other bank covenants requirements are also met:

- the **fair value of assets excluding transfer taxes** at December 31, 2019 was Euro 3.4 billion, (above the contractual covenant, which sets a fair value excluding transfer taxes of investment properties of over Euro 1.0 billion);
- zero **pledged debt** at December 31, 2019 (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 7, 2019, the agency reiterated Mercialys's BBB rating (stable outlook). It subsequently revised the outlook to negative on September 25, 2019.

1.2.5.6 Equity and ownership structure

Consolidated equity stood at Euro 860.0 million at December 31, 2019, against Euro 879.5 million at December 31, 2018.

The main changes that affected this item during the period were as follows:

- net income for the 2019 fiscal year: Euro +99.2 million;
- payment of the final dividend for the 2018 fiscal year of Euro 0.62 per share and dividends paid to non-controlling interests: Euro -63.6 million;
- payment of an interim dividend for the fiscal year 2019 of Euro 0.47 per share: Euro -43.1 million;
- transactions on treasury shares: Euro +1.1 million;
- change in fair value of financial assets and derivatives: Euro -13.3 million.

The **number of outstanding shares** at December 31, 2019 stands at 92,049,169, unchanged versus December 31, 2018.

	2019	2018	2017
Number of outstanding shares			
• 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)	**91,789,610**	**91,733,866**	**91,830,447**
Average number of shares (diluted)	**91,789,610**	**91,733,866**	**91,830,447**

As of December 31, 2019, the Mercialys' ownership structure was as follows: Casino group (25.16%), Crédit Agricole SA (9.95%), Groupe Generali (8.01%), Foncière Euris (1.20%), own shares (0.32%), other shareholders (55.36%).

Following the equity swap established with the Casino group in 2018, Crédit Agricole declared to the AMF on January 14, 2020 that the threshold of 5% in capital and voting rights had been crossed downwards, and that it accordingly held 4.99% of Mercialys' share capital and voting rights.

Lastly, according to the disclosure threshold report filed with the AMF on January 31, 2020 by the concert structure comprising Mr Jean-Charles Naouri and companies that he directly or indirectly controls, on this date the Casino group held 25.16%, Foncière Euris held 0.32% and Crédit Agricole held 4.47% of Mercialys' capital and voting rights.

1.2.5.7 Dividends

The final dividend for 2018 paid on May 2, 2019 stood at Euro 0.62 per share, which represents a total amount of dividends distributed of Euro 56.9 million, fully paid in cash.

At its meeting of July 24, 2019, the Board of Directors decided to pay an interim dividend in respect of fiscal year 2019 of **Euro 0.47 per share**, which was paid on October 23, 2019, representing a total interim dividend of Euro 43.1 million, fully paid in cash.

Mercialys' Board of Directors will submit a recommendation to the Annual General Meeting on April 23, 2020 for a dividend of **Euro 1.15 per share** (including the Euro 0.47 per share interim dividend already paid in October 2019). The proposed dividend represents an increase of +2.7% from 2018, with a yield of 5.7% based on the EPRA NNNAV of Euro 20.01 per share at end-2019 and 9.3% based on the year's closing share price. The payout corresponds to 85% of 2019 FFO, in line with Mercialys' guidance (range of 85% to 95% of 2019 FFO and dividend at least stable versus 2018).

The ex-dividend date is April 27, 2020, and the dividend will be paid on April 29, 2020.

This payment corresponds to the distribution of 95% of the recurrent taxable profit excluding capital gains, in accordance with the SIIC rules (representing Euro 0.84 per share), as well as all capital gains available for distribution based on asset sales carried out in 2019 (Euro 0.11 per share), and Euro 0.20 per share of exempt income recorded on the Company's balance sheet.

1.2.6 Changes in the scope of consolidation and valuation of the asset portfolio

1.2.6.1 Asset acquisitions

No significant acquisitions were made in 2019.

1.2.6.2 Completions

Mercialys continued its investments at Le Port Cap Sacré-Coeur site on Reunion Island in 2019. Indoor and outdoor catering villages have been opened, using this catering and leisure offer to round out the center's merchandising mix and to cement its regional influence. Work on the retail park has also started, with delivery slated for 2020.

1.2.6.3 Disposals

The investment market remained sluggish in the retail real estate segment in 2019, despite the conclusion of some significant transactions in France. Against this backdrop, Mercialys made a significant number of disposals in line with its standard arbitrage pace, selling an asset volume of Euro 122.4 million including transfer taxes. These divestments covered not only sites identified as being non-core, notably because they were sized significantly below the portfolio average, but also opportunistic deals.

Mercialys sold the Gap site for Euro 7.1 million including transfer taxes in February 2019, as well as the Monoprix sites in Saint-Germain-en-Laye for Euro 52.8 million including transfer taxes and La Garenne Colombes for Euro 44.1 million including transfer taxes in July 2019. Despite extensive due diligence by the dedicated mixed-use high-street development team, the projects envisaged for these last two assets appeared to be compromised due to operating, legal and administrative constraints.

At the same time, SCI Rennes-Anglet, in which Mercialys has a 30% stake, sold the Anglet hypermarket premises to a Leclerc member for Euro 21.1 million including transfer taxes in May, with Mercialys selling its directly held units at this site for Euro 3.0 million including transfer taxes at the same time. SCI Rennes-Anglet also sold the Rennes hypermarket premises to a Leclerc member for Euro 25.9 million including transfer taxes in July, with Mercialys selling its directly-held unit at this site for Euro 0.3 million including transfer taxes. Mercialys' interest in the disposal of the Rennes and Anglet sites represents a total of Euro 17.4 million including transfer taxes.

Lastly, Mercialys sold individual units in a total amount of Euro 1.1 million during the year.

These transactions help reduce Mercialys' overall exposure to its leading tenant, in line with the Company's risk diversification.

The Company intends to continue its asset rotation policy in 2020, prioritizing roughly 10 identified non-core assets representing a portfolio value of approximately Euro 200 million including transfer taxes, combined with the possibility of selling further sites or individual units depending on market opportunities.

1.2.6.4 Appraisal valuations and changes in consolidation scope

At December 31, 2019, BNP Real Estate Valuation, Catella, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 38 sites at December 31, 2019, based on an on-site inspection of five of these sites during the second half of 2019, and on an update of the appraisals carried out at June 30, 2019 for the other sites. An on-site inspection had been carried out on six sites during the first half of 2019;
- Catella Valuation conducted the appraisal of 17 sites at December 31, 2019, based on an on-site inspection of five of these sites during the second half of 2019, and an update of the appraisals carried out at June 30, 2019;
- Cushman & Wakefield conducted the appraisal of nine sites at December 31, 2019, on the basis of an update of the appraisals conducted at June 30, 2019;
- CBRE conducted the appraisal of one site at December 31, 2019, on the basis of an update of the appraisal conducted at June 30, 2019;
- Galtier conducted the appraisal for the rest of Mercialys' assets, i.e. two sites, at December 31, 2019, based on an on-site inspection.

On this basis, the valuation of the portfolio stands at Euro 3,634.4 million including transfer taxes at December 31, 2019, versus Euro 3,780.2 million at December 31, 2018. Excluding transfer taxes, this value was Euro 3,419.5 million at end-2019, vs. Euro 3,556.9 million at end-2018.

The value of the portfolio including transfer taxes therefore fell by -3.9% over 12 months (-1.4% like-for-like[1]) and by -3.1% versus June 30, 2019 (-0.7% like-for-like).

The average appraisal yield rate was 5.26% at December 31, 2019, versus a rate of 5.20% at June 30, 2019 and a rate of 5.10% as of December 31, 2018.

Type of property	Average yield rate Dec 31, 2019	Average yield rate June 30, 2019	Average yield rate Dec 31, 2018
Regional and large shopping centers	5.07%	5.04%	4.93%
Neighborhood shopping centers and city-center assets	6.12%	5.84%	5.78%
Total portfolio[1]	5.26%	5.20%	5.10%

(1) Including other assets (independent cafeterias and other standalone sites).

The following table gives the breakdown of fair value and gross leasable area (GLA) of Mercialys' real estate portfolio by type of property at December 31, 2019, as well as the corresponding appraised rental income.

Type of property	Number of assets at Dec 31, 2019	Appraisal value (excluding transfer taxes) at Dec 31, 2019		Appraisal value (including transfer taxes) at Dec 31, 2019		Gross leasable area at Dec 31, 2019		Appraised potential net rental income	
		(Euro million)	*(%)*	*(Euro million)*	*(%)*	*(sq.m)*	*(%)*	*(Euro million)*	*(%)*
Regional and large shopping centers	25	2,798.5	81.8%	2,970.7	81.7%	654,852	77.6%	150.8	78.9%
Neighborhood shopping centers and city-center assets	28	609.5	17.8%	651.4	17.9%	186,637	22.1%	39.8	20.9%
Sub-total	**53**	**3,408.0**	**99.7%**	**3,622.0**	**99.7%**	**841,489**	**99.7%**	**190.6**	**99.8%**
Other sites[1]	5	11.5	0.3%	12.3	0.3%	2,359	0.3%	0.5	0.2%
TOTAL	**58**	**3,419.5**	**100%**	**3,634.4**	**100%**	**843,848**	**100%**	**191.1**	**100%**

(1) Including other assets (independent cafeterias and other standalone sites).

After taking into account changes in the average appraisal yield of Mercialys' portfolio versus June 30, 2019, the rates applicable in the first half of 2020 to investment transactions that come within the scope of the partnership agreement signed between Mercialys and the Casino group are as follows:

	Shopping centers		Retail parks		
Type of assets	Mainland France	Corsica and Overseas departments & territories	Mainland France	Corsica and Overseas departments & territories	High street
>20,000 sq.m	5.6%	6.2%	6.2%	6.6%	5.4%
5,000 to 20,000 sq.m	6.1%	6.6%	6.6%	6.9%	5.7%
<5,000 sq.m	6.6%	6.9%	6.9%	7.6%	6.2%

1.2.7 Outlook

The start of 2020 has been marked by considerable uncertainty linked to the coronavirus (covid-19) epidemic. Sweeping government measures have been adopted due to the spread of the virus in France, including closing non-essential businesses and introducing a lockdown of the population. Several categories of retailers that are Mercialys tenants can remain open, but footfall at the sites is being severely affected. Although the majority of rents include a fixed component (97.6% of the total lease amount), this health crisis could affect the solvency of retailers and, by extension, Mercialys' collection capacity. In this context, and considering the targeted support measures that the Company could put in place, which have not been quantified to date, Mercialys is not in a position, on the date when this Universal Registration Document was filed, to quantify the impact of the coronavirus crisis on its performance, results and guidance for 2020. The guidance announced when the 2019 results were published in February 2020 is therefore no longer applicable and will be updated once the outlook regarding the health situation has become clearer.

(1) Sites on a like-for-like GLA basis.

1.2.8 Subsequent events

No significant events have occurred since the close of the year.

1.2.9 EPRA performance measurements

Mercialys applies the recommendations of the EPRA[1] for the indicators provided below. The EPRA is the representative body of listed real estate companies in Europe. As such, it issues recommendations on performance indicators to improve the comparability of the 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 table below summarizes the EPRA indicators at the end of December 2018, the end of June 2019 and the end of December 2019:

	Dec 31, 2019	Jun 30, 2019	Dec 31, 2018
EPRA earnings – Euros per share	1.35	0.69	1.25
EPRA NAV – Euros per share	20.53	20.86	20.86
EPRA NNNAV – Euros per share	20.01	20.40	21.14
EPRA Net Initial Yield	4.94%	4.89%	4.81%
EPRA Topped-up Net Initial Yield	5.00%	4.95%	4.88%
EPRA vacancy rate	3.2%	3.0%	3.0%
EPRA cost ratio (including direct vacancy costs)	16.8%	16.7%	17.3%
EPRA cost ratio (excluding direct vacancy costs)	15.6%	15.6%	16.2%

1.2.9.1 EPRA earnings and earnings per share

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

(in millions of euros)	Dec 31, 2019	Dec 31, 2018
Net income attributable to owners of the parent	**90.3**	**80.9**
Non-controlling interests and equity associates: capital gains, amortization and depreciation	(0.3)	1.6
Hedging ineffectiveness and banking default risk	1.3	0.4
Capital gains or losses and impairments included in other operating income and expenses	(7.7)	(4.8)
Depreciation and amortization	40.4	37.0
Property development margin	0.0	0.0
EPRA earnings	**124.2**	**115.1**
Number of shares (average basic)	91,789,610	91,733,866
EPRA EARNINGS PER SHARE *(€)*	**1.35**	**1.25**

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

1.2.9.2 EPRA Net Asset Value (EPRA NAV)

(in millions of euros)	Dec 31, 2019	Dec 31, 2018
Shareholders' equity attributable to owners of the parent	**658.0**	**679.6**
Unrealized gain on investment property	1,195.5	1,219.9
Unrealized gain on non-consolidated investments and equity associates	23.4	29.3
Fair value of financial instruments	7.7	(15.3)
Deferred tax assets on the balance sheet	0.0	0.0
EPRA NAV	**1,884.6**	**1,913.4**
Number of shares (average diluted)	91,789,610	91,733,866
EPRA NAV PER SHARE *(€)*	**20.53**	**20.86**

(1) European Public Real Estate Association.

1.2.9.3 EPRA Triple Net Asset Value (EPRA NNNAV)

(in millions of euros)	Dec 31, 2019	Dec 31, 2018
EPRA NAV	**1,884.6**	**1,913.4**
Fair value of financial instruments	(7.7)	15.3
Fair value of fixed-rate debt	(40.0)	10.7
EPRA NNNAV	**1,836.8**	**1,939.5**
Number of shares (average diluted)	91,789,610	91,733,866
EPRA NNNAV PER SHARE *(€)*	**20.01**	**21.14**

1.2.9.4 EPRA Net Initial Yield and EPRA "Topped-up" Net Initial Yield

The table below shows the comparison between the yield as reported by Mercialys and the yield defined by the EPRA:

(in millions of euros)	Dec 31, 2019	Dec 31, 2018
Investment property – wholly owned	3,419.5	3,556.9
Assets under development (-)	(5.0)	0.0
Completed property portfolio excluding transfer taxes	**3,414.6**	**3,556.9**
Transfer taxes	214.7	223.3
Completed property portfolio including transfer taxes	**3,629.3**	**3,780.2**
Annualized rental revenues	184.8	186.9
Non-recoverable expenses (-)	(5.6)	(5.0)
Annualized net rents	**179.2**	**181.9**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	2.1	2.7
Topped-up net annualized rent	**181.3**	**184.6**
EPRA NET INITIAL YIELD	**4.94%**	**4.81%**
EPRA "TOPPED-UP" NET INITIAL YIELD	**5.00%**	**4.88%**

1.2.9.5 EPRA vacancy rate

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

The EPRA vacancy rate was 3.2% at the end of 2019, a level comparable with that observed at the end of 2018 (3.0%). "Strategic" vacancy designed to facilitate extension or restructuring plans represents 70 bp within the vacancy rate of 3.2%.

(in millions of euros)	Dec 31, 2019	Dec 31, 2018
Rental value of vacant units	6.0	5.6
Rental value of the entire portfolio	186.7	187.7
EPRA VACANCY RATE	**3.2%**	**3.0%**

1.2.9.6 EPRA cost ratios

(in millions of euros)	Dec 31, 2019	Dec 31, 2018	Comments
Administrative and operating expense line per IFRS income statement	(19.7)	(20.9)	Personnel expenses and other costs
Net service charge costs	(5.6)	(5.0)	Property taxes + non-recovered service charges (including vacancy costs)
Rental management fees	(2.4)	(2.8)	Rental management fees
Other income and expenses	(4.7)	(4.2)	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	
Total	**(32.3)**	**(32.8)**	
Adjustments to calculate the EPRA cost ratio exclude (if included above):			
• depreciation and amortization	0.0	0.0	Depreciation and provisions for fixed assets
• ground rent costs	0.1	0.5	Non-group rents paid
• service charges recovered through comprehensive invoicing (with rent)	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**(32.3)**	**(32.3)**	**A**
Direct vacancy costs[1]	2.3	2.0	
EPRA costs (excluding vacancy costs) (B)	**(30.0)**	**(30.3)**	**B**
Gross rental revenues less ground rent costs[2]	191.8	186.8	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	
Plus: share of joint ventures gross rental revenues (less ground rent costs)	0.0	0.0	
Rental revenues (C)	**191.8**	**186.8**	**C**
EPRA COST RATIO INCLUDING DIRECT VACANCY COSTS	**-16.8%**	**-17.3%**	**A/C**
EPRA COST RATIO EXCLUDING DIRECT VACANCY COSTS	**-15.6%**	**-16.2%**	**B/C**

(1) 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.

(2) 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 revenues, whereas any other costs should be recognized in line with IFRS requirements.

1.2.9.7 EPRA investments

The table below shows the investments made over the period:

(in millions of euros)	Dec 31, 2019	Dec 31, 2018
Acquisitions	0.0	0.0
Developments	5.3	49.5
Like-for-like portfolio	11.6	21.1
Others	9.5	8.7
TOTAL	**26.4**	**79.3**

Investments relate to companies fully consolidated by Mercialys.

Development investments relate exclusively to work carried out on the retail park of the Le Port site (Reunion Island).

Investments linked to the **portfolio at constant scope** notably include work relating to the project portfolio, but also to strategic projects implemented on various sites (coworking, "farmhouse" to sell local products, fit-outs), construction work for the health center in Furiani and improvements to the site (installation of optic fiber in several centers) and tenants' facilities.

Lastly, investments categorized as "**others**" mainly include maintenance, work carried out on the Company's new head office, IT investments (linked notably to the development of the digital platform and the development of the food delivery service from restaurants in shopping centers).

1.3 Real estate portfolio

1.3.1 A portfolio valued at Euro 3,634 million including transfer taxes at December 31, 2019

1.3.1.1 Experts and methodology

The shopping centers owned by Mercialys are appraised by experts in accordance with the RICS (Royal Institution of Chartered Surveyors) Code of Ethics, appraisal and valuation standards, using the fair value appraisal methods recommended by the 1998 Property Appraisal and Valuation Charter and the 2000 report published by the joint working group of the Commission des Opérations de Bourse (COB) and the Conseil National de la Comptabilité (CNC) on property asset valuations for listed companies.

Moreover, Mercialys complies with the Code of Ethics for French REITs (Sociétés d'Investissement Immobilier Cotées - SIIC) in terms of the rotation of appraisers.

All assets in Mercialys' portfolio have been valued, and those undergoing full appraisal have been subjected to town planning surveys, market and competition surveys and site visits. In accordance with the 2000 COB/CNC report, two methods have been used to determine the fair value of each asset:

- first, the capitalization of income method, which consists in taking the rental income generated by the asset and dividing it by a yield rate for similar assets, taking into account the actual rent level versus market levels;
- second, the discounted cash-flow (DCF) method, which takes account of expected annual changes in rental incomes, vacancies, and other factors such as expected letting periods and the investment expenses borne by the lessor.

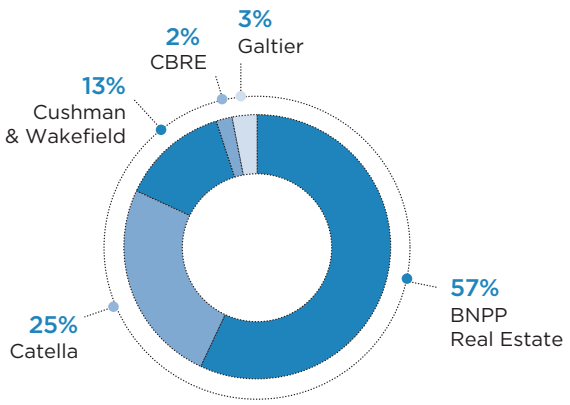
The discount rate used takes into account the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

Small assets have been valued by comparison with market transactions in similar assets.

Five independent appraisers performed the appraisals of Mercialys' portfolio at June 30, 2019 and December 31, 2019: BNPP Real Estate Valuation, Catella Valuation, Cushman & Wakefield Valuation, CBRE Valuation and Galtier Valuation.

BREAKDOWN OF VALUATIONS PER EXPERT

(in % of the number of assets valued)



The valuation of the portfolio stands at Euro 3,634.4 million including transfer taxes at December 31, 2019, compared with Euro 3,780.2 million at December 31, 2018. Excluding transfer taxes, this value was Euro 3,419.5 million at end-2019, vs. Euro 3,556.9 million at end-2018.

The value of the portfolio including transfer taxes therefore fell by -3.9% over 12 months (-1.4% like-for-like[1]) and by -3.1% over six months (-0.7% like-for-like).

The average appraisal yield rate was 5.26% at December 31, 2019, versus 5.20% on June 30, 2019 and 5.10% on December 31, 2018.

Note that the valuation of Mercialys' portfolio is determined on the basis of a "sum of the parts" approach. In other words, the total valuation is equal to the sum of the individual valuations of each asset, whether this is determined using the capitalization of income method or via the DCF approach.

The valuation of each asset presents its own underlying assumptions in terms of rental growth, investment, capitalization and discount rate.

This makes it difficult to reconstruct underlying average valuation assumptions at the consolidated level. And matters are complicated further by the fact that appraisers do not always use strictly identical valuation methodologies, and that the weighting criteria used when compiling the underlying assumptions of individual valuation can cause the results to vary significantly.

In the interests of transparency and accuracy, Mercialys approached its main real estate expert, BNP Paribas Real Estate, for guidance on this point. BNP Paribas Real Estate, which appraises 57% of Mercialys' assets by number, stated that it applied a compound annual growth rate (CAGR) of net rental income of +2.1% including indexation between 2019 and 2028.

1.3.1.2 Real estate appraisal report prepared by Mercialys' independent valuers

Introduction

At December 31, 2019, Mercialys entrusted to:

- BNPP Real Estate Valuation;
- Catella Valuation;
- CB Richard Ellis Valuation;
- Cushman & Wakefield Valuation;
- Galtier Valuation.

with the valuation of its portfolio of real-estate assets according to the following breakdown:

	Number of assets	Fair value excluding transfer taxes	Fair value including transfer taxes
BNPP Real Estate Valuation	38	Euro 2,722.6 million	Euro 2,888.9 million
of which, share of undivided assets held by third parties (40%)		*Euro 75.0 million*	*Euro 80.2 million*
BNPP Real Estate Valuation		Euro 2,647.6 million	Euro 2,808.8 million
Cushman & Wakefield	9	Euro 252.1 million	Euro 269.5 million
Catella Valuation	17	Euro 363.7 million	Euro 389.1 million
CB Richard Elis Valuation	1	Euro 146.0 million	Euro 156.0 million
Galtier Valuation	2	Euro 10.3 million	Euro 11.0 million
TOTAL		**EURO 3,419.5 MILLION**	**EURO 3,634.4 MILLION**

At the conclusion of their respective engagements, the firms co-signed the following joint report:

Real estate appraisal report prepared by Mercialys' independent valuers

General background to the appraisal

Background and instructions

In accordance with the instructions given by Mercialys (the "Company"), set out in the valuation contracts signed between Mercialys and the Appraisers, we have estimated the value of the assets owned by the Company reflecting the manner in which they are owned (full ownership, construction lease, etc.). This condensed report, which summarizes the conditions of our work, has been written in order to be included in the Company's Registration Document. The appraisals were conducted locally by our expert teams and were reviewed by the pan-European teams of Appraisers. To determine the market value for each asset, we considered real estate transactions at the European level, as well as domestic transactions. We confirm that our opinion of market value has been revised in the light of other appraisals carried out in Europe, so as to ensure a consistent approach and to take into account all transactions and information available on the market. The valuations are based on the discounted cash flow method or the yield method, which are regularly used for assets of this kind.

Our values were set at December 31, 2019.

(1) Sites on a like-for-like GLA basis.

Standards and general principles
We confirm that our valuations have been conducted in accordance with the corresponding sections of the code of conduct of the 8th Edition of the RICS Valuation Standards (the "Red Book"). This is an internationally accepted basis of appraisal. Our valuations comply with IFRS accounting standards and the standards and recommendations published by IVSC. The appraisals have also been prepared in light of the AMF's recommendations concerning the presentation of valuations of listed companies' real estate portfolio, published on February 8, 2010. They also take account of the recommendations made in the Barthès de Ruyter report on the valuation of the real estate portfolio of companies raising public funds, published in February 2000. We certify that we have prepared our appraisal as independent external appraisers, as defined in the standards of the Red Book published by RICS.

Target value
Our valuations correspond to market values and were presented to the Company in terms of value excluding rights (after deducting transfer duties and costs) and including rights (market value before any deduction of transfer duties and costs).

Conditions

Information
We asked the Company's management to confirm that the information provided to us relating to the assets and tenants is complete and accurate in all material respects. Consequently, we considered that all the information known to the Company's employees and which could affect the value, such as operating expenses, works undertaken, financial items including doubtful debts, variable rents, current and signed lettings, rent-free periods, as well as the list of leases and vacant units was made available to us and is up to date in all material respects.

Surface area of assets
We did not measure the properties and have based our assessments on the surface areas provided to us.

Environmental analyses and soil conditions
We were not asked to perform either a study of soil conditions or an environmental analysis and we did not investigate past events to determine whether the soil or structures of the assets are, or have been, contaminated. Unless indicated otherwise, we have assumed that assets are not, and should not be, affected by soil contamination and that the condition of the land does not affect their current or future use.

Urban planning
We did not study the building permits and assume that the properties have been built and are occupied and used in compliance with all necessary authorizations and are free of any legal recourse. We have assumed that the assets comply with legal requirements and urban planning regulations, particularly as regards structural, fire, and health and safety regulations. We have also assumed that any extensions currently under construction comply with urban planning regulations and that all the necessary authorizations have been obtained.

Land titles and rental status
We have based our assessments on the rental position, summaries of additional revenues, non-recoverable charges, capital projects and the business plans provided to us. In addition to what is already mentioned in our reports for each asset, we have assumed that ownership of the assets is not subject to any restrictions that would prevent or hinder their sale, and that they are free of any restrictions and encumbrances. We have not read the land titles for the assets and have accepted rental and occupancy statements or any other relevant information communicated to us by the Company.

Condition of the assets
We noted the general condition of each asset during our visits. Our assignment does not include technical aspects concerning the structure of buildings. However, we have indicated in our report any signs of poor maintenance observed during our visit, if applicable. The assets have been appraised on the basis of information provided by the Company, according to which no hazardous materials have been used in their construction.

Taxation
Our valuations do not take account of any costs or taxes that may be incurred in the event of an asset being sold. The rental and market values provided do not include value added tax.

Confidentiality and publication
Finally, and in keeping with our usual practice, we confirm that our appraisal reports are confidential and intended solely for the Company. No liability is accepted in relation to third parties; and neither the appraisal reports as a whole nor extracts from these reports may be published in a document, declaration, circular or communication with third parties without our written agreement, covering both the form and content in which they may appear. In signing this condensed report, each expert does so on his/her own behalf and only for his/her own expert appraisal work.

BNPP REAL ESTATE VALUATION

Jean-Claude DUBOIS
President

CATELLA VALUATION

GALTIER VALUATION

CUSHMAN & WAKEFIELD VALUATION FRANCE

CBRE VALUATION

1.3.2 A portfolio of diversified retail assets located in high-potential geographic areas

1.3.2.1 58 assets at the end of 2019, representing 843,848 sq.m of gross leasable area

Mercialys' sites are grouped into five main categories: large regional centers (with gross leasable area greater than 40,000 sq.m), large shopping centers (gross leasable area greater than 20,000 sq.m), leading neighborhood shopping centers (gross leasable area greater than 5,000 sq.m), high-street retail assets and other sites.

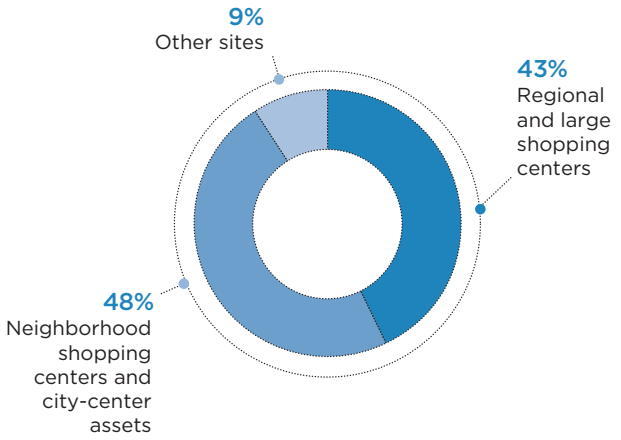
The major regional and large shopping centers and the leading neighborhood shopping centers are made up of shopping centers and adjacent large specialty stores. high-street retail assets are comprised of Monoprix and Leader Price supermarkets. other sites include individual units, including two cafeterias, two fast food outlets and a land reserve.

At December 31, 2019, Mercialys' portfolio was made up of 58 assets, including four large regional centers, 21 large shopping centers, 22 neighborhood shopping centers, six high-street retail assets and five other sites, representing a total gross leasable area of 843,848 sq.m.

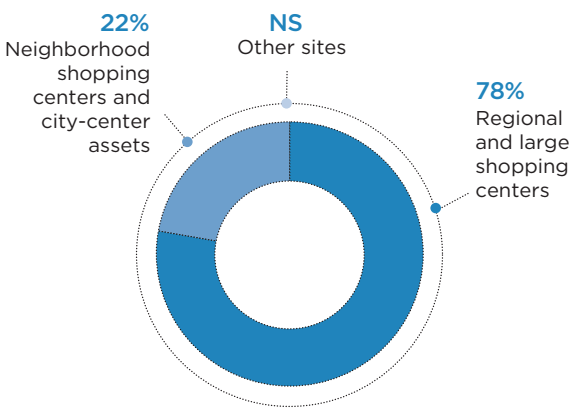
Within its 47 shopping centers, Mercialys owned the premises of the large food stores in 24 of them at the end of December 2019.

BREAKDOWN BY TYPE OF ASSETS HELD BY MERCIALYS

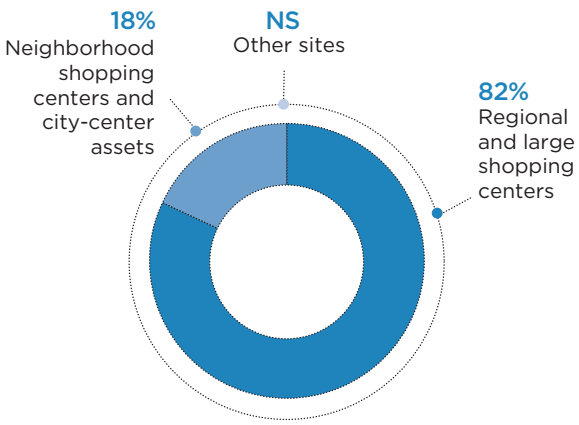
(in number)



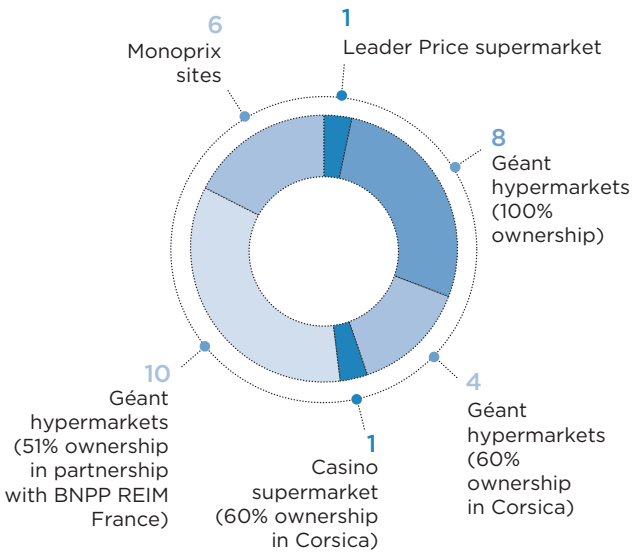
(in sq.m)



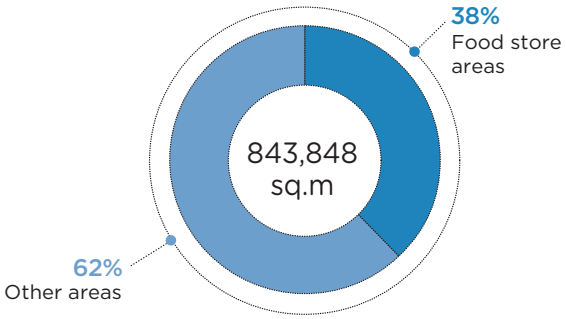
(in appraisal value, including transfer taxes)



BREAKDOWN BY BRAND OF PREMISES OF LARGE FOOD STORES HELD BY MERCIALYS



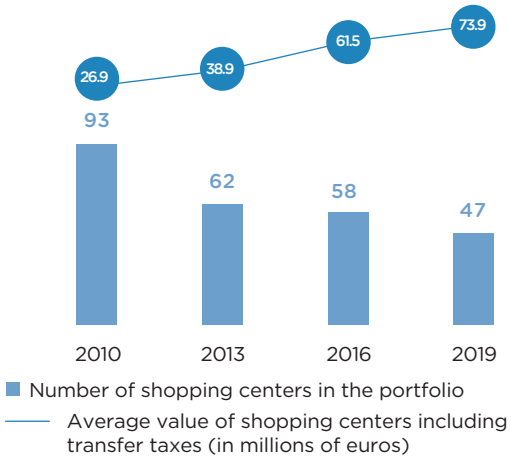
BREAKDOWN OF MERCIALYS' GROSS LEASABLE AREAS

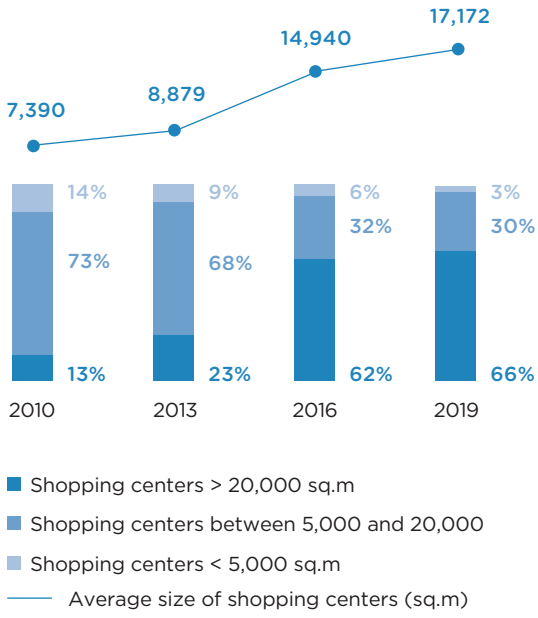


1.3.2.2 A portfolio refocused on leading retail assets in the most dynamic geographical zones of the territory

The result of a decade of buying and selling assets, Mercialys' portfolio is now broadly refocused on leading or co-leading retail sites in their catchment areas.

The average size of the Company's shopping centers (excluding high-street retail assets and other sites) was c. 17,200 sq.m at the end of 2019, vs. c. 7,400 sq.m at the end of 2010. Their average value was Euro 73.9 million including transfer taxes at the end of 2019, versus Euro 26.9 million at the end of 2010.





96% of the assets making up Mercialys' portfolio are in the French regions or Overseas departments, with the remaining 4% in Paris and the greater Paris area. Ile-de-France therefore represents a very small part of the Company's real estate portfolio.

Historically located in eastern-central France (Saint-Étienne), the Casino group, from which Mercialys originated, gradually expanded its operations into neighboring regions (Loire, Haute-Loire, Rhône, etc.) and then, following merger and network takeover transactions, into geographical areas with high development potential, such as the coastal regions of the South-East, West and Brittany.

Thanks to the acquisitions made on Reunion Island in 2007, Mercialys also has operations outside mainland France.

The following table summarizes the main information concerning the regional geographic exposure of Mercialys' real estate portfolio.

Region	Number of sites	Appraisal value including transfer taxes (€m)	%	Gross leasable area (sq.m)	%
Corse	5	120.2	3%	47,863	6%
Ile-de-France	6	132.1	4%	26,475	3%
North-East	2	307.1	8%	59,881	7%
West	10	928.2	26%	205,644	24%
Rhône-Alpes	8	624.0	17%	164,942	20%
Reunion Island	5	324.1	9%	40,939	5%
South-East	11	581.2	16%	135,387	16%
South-West	11	617.4	17%	162,717	19%
TOTAL	**58**	**3,634.4**	**100%**	**843,848**	**100%**

1.3.2.3 Detail of the portfolio at December 31, 2019

Site name and description	Type of asset held by Mercialys	Year of construction	Last project (year)	Built surface of the complex at 12/31/2019 (sq.m)	Gross leasable area held by Mercialys on 12/31/2019 (sq.m)	Of which food store surfaces at 12/31/2019 (sq.m) when owned by Mercialys	Property management
Corse							
Ajaccio Rocade Mezzavia (Géant HM + 46 shops + 3 MSu)	Large shopping centers	1989	2018	28,773	17,264	10,015	CORIN
Bastia Port Toga (Géant HM + 13 shops)	Neighborhood shopping centers	1991	2017	7,034	4,220	3,201	CORIN
Bastia Rocade de Furiani (Géant HM + 48 shops + 2 MSu)	Large shopping centers	1969	2017	24,498	14,699	8,314	CORIN
Corte (Casino SM + 14 shops)	Neighborhood shopping centers	2004	2004	5,831	3,499	2,466	CORIN
Porto Vecchio (Géant HM + 33 shops + 2 MSu)	Neighborhood shopping centers	1972	2003	14,106	8,182	4,963	CORIN
Ile de France							
Amilly Montargis (Géant HM + 1 cafeteria + 15 shops + 2 MSu + 1 car wash station)	Neighborhood shopping centers	1976	2013	15,192	2,189	-	SUDECO
Asnières (Monoprix + apartments)	High-street retail assets	1999	-	3,497	3,497	3,317	SUDECO
Chaville (Monoprix)	High-street retail assets	1957	-	6,244	6,244	6,244	SUDECO
Massena (Géant HM + 29 shops + 2 MSu)	Large shopping centers	1975	2016	31,677	6,020	-	SUDECO
Puteaux (Monoprix)	High-street retail assets	1999	-	5,625	5,625	5,625	OLT
Saint-Denis Porte de Paris (Leader Price SM + 1 MSu)	High-street retail assets	1975	-	2,900	2,900	2,900	SUDECO
La Réunion							
Le Port Sacré-Cœur (Jumbo HM + 109 shops + 4 MSu)	Regional shopping centers	2002	2019	27,024	21,401	-	SUDECO
Saint-André (Land bank)	Other	-	-	-	-	-	-
Saint-Benoît Beaulieu (Jumbo HM + 22 shops)	Neighborhood shopping centers	2000	-	7,492	2,014	-	SUDECO
Saint-Pierre Front de Mer (Jumbo HM + 26 shops)	Neighborhood shopping centers	1987	1992	11,629	2,118	-	SUDECO
Sainte-Marie Duparc (Jumbo HM + 77 shops + 6 MSu + 1 RP)	Large shopping centers	1966	2016	27,384	15,406	-	SUDECO

Site name and description	Type of asset held by Mercialys	Year of construction	Last project *(year)*	Built surface of the complex at 12/31/2019 *(sq.m)*	Gross leasable area held by Mercialys on 12/31/2019 *(sq.m)*	Of which food store surfaces at 12/31/2019 *(sq.m)* when owned by Mercialys	Property management
North-East							
Besançon - Chateaufarine (Géant HM + 85 shops + 11 MSu)	Regional shopping centers	1971	2018	58,218	49,297	11,066	SUDECO
Marcq-en-Barœul (Monoprix + 7 shops)	High-street retail assets	1963	-	10,584	10,584	9,875	SUDECO
West							
Angers - Espace Anjou (Géant HM + 104 shops + 8 MSu)	Regional shopping centers	1994	2017	40,564	39,705	15,529	SUDECO
Angoulême - Champniers (Géant HM + 1 cafeteria + 56 shops + 3 MSu)	Other	1972	2016	35,855	540	-	SUDECO
Brest (Géant HM + 71 shops + 7 MSu)	Large shopping centers	1968	2018	36,545	35,755	15,676	SUDECO
Chartres - Lucé (Géant HM + 43 shops + 3 MSu)	Large shopping centers	1977	2016	27,362	9,714	-	SUDECO
Lanester (Géant HM + 65 shops + 2 MSu)	Large shopping centers	1970	2016	31,267	30,357	19,057	SUDECO
Morlaix (Géant HM + 40 shops + 2 MSu)	Neighborhood shopping centers	1980	2017	28,871	8,054	-	SUDECO
Niort Est (Géant HM + 1 cafeteria + 50 shops + 3 MSu + 1 village service)	Large shopping centers	1972	2015	26,047	20,372	13,306	SUDECO
Quimper - Cornouaille (Géant HM + 1 cafeteria + 91 shops + 6 MSu)	Large shopping centers	1969	2017	34,459	34,459	15,409	SUDECO
Rennes - Saint-Grégoire (Leclerc HM + 86 shops + 2 MSu)	Large shopping centers	1971	2017	52,858	16,999	-	GIE GRAND QUARTIER
Tours - La Riche Soleil (Géant HM + 1 cafeteria + 47 shops + 3 MSu)	Large shopping centers	2002	2002	25,571	9,689	-	SUDECO
Rhône-Alpes							
Annecy Seynod (Géant HM + 58 shops + 6 MSu)	Large shopping centers	1988	2018	28,469	28,469	15,663	SUDECO
Annemasse (Géant HM + 37 shops + 3 MSu)	Large shopping centers	1977	2015	25,564	23,384	15,700	SUDECO
Clermont-Ferrand - Nacarat (Géant HM + 69 shops + 1 MSu + 1 village services)	Large shopping centers	1979	2014	34,779	34,779	17,847	SUDECO
Grenoble - La Caserne de Bonne (Monoprix + 45 shops + 4 MSu + offices)	Large shopping centers	2010	2010	19,124	19,124	3,100	SUDECO
La Ricamarie (Géant HM + 1 cafeteria + 30 shops + 2 MSu)	Other	1976	2015	29,771	405	-	SUDECO
Saint-Étienne - Monthieu (Géant HM + 1 cafeteria + 64 shops + 5 MSu + 1 gas station + 1 car wash station)	Large shopping centers	1972	2017	36,928	36,928	14,462	SUDECO
Vals-près-Le Puy (Géant HM + 1 cafeteria + 22 shops + 5 MSu)	Neighborhood shopping centers	1979	2015	21,367	20,923	11,707	SUDECO
Villars (1 cafeteria in an Auchan SC)	Other	1985	-	30,931	931	-	G.A.C.I TROIN

Site name and description	Type of asset held by Mercialys	Year of construction	Last project *(year)*	Built surface of the complex at 12/31/2019 *(sq.m)*	Gross leasable area held by Mercialys on 12/31/2019 *(sq.m)*	Of which food store surfaces at 12/31/2019 *(sq.m)* when owned by Mercialys	Property management
South-East							
Aix-en-Provence (Géant HM + 1 cafeteria + 32 shops + 1 MSu)	Large shopping centers	1982	2016	26,236	18,075	16,504	SUDECO
Arles (Géant HM + 33 shops + 2 MSu)	Neighborhood shopping centers	1979	2017	26,791	7,328	-	SUDECO
Fréjus (Géant HM + 45 shops + 3 MSu)	Neighborhood shopping centers	1972	2017	19,911	18,809	13,182	SUDECO
Istres (Géant HM + 43 shops + 1 MSu)	Neighborhood shopping centers	1989	2015	25,584	18,934	13,288	SUDECO
La Foux (Géant HM + 30 shops + 1 MSu)	Neighborhood shopping centers	1980	2017	12,761	10,106	8,648	SUDECO
Mandelieu (Géant HM + 49 shops + 2 MSu)	Large shopping centers	1977	2016	31,954	8,553	-	SUDECO
Marseille - Barnéoud Plan de Campagne (Géant HM + 1 cafeteria + 61 shops)	Large shopping centers	1974	1995	43,806	31,382	23,550	SUDECO
Marseille - Canebière (Monoprix)	High-street retail assets	1993	-	5,558	5,558	5,558	SUDECO
Marseille - Delprat (Casino SM + 11 shops)	Neighborhood shopping centers	2001	2015	5,510	1,494	-	SUDECO
Marseille - La Valentine (Géant HM + 62 shops + 4 MSu)	Large shopping centers	1970	2015	32,271	13,924	-	SUDECO
Marseille - Michelet (Casino SM + 14 shops)	Neighborhood shopping centers	1971	2016	10,692	1,225	-	SUDECO
South-West							
Anglet (Géant HM + 1 cafeteria + 10 shops)	Other	1976	2016	16,524	4,326	-	SUDECO
Aurillac (Géant HM + 1 cafeteria + 24 shops)	Neighborhood shopping centers	1988	2015	16,890	3,580	-	SUDECO
Boé Agen (Géant HM + 1 cafeteria + 27 shops + 1 MSu)	Neighborhood shopping centers	1969	2015	18,855	5,499	-	SUDECO
Brive - Malemort (Géant HM + 35 shops)	Neighborhood shopping centers	1972	2017	21,047	5,460	-	SUDECO
Carcassonne - Salvaza (Géant HM + 1 cafeteria + 34 shops + 2 MSu)	Neighborhood shopping centers	1982	2016	19,917	2,502	-	SUDECO
Millau (Géant HM + 5 shops + 1 MSu)	Neighborhood shopping centers	1986	2017	12,610	1,103	-	SUDECO
Montpellier - Argelliers Autoroute (Géant HM + 23 shops + 1 MSu)	Neighborhood shopping centers	1973	2017	18,725	2,325	-	SUDECO
Narbonne (Géant HM + 1 cafeteria + 29 shops + 2 MSu)	Neighborhood shopping centers	1972	2017	20,680	20,680	10,494	SUDECO
Nîmes - Cap Costières (Géant HM + 1 cafeteria + 88 shops + 4 MSu)	Large shopping centers	2003	2017	35,209	35,209	14,209	SUDECO
Rodez (Hyper U HM + 1 cafeteria + 20 shops + 2 MSu)	Neighborhood shopping centers	1984	2017	17,618	1,986	-	SUDECO
Toulouse - Fenouillet (Géant HM + 1 cafeteria + 134 shops + 14 MSu + 1 RP)	Regional shopping centers	1978	2017	105,769	83,889	-	SUDECO
TOTAL				**1,398,958**	**843,848**	**324,874**	

Legend: SC: Shopping center, RSC: Regional shopping center, LSC: Large shopping center, NSC: Neighborhood shopping center, RP: Retail park, LFS: Large food store, LSS: Large specialty strore, MSu: Medium-sized unit, SM: Service mall, HM: Hypermarket, SM: Supermarket, MM: Mini-market, CAF: cafeteria, Other: including isolated lots.

68%
BREEAM In-Use certified portfolio, by value

94%
Percentage of centers that hosted a nonprofit organization

55%
Women in the workforce

2

CORPORATE SOCIAL RESPONSIBILITY

2.1 Mercialys' CSR strategy 70

CSR governance 70

CSR risks 71

2019 main highlights 74

2.2 Energy and greenhouse gas emissions 75

Objective No. 1: reduce energy consumption per sq.m by -20% by 2020 75

Objective No. 2: align its business with a 2°C compatible carbon roadmap 76

2.3 Asset resilience and adaptability 78

Objective No. 1: ensure the adaptability of assets 78

Objective No. 2: enable the assets to progress by one level of BREEAM In-Use certification 78

2.4 Circular economy 79

Objective No. 1: recover 55% of waste in 2020 79

Objective No. 2: reduce water consumption by -15% 80

2.5 Biodiversity 81

Objective: engage in protecting ordinary biodiversity 81

2.6 Accessibility and connectivity 81

Objective No. 1: increase the percentage of visitors using alternative means of transport to individual petrol and diesel cars by +15% 81

Objective No. 2: 80% of visitors have a positive image of center accessibility 82

2.7 Customer well-being, health and safety 82

Objective No. 1: 100% of assets with high level of security and health and safety 82

Objective No. 2: increase comfort and quality of life in the centers 83

Objective No. 3: strengthen visitor satisfaction 83

Objective No. 4: increase tenant satisfaction 84

2.8 Community life and economic development 85

Objective No. 1: promote local employment 85

Objective No. 2: facilitate social harmony 85

2.9 Responsible value chain 86

Objective No. 1: 80% of purchases over Euro 10,000 with CSR clauses 86

Objective No. 2: build CSR awareness across the value chain 89

2.10 Talents and diversity 91

Objective No. 1: identify, attract and retain talents 91

Objective No. 2: combat all forms of discrimination 92

2.11 Organization and quality of life at work 95

Objective No. 1: ensure employee health and safety 95

Objective No. 2: develop employee engagement 96

Appendices 97

1. Additional information and data 97
2. Methodological note 108
3. Independent third party's report 111

2.1 Mercialys' CSR strategy

CSR governance

The team dedicated to Corporate Social Responsibility (CSR) within Mercialys is tasked with defining and implementing the CSR strategy. It is composed of two people: the CSR Manager and a CSR Officer. They are assisted by specialized consultants on specific issues.

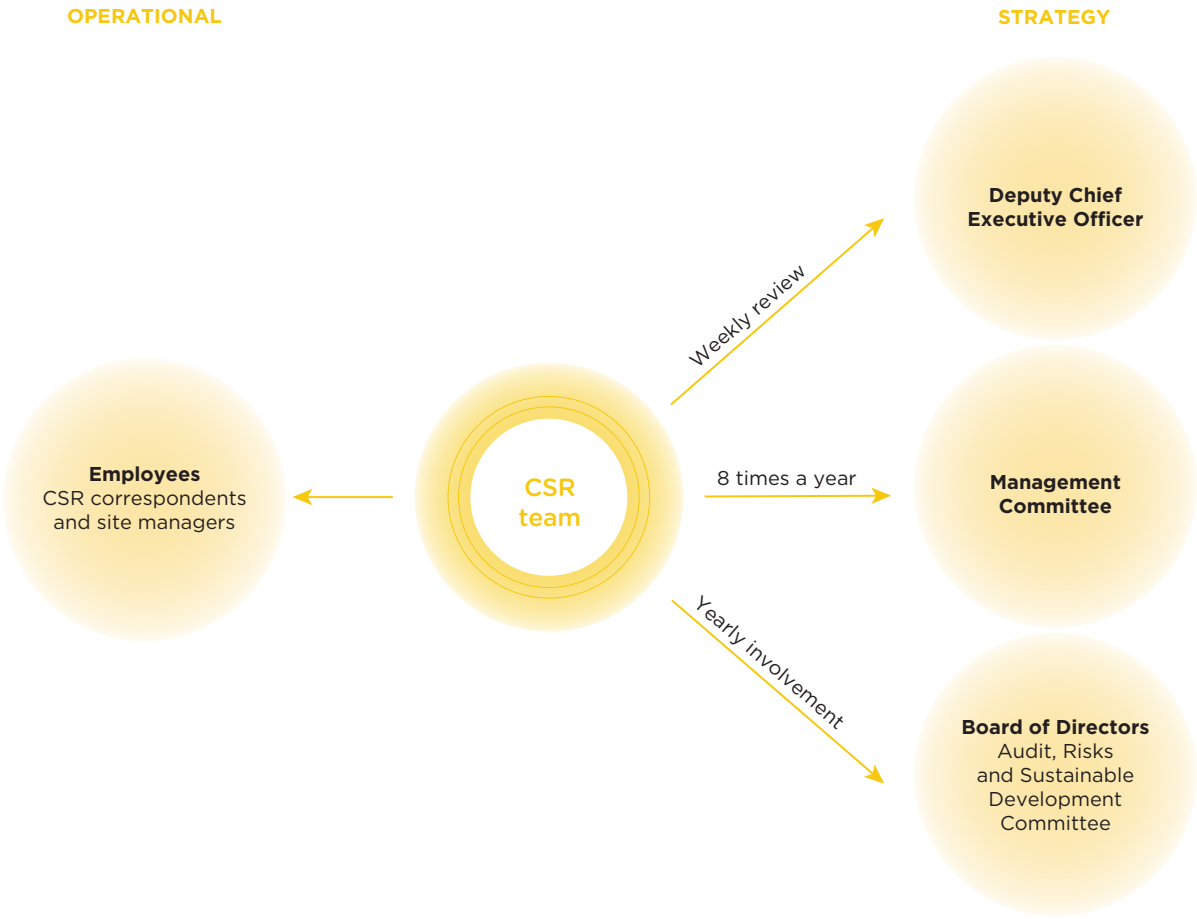
This department is overseen by the Company's Deputy Chief Executive Officer. This confirms the integration of CSR issues in the Company's strategy. Moreover, the CSR Manager is a member of the Management Committee, thus ensuring a link with all other Company departments. The CSR department reports annually on the progress of the CSR strategy to the Company's Audit, Risks and Sustainable Development Committee, one of the Board's three specialized committees.

The projects defined under the CSR strategy are steered by project managers working in the various operational teams. They are backed by the CSR department and a dedicated computer tool which is used to track the key performance indicators of the CSR strategy. Most of the data for the environmental indicators is collected monthly and monitored on site by the center's manager, in coordination with the property manager. Societal indicators are tracked on a quarterly basis, while social indicators are tracked annually.

Part of the annual variable compensation of the Company's corporate officers is linked to the Company's CSR performance. In 2019, the criteria used to measure this performance was the change in the areal carbon intensity of Mercialys' portfolio, with a view to complying with the carbon pathway defined by the Company for the 2017-2030 period. In 2020, Mercialys is continuing to pursue this integration goal, adding a quantifiable CSR objective to the executives' long-term variable compensation(1). For further information, please refer to chapter 4, § 4.2.2.5, p. 261 *et seq*.

In addition, all Mercialys employees have an individual CSR objective for their annual variable compensation. This objective is quantifiable for managers and qualitative for other employee categories. It is job-specific and accounts for 10% of the annual bonus.

CSR GOVERNANCE DIAGRAM



(1) Subject to approval of the 2020 compensation policy by the Annual general meeting of April 23, 2020.

CSR risks

CSR is part and parcel of Mercialys' risk management process. Indeed, the Risks Prevention Committee (RPC) is jointly coordinated by the Company's Internal Control Manager and the CSR Manager. The RPC's duties are the following: 1/ identifying the risks incurred by Mercialys, 2/ surveying and assessing existing procedures, 3/ implementing a plan to supplement or optimize risk management, and 4/ controlling the correct implementation of procedures. The Committee is composed of the Chief Executive Officer, the Deputy Chief Executive Officer and Chief Financial Officer, the Executive Vice-President, the Director of Human Resources, and the Director of Compliance and Ethics.

The RPC has mapped out Mercialys' risks and divided them into 8 categories, one of which focuses on environmental, social and societal risks. The 55 risks identified by this Committee were rated by assessing the probability of their occurrence and their impact. The probability of occurrence appraises the possibility of a risk materializing, at least once, on different time scales. The impact quantifies possible consequences, either in terms of the Company's financial position (change in operating results or Net Asset Value), its reputation (importance given by stakeholders or media impact), or obstacles to the ongoing implementation of the Company's strategy or operations. The CSR risks are ranked based on their consequences in terms of reputation.

The following table shows the CSR risks and opportunities associated with Mercialys' CSR strategy and the risks identified by the RPC, along with the main measures implemented for their management.

RISK RATING

CSR PRIORITY ISSUE	DESCRIPTION OF THE RISK
Energy and greenhouse gas emissions	Should energy resources dwindle, the operating costs of Mercialys' shopping centers could increase or Mercialys could encounter supply problems.
Asset resilience and adaptability	Climate change causes two different types of risks for Mercialys: • physical risks related to the occurrence of increasingly frequent and extreme meteorological events and to the change in global physical variables (global average temperature, average sea level, etc.); • transition risks, particularly regulatory, market and reputational, related to the progression toward a low-carbon society. These risks could have a financial impact on Mercialys' business, particularly through the increase in insurance premiums, the financial impact of damage from increasingly frequent and severe exceptional natural events, and the cost of adaptation measures.
Circular economy	
Biodiversity	Some projects could be blocked or modified on account of their impact on biodiversity.
Accessibility and connectivity	
Customer well-being, health and safety	Mercialys' shopping centers are exposed to security risks (delinquency, attacks), safety risks (fire, flood) and health risks (air pollution, water pollution). The occurrence of such risks could subject Mercialys to additional costs (e.g., additional investment in video surveillance), decreased revenues due to operating losses incurred by the affected tenants, or damage to the reputation of the shopping centers in question.
Community life and economic development	The prosperity of the local economy and the catchment area of each shopping center is essential for Mercialys' business. It allows retailers to continue to generate revenues and by extension allows the Company to continue to collect rental income.
Responsible value chain	The involvement of a Mercialys employee or executive in a case of corruption, insider trading or money laundering could affect the Company legally and financially and tarnish its reputation. An ethics incident connected to one of its suppliers could also harm the Company's reputation.
Talent and diversity	If Mercialys is not attractive on the labor market, it could have difficulty recruiting employees for its strategic positions. A lack of diversity within the Company (age, gender, educational background, etc.) could harm the Company's performance (lack of innovation, strategy that is not suited to the Company's reality, etc.). If Mercialys is unable to retain its talent and it experiences high turnover, the Company's productivity could also suffer.
Organization and quality of life at work	If the quality of work life is poor, absenteeism could rise and this could affect the Company's earnings (e.g., lower productivity due to high turnover).

DESCRIPTION OF THE OPPORTUNITY	MAIN MERCIALYS MEASURES
As energy prices rise, controlled expense levels offer a business argument that can be made to tenants. In addition, the development of renewable energy provides an opportunity for Mercialys to make its shopping centers energy self-sufficient, thereby shielding its tenants from volatile energy prices.	• Monthly monitoring of energy consumption, annual analysis of change from the previous year, and calculation of climate-restated energy consumption to better control consumption and optimize equipment • Measurement of Mercialys' broader carbon footprint, including scope 3
	• Appropriate insurance policy • Environmental certification of assets • Climate change adaptability strategy for assets • Articulation of commitments in line with national and international objectives
As part of the operation of its shopping centers, Mercialys implements solutions for sorting and recovering the waste produced by retailers. Waste management provides an opportunity to collaborate with tenants to reduce the environmental footprint of the shopping centers. By better managing and recovering waste, Mercialys is also able to lower the cost of this item in tenant expenses and therefore be more attractive to retailers.	• Implementation of dedicated communication tools for retailers • Organization of workshops with retailers • Roll-out of sorting of the five waste streams across the portfolio
	• Performance of ecological audits • Implementation of considered management of green spaces
Increasing the accessibility of its shopping centers enables Mercialys to make them accessible to customers without private vehicles, to prevent parking lots from getting too congested, to reduce their carbon footprint and to indirectly help fight air pollution.	• Implementation of alternative mobility solutions: carpooling system, electric vehicles
In an increasingly competitive environment, customer comfort and satisfaction are factors that set Mercialys' shopping centers apart.	• Annual external audit of the security service provider • Implementation of preventive measures for health risks • Implementation of an appropriate insurance policy that covers operating losses • Real-time measurement of visitor satisfaction • Loyalty program • Measurement of tenant satisfaction
The proximity of Mercialys' shopping centers to the local economic hub creates an opportunity to receive better service and responsiveness from the service providers who operate at the shopping centers, thanks to their geographic proximity. In addition, the Company's real estate projects create local jobs. Furthermore, the relationships forged with the local non-profit organizations help to solidify the reputation of the shopping centers within their catchment area and to create a social bond.	• Employment actions held in the shopping centers • Retailers' job vacancies posted on the shopping centers' websites • Provision of spaces for non-profit organizations in the shopping centers • Public consultations as part of mixed-use urban development projects
	• Charter of ethics distributed to all employees every year • Annual ethics training for employees • Whistleblower procedure • Supplier approval process including a statement of integrity • Implementation of construction and maintenance specifications for real estate projects and large-scale maintenance operations
	• Biannual employee satisfaction survey • Monitoring of main diversity indicators • Employee training program
	• Implementation of teleworking

Thanks to the Company's operational CSR governance mobilizing all employees and the identification of CSR priorities, 2019 proved to be a highly successful year.

2019 main highlights

A carbon pathway certified by the Science Based Targets initiative (SBTi)

The year 2019 was firstly marked by the certification of Mercialys' carbon pathway by the Science Based Targets initiative. Indeed, having defined its carbon pathway in 2018, the Company wanted to get scientific recognition of the compatibility of its objectives with the goal of keeping the global temperature rise below 2°C by 2100.

Widely acclaimed CSR performance

The year 2019 was also marked, once again, by recognition of the Company's extra-financial performance by rating agencies as well as sector ratings.

For the 3rd consecutive year, Mercialys was thus awarded a GREEN STAR by the GRESB (Global Real Estate Sustainability Benchmark), with a score of 90/100. The Company thus ranks 5th among commercial real estate companies in Europe.

Moreover, for the 2nd consecutive year, Mercialys is a member of the "A List" of the Carbon Disclosure Project (CDP). In 2019, this list was made up of the world's 181 most committed companies in terms of the fight against climate change, thus distinguishing the top 2% among respondents.

In addition, Mercialys was rated A (on a scale ranging from AAA to CCC) in its MSCI assessment in 2019, climbing one grade versus 2018.

Mercialys also obtained a score of 75/100 in its Sustainalytics assessment in 2019 and maintained its Premium status with an ISS-OEKOM rating of B-.

Lastly, the Company remained in the Gaïa SRI Index for the 7th consecutive year, as the ESG rating it obtained in 2019 propelled it into the 2nd position in its category (revenues between Euro 150 million and 500 million), up two places since 2018.

In 2019, the quality of the Company's financial and extra-financial communications was also recognized once again, firstly by EPRA (European Public Real Estate Association) with the upkeep of its two Gold statuses, and secondly by the *Grands Prix de la Transparence* (Transparency Grand Prix), with the award for the Best Registration Document in the SBF 120.

Commitment to responsible business relations

Another significant event in 2019 was Mercialys' signing of the NEGO4GOOD charter for ethical and responsible business negotiations.

Through this commitment, the Company has undertaken to:

- make negotiation the most ethical method of resolving a disagreement or conflict;
- promote negotiation as a means of creating value;
- train employees and make them aware of the methods of cooperative and value-creating negotiation.

A new CSR reporting tool

In 2019, after 4 years of use, Mercialys has decided to change its CSR reporting tool in order to implement new functionalities and to better integrate this tool into the Company's global IT ecosystem. A call for tenders was launched and the project was rolled out to allow information gathering from October 2019. Some 100 users – including Mercialys employees and its property manager's teams – were trained by the CSR team in the use of this new tool.

2.2 Energy and greenhouse gas emissions

Mercialys is committed to tackling climate change. To this effect, it has set itself objectives to reduce its energy consumption and greenhouse gas emissions in line with the goal of limiting the increase in global temperature to 2°C.

Objective No. 1: reduce energy consumption per sq.m by -20% by 2020

Energy performance is a major long-term challenge for Mercialys. Indeed, due to the dwindling of energy resources and the increase in related taxes, Mercialys could see an increase in its centers' operating costs or encounter supply difficulties. Investing in the centers' energy efficiency thus helps to ensure that service charges are kept under control for retailers, while helping to reduce the centers' environmental footprint. Moreover, on the shorter term, improving the energy efficiency of the assets makes it possible to anticipate the implementation of the French "service-sector decree" relating to the obligation of improving the energy efficiency of existing commercial buildings. Mercialys is thus mindful of the energy efficiency of its assets during its shopping centers' design, construction and restructuring phases, as well as in operational phases.

The design and construction phases are critical to reducing the building energy consumption. Adopting the principles of bio-climatic architecture – which requires the factoring in of natural elements (such as wind or sun) in the design of the buildings – makes it possible to reduce their energy requirements, for example by promoting natural lighting. Construction techniques also have an impact on the building's energy efficiency.

Consequently, Mercialys has formalized its requirements in this regard in a "Construction and Maintenance Specifications Guidelines," which it appends to the assigned project management contract and implements in its real estate projects.

In 2019, Mercialys' centers used 56,605 MWh of energy, including 74% electricity, for their operation.

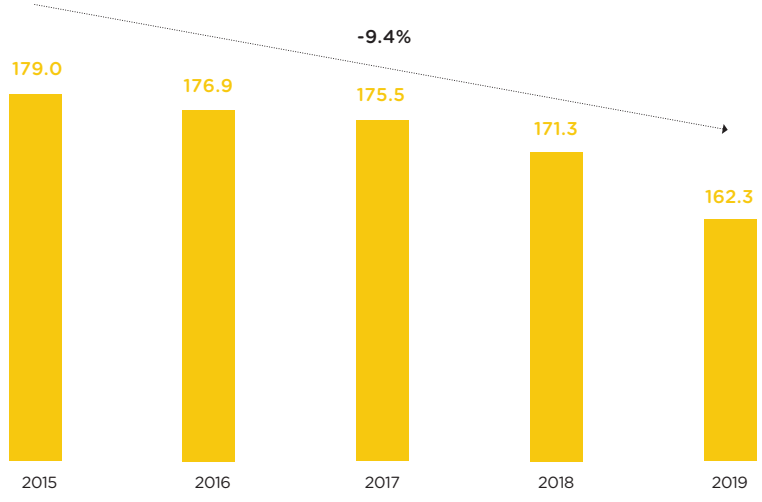
Between 2015 and 2019, the Company thus reduced its energy intensity per sq.m by -9.4% on a like-for-like basis.

ENERGY INTENSITY PER SQ.M

		Areal energy intensity *(in kWh/sq.m)*	Coverage rate
Current scope	2015	188.3	97%
	2016	187.2	98%
	2017	183.2	98%
	2018	173.0	98%
	2019	**162.2**	**100%**

ENERGY INTENSITY PER SQ.M

(in kWh/sq.m – like-for-like basis)



Coverage rate: 98%

To reduce its centers' energy consumption, Mercialys uses several levers:

- diagnoses via energy audits to identify optimization actions and the investments required. In 2019, audits were carried out on 18% of the portfolio;
- the introduction of real-time measurement of consumption, use by use. To accomplish this, 60% of Mercialys' assets have had remote-readable submeters installed since 2017;
- the management and supervision of facilities with the adjustment of regulated temperatures based on outdoor temperatures, surveillance of the operation times taking into account overnight construction work, Sunday opening hours, special opening hours, etc. These configurations are made possible by the Building Management Systems (BMS), which 85% of Mercialys' assets have;
- the installation of more energy-efficient equipment, such as LED lighting. In 2019, 25% of the assets were fitted with LED bulbs.

The development of self-produced electricity also reduces energy consumption from the power network. For example, in 2019, the self-produced electricity consumed by La Galerie Cap Costières shopping center in Nîmes amounted to 306 MWh of electricity, representing 25% of its total energy consumption, thanks to photovoltaic units installed above the green spaces.

Objective No. 2: align its business with a 2°C compatible carbon roadmap

Reducing the carbon footprint of its assets enables Mercialys to contribute to the ecological transition of local communities and bring its shopping centers into a forward-thinking mind-set in order to ensure their long-term operation and value.

In order to reduce its carbon footprint, Mercialys has begun to measure and monitor its scope 1 and 2 greenhouse gas emissions (linked to energy consumption for the centers' common areas and general services, and to refrigerant leaks from air conditioning systems), as well as its high-emission scope 3 sources.

Having measured its emissions and identified its action levers, Mercialys defined its "2°C pathway", setting itself ambitious objectives in terms of reduction of GHG emissions, in order to contribute to the joint effort of limiting the rise in global temperature to 2°C by the end of the century.

Aware that the fight against climate change cannot be limited to the scope of its direct responsibility, the Company has set objectives for scope 3 as well as for scopes 1 and 2.

Mercialys' climate strategy for the 2017-2030 period is thus based on the following four objectives:

- reduce scope 1 and 2 emissions by -47% per sq.m using the market-based method[(1)];
- reduce emissions from tenants' energy consumption by -46% per sq.m;
- reduce emissions from employee travel by -26%;
- reduce the greenhouse gas emissions from the treatment of the waste produced by the centers by -26% per ton of waste produced.

These objectives were certified in September 2019 by the Science Based Targets initiative (SBTi), making Mercialys one of the world's first real estate companies to see its objectives scientifically validated and the first among France's retail real estate companies.

Mercialys' main levers to achieve its scope 1 and 2 objective are the following:

- reducing the centers' energy consumption;
- the use of lower-carbon energy sources for the operation of the centers;
- the replacement of leak-prone air conditioning systems with new units using fluids whose Global Warming Potential (GWP)[(2)] is lower.

To achieve its commitments to reduce scope 3 emissions, the cooperation of all stakeholders – tenants, employees, the centers' service providers, etc. – is essential. To get these stakeholders involved, Mercialys' main levers are the following:

- working with retailers on the reduction of their energy consumption;
- proposing a carbon-free electricity purchase agreement to tenants;
- raising the awareness of employees on the carbon footprint of their business trips, developing video-conferencing and teleworking;
- working on the end-of-life treatment of the waste produced by the centers;
- informing the general public.

Between 2017 and 2019, Mercialys:

- reduced its scope 1 and 2 emissions by -18.6% per sq.m;
- reduced its emissions from employee travel by -34%;
- reduced its emissions from the end-of-life treatment of the waste produced by the centers by -0.3%.

Using the market-based method to measure these emissions enables Mercialys to use the emission factors of the suppliers from whom it buys its electricity and to highlight the purchase of electricity from renewable sources.

(1) Market-based method: method used to calculate CO_2 emissions from electricity consumption, based on emission factors from the energy supplier.
(2) GWP is an indicator that measures the cumulative effect of all the substances that aggravate the greenhouse effect.

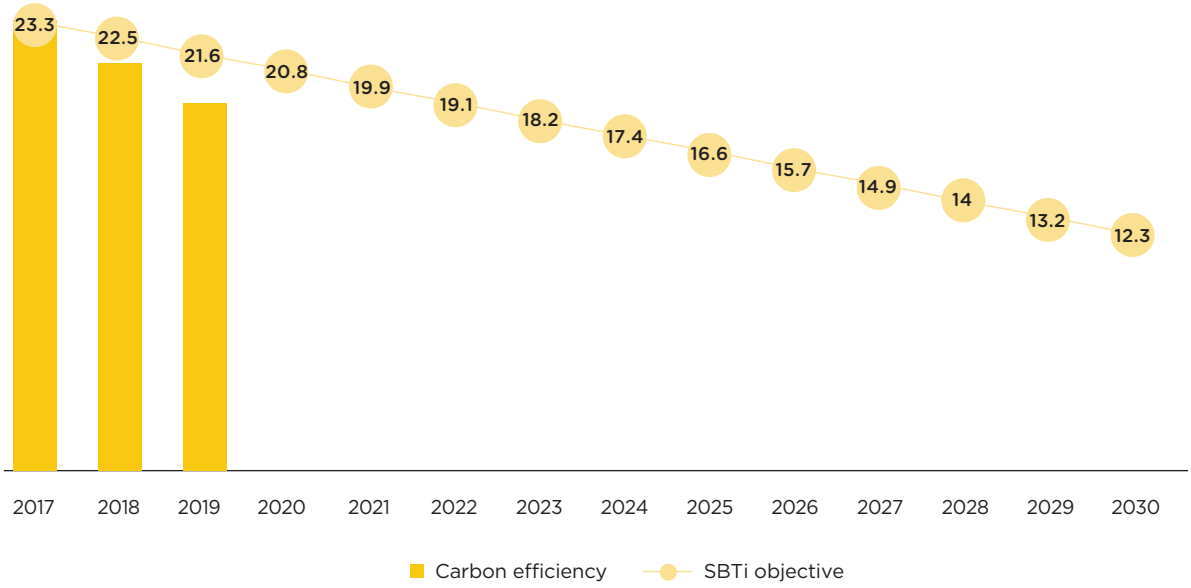
GREENHOUSE GAS EMISSIONS AND SBT OBJECTIVES

	Scopes 1 and 2	Scope 3		
	Energy of common areas and general services *(in $kgCO_2e/sq.m$)*	**Tenants' energy consumption** *(in $kgCO_2e/sq.m$)*	**Employee travel** *(in tCO_2e)*	**Waste management** *(in tCO_2e/ton)*
2017	23.3	51.5	289	0.280
2018	21.1	53.2	321	0.282
2019	**19.0**	**53.1**	**190**	**0.279**
Change 2018-2019	**-10.2%**	**-0.2%**	**-40.8%**	**-0.8%**
Change 2017-2019	**-18.6%**	**+3.1%**	**-34.3%**	**-0.3%**
Objective 2030	**-47%**	**-46%**	**-26%**	**-26%**

Coverage rate for scopes 1 and 2: 98%

AREAL CARBON INTENSITY, SCOPES 1 & 2

(in $kgCO_2e/sq.m$ - Like-for-like basis)



As proof of the efficiency of its active commitment to combat climate change, in 2019 Mercialys remained in the CDP "A List", which it first joined in 2018. This list is made up of the world's 181 most committed companies in terms of the fight against climate change, i.e. the top 2% of responding companies, representing a total of more than 50% of the world's stock market capitalization in 2019.

2.3 Asset resilience and adaptability

For Mercialys, human-induced climate change, which is already underway, poses two types of risks:

- physical risks linked to climatic events and their potential impacts on the assets in the portfolio. The increase in extreme events and their severity, as well as the expected rise in global average temperature and sea levels, can have an impact on the Company's portfolio and its operating conditions. For certain assets, these risks call for the implementation of preventive adaptation measures, whether in terms of crisis management or structural measures (such as the raising of electrical installations to avoid water damage in the event of flooding). Thus, within the framework of the Company's Risk Prevention Committee, a mapping of the assets was carried out from the viewpoint of natural risks: 18% of Mercialys' assets are covered by a Natural Risk Prevention Plan (NRPP) and only 1% are undergoing legally required work on existing assets as part of Flood Risk Prevention Plans (FRPP). Moreover, the Company has taken out a specific insurance policy to cover these risks and has developed an adaptability strategy to improve the resilience of its assets ;
- transition-related risks, due to changes in the regulatory environment and public policies as a result of the implementation of the transition towards a low-carbon society, or due to changes in consumption habits or reputational implications. For example, France's National Low-Carbon Strategy is targeting almost complete decarbonization of the building sector by 2050. The management of these risks entails the adoption of ambitious objectives, in line with national targets and certified in accordance with national and international commitments, as well as the environmental certification of the portfolio and increased dialogue with stakeholders.

Objective No. 1: ensure the adaptability of assets

To ensure the environmental resilience of its assets, Mercialys has developed an adaptability strategy for its portfolio. It consists in the preparation and availability of a simplified library of technical, organizational and behavioral measures, on the scale of the sites, that can be called upon within a strategy of adaptation to various contingencies.

For each asset, this strategy makes it possible to:

- identify the risks (storm, coastal erosion, change in uses, technical obsolescence, etc.);
- characterize their impact on the site (buildings, technical facilities, uses, etc.);
- define the most appropriate strategy to deal with these risks.

Mercialys' assets must also be resilient to societal changes, i.e. its shopping centers must be tailored to market needs, catchment areas and new consumer habits. To this end, the Company has opted to design its centers in a modular fashion, allowing their reconfiguration in keeping with retailer needs and changes in commercial concepts. Mercialys thus rolled out a transformation program to modify the surface areas dedicated to hypermarkets, allowing the creation of additional shopping space (boutiques and medium-size stores) by reducing the retail space of large food stores.

The 2019 inauguration, in Bastia Furiani, of the first healthcare hub in a Corsican shopping center (with 12 practitioners) addresses the same issue of adaptation of the value-generating merchandising mix, in keeping with local needs and functional diversity requirements.

The Company also takes account of new property uses and growing demand for multi-purpose spaces by developing co-working facilities in its centers. In 2019, Mercialys thus opened its first co-working facility under the brand name"Cap Cowork" in the directly-run La Galerie Espace Anjou shopping center in Angers. The Company will launch a similar operation on a second site (La caserne de Bonne in Grenoble) in early 2020.

Objective No. 2: enable the assets to progress by one level of BREEAM In-Use certification

The centers' environmental certification provides Mercialys with a simple, clear and upgradeable environmental management tool to compare the environmental performance of the assets in its portfolio, identify good practices, and improve the teams' management of the centers.

In addition, certification protects the portfolio from the risk of obsolescence, due to its market-wide use and through the factoring in of the CSR criteria emerging in industry standards. Furthermore, certification sparks the interest of investors, as illustrated by rating agencies' questionnaires and extra-financial ratings.

Since 2014 Mercialys has been gradually earning environmental certifications for its portfolio. The objective is to have 80% of the portfolio certified, in value terms, and then to increase the certification by one level by 2020.

To do this, the Company has been using the BREEAM In-Use environmental certification, a global standard in the field of retail real estate.

As at December 31, 2019, 68% of the portfolio is certified BREEAM In-Use, at an average level of Good on Part 1 and Very Good on Part 2.

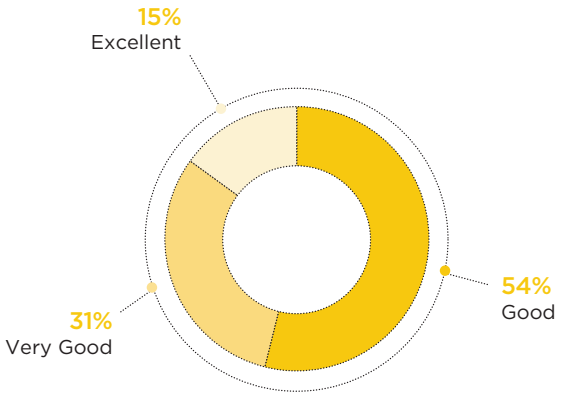
In 2019, Mercialys was granted the BREEAM In-Use certification for three additional centers: La Galerie Chateaufarine, La Galerie Géant Annemasse and Jas-de-Bouffan – certified in partnership with Altarea Cogedim.

Moreover, the certification of 22% of the portfolio was renewed at an equivalent or higher level, in a context of increasingly stringent requirements being imposed by the standard.

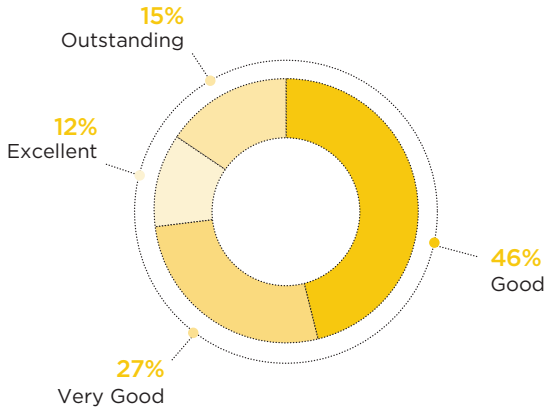
ENVIRONMENTAL CERTIFICATIONS FOR OPERATION

		Percentage of certified centers, by value
Current scope	2015	28%
	2016	28%
	2017	46%
	2018	56%
	2019	**68%**
	Change 2018-2019	**+23%**
	Change 2015-2019	**+141%**

PART 1: INTRINSIC QUALITY OF THE ASSET



PART 2: ASSET MANAGEMENT



2.4 Circular economy

Circular economy refers to an economic model whose objective is to produce goods and services in a sustainable way by limiting the consumption and wastage of resources (raw materials, water and energy). By adopting a circular economy approach, Mercialys is seeking to maximize the recycling and recovery of its centers' waste, and reduce their water consumption.

Objective No. 1: recover 55% of waste in 2020

The waste produced in shopping centers, stems almost entirely from retailers' activities and depends on their supply-chain operations. For Mercialys, the challenge is therefore to propose suitable sorting solutions to tenants to keep their expenses under control in a context of increasing waste treatment costs. This cost control also entails working on outfalls, in coordination with the centers' service providers and local authorities. Working towards the better management of waste also creates an opportunity to improve collaboration between lessors and lessees and reduce the shopping centers' global environmental footprint.

In 2019, 8,671 tons of waste were produced by Mercialys' centers. This represents an average of 222 tons of waste for each shopping center. The waste produced by the shopping centers is made up of 76% nonhazardous industrial waste (NHW), 22% cardboard and 2% other waste (plastic, wood, metal, paper, glass, bulky items and biodegradable waste).

In 2019, 59% of this waste was recovered (recycling, composting, incineration with energy recovery, etc.), representing a +107% improvement over 2015.

WASTE RECOVERY

		Recovery rate	Coverage rate
Current scope	2015	27.9%	68%
	2016	18.4%	77%
	2017	31.8%	76%
	2018	47.4%	77%
	2019	**59.2%**	**83%**

In 2019, in collaboration with its property manager, Mercialys modified its centers' waste storage areas and established contracts to ensure the systematic sorting of cardboard, plastic, biodegradable waste, paper, glass, wood and metal across its entire portfolio. Work programs and/or contract modifications thus took place in 17 centers. This work is set to continue in 2020, in accordance with the decisions made at the 2019 Annual General Meetings.

Moreover, following the waste management workshops conducted with retailers, waste signage was reviewed in centers and a waste sorting guide was produced in 2019.

In its shopping centers, Mercialys also raises visitor awareness on the importance of waste sorting. The common areas are equipped with multi-compartment bins. Furthermore, in 2019, a CSR event called "Tri Basket" was organized in 3 centers to educate children in the sorting of waste.

Mercialys' development projects also generate waste. Consequently, the Company has included a specific clause on sorting construction waste in its Construction and Maintenance Specifications that must be followed by the delegated project management.

Objective No. 2: reduce water consumption by -15%

While its centers are not situated in areas of water stress and its activities are not intensive users of water, Mercialys is committed to reducing its centers' water consumption in order to reduce its environmental footprint.

In 2019, 159,418 m^3 of drinking water were consumed across Mercialys' portfolio.

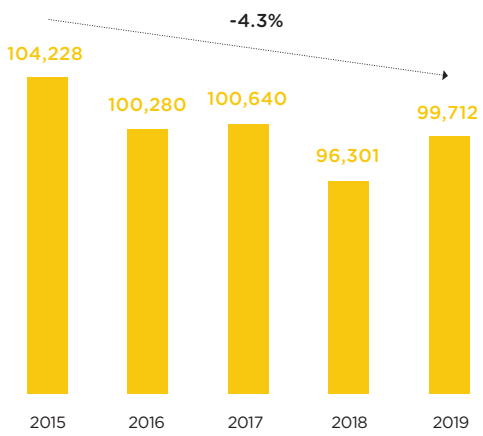
On a like-for-like basis, water consumption fell by -4.3% between 2015 and 2019.

TOTAL WATER CONSUMPTION

		Water consumption *(in m^3)*	Coverage rate
Current scope	2015	135,458.5	83%
	2016	139,763.1	88%
	2017	144,198.6	89%
	2018	134,027.5	100%
	2019	**159,417.8**	**100%**

TOTAL WATER CONSUMPTION

(in m^3 – constant scope)



Coverage rate: 85%

In order to reduce its centers' water consumption, Mercialys has introduced water-saving equipment in its centers' toilet facilities (dry urinals, pressure reducers, dual-flush systems, etc.) and has asked its property manager to monitor the monthly water consumption of common areas and tenants. Moreover, in their daily rounds, the technicians in charge of the sites' maintenance conduct preventive searches for leaks.

Rainwater storage tanks are used to provide water to the toilet facilities and spray the green areas, thereby reducing the water used for such purposes. Such tanks have been installed in 24% of the centers in the portfolio.

Finally, consideration of the types of plant species chosen by landscapers for planting schemes reduces the need for spraying the green spaces in the shopping centers. "Smart" watering systems have also been installed (automatic timers, drip irrigation, etc.).

2.5 Biodiversity

Mercialys' impact on biodiversity is limited since the Company does not build its sites from scratch. Consequently, it does not contribute to land artificialization. Furthermore, most of its assets are located in France, in urban or semi-urban areas. For this reason, the Company aims to become a protector of "urban" and "ordinary" biodiversity.

Objective: engage in protecting ordinary biodiversity

Since 2015, the Company has commissioned environmental audits on 43% of its portfolio in order to take stock of its assets' existing biodiversity, assess of its operating practices, and define areas of improvement.

BIODIVERSITY

		Average BREEAM In-Use score for Land Use & Ecology
Current scope	**2019**	**55.1%**

Following these audits, Mercialys had its green space maintenance contract amended for the following purposes:

- to introduce a "zero phytosanitary products" policy;
- to fight against invasive species that harm native biodiversity by disturbing and destroying it;
- to promote the use of indigenous species to limit the need for external action.

In 2019, to continue its focus on protecting ordinary biodiversity, the Company organized an educational activity at the Galerie Espaces Fenouillet shopping center in Toulouse, which has beehives to educate customers about bee-keeping.

Birdhouses and insect hotels were also installed in 26% of the portfolio in order to develop habitats that are conducive to hosting biodiversity on-site.

2.6 Accessibility and connectivity

For Mercialys, improving the accessibility of its shopping centers via modes of transport other than private vehicles is an important issue. This enables the Company to make its centers accessible to customers who do not have their own transport, reduce parking lot overcrowding, reduce the center's carbon footprint from visitor travel, indirectly combat air pollution, and improve customer satisfaction through a smooth customer experience.

Objective No. 1: increase the percentage of visitors using alternative means of transport to individual petrol and diesel cars by +15%

New forms of mobility are flourishing in both urban and suburban environments (carpooling, car-sharing, electric and hybrid vehicles, scooters, bike sharing, etc.). For Mercialys, they represent an opportunity to attract people without private vehicles to its centers or to offer them alternative transport solutions which are more economical.

They also give Mercialys a chance to reduce its assets' extended carbon footprint, given the significant amount of greenhouse gas emissions linked to travel, and help reduce air pollution.

With this in mind, Mercialys seeks to add to and diversify the transport solutions to access its shopping centers.

The Company's actions have two focuses:

- develop an innovative, less carbon-intensive transport offering in conjunction with local authorities and through partnerships with specialized players.

  To this end, the Company has regular exchanges with its stakeholders, in particular to improve public transport services to its shopping centers (service frequency, operating hours, ease of access to the stops from the centers' entrances) and to develop intermodality.

  At the end of 2019, 99% of the Company's shopping centers were accessible by public transport, i.e. less than 500 m from the stop to a shopping center entrance.

Mercialys also provides special facilities in its car parks:

- bicycle shelters;
- parking spaces reserved for carpooling users. These are available in 67.5% of Mercialys' shopping centers;
- charging stations for electric and hybrid vehicles. These are available in 46.3% of Mercialys' shopping centers;

- promote the use of low carbon footprint transport for visitors and retailers through: real-time display of bus timetables in the centers, messages raising awareness on screens in the center, information on the shopping centers' website, etc.

In 2019, Mercialys reviewed its data collection methods concerning the means of transport used by visitors, in order to increase the number of respondents.

In 2019, 16% of visitors traveled to Mercialys shopping centers on foot, by bicycle or by public transport. Between 2015 and 2019, there was thus a 12% increase in the number of visitors using modes of transport other than gasoline-powered cars.

MODES OF TRANSPORT USED BY VISITORS

		Car or motorbike	Public transport	Bicycle	On foot	Coverage rate
Current scope	**2019**	**83.8%**	**8.3%**	**0.9%**	**6.9%**	**93%**

Objective No. 2: 80% of visitors have a positive image of center accessibility

The demand for immediacy and practicality is escalating among consumers. At the same time, France's population is aging[(1)]. The growing need for universal accessibility is a challenge that Mercialys is dedicated to meeting, and that also benefits families.

2.7 Customer well-being, health and safety

As a real estate company, Mercialys must guarantee the safety of visitors and staff working in the shopping centers by ensuring compliance with applicable regulations and the quality of fire safety measures. Beyond safety, Mercialys strives to ensure the well-being and comfort of visitors and retailers in its centers in order to gain their loyalty and provide a high-quality customer experience, for their satisfaction.

Objective No. 1: 100% of assets with high level of security and health and safety

The Company's search for operational excellence is driven by its desire to provide a welcoming atmosphere to visitors and staff working in Mercialys' shopping centers in order to provide a good customer experience. This quality-centered approach also applies to the centers' safety services, in order to reduce risks and satisfy visitors and retailers.

Mercialys' shopping centers are the workplace of some 20,000 people employed by retailers. They are also a place for strolling and leisure for customers, with over 119 million visitors welcomed in 2019. Due to this concentration of people, the centers can be a target for malevolent acts. They can also be places where the consequences of an incident can take on considerable proportions.

Furthermore, the visitors' satisfaction and well-being are influenced by a sense of safety when they are in the shopping centers. Guaranteeing the security and safety of visitors and store employees is therefore a priority for the Company.

Mercialys is thus especially attentive to the management of the sanitary and safety risks by its shopping centers' property manager and facility manager.

Moreover, the Company has been working on the set-up of a risk prevention and management policy with its stakeholders. This firstly involves identifying the risks, assessing them, and then setting up an appropriate risk management system.

(1) Source : INSEE, Tableaux de l'économie française, 2018 edition.

A quarterly report on the assets' regulatory compliance in this regard was introduced in order to take stock of the situation and identify the actions to be carried out.

Procedures are also in place for the management of these risks. In 2019 – a year that was marked by the "yellow vests" movement in the first quarter, followed by nation-wide strikes in the fourth quarter – these procedures were tested on a regular basis, proving their relevance and effectiveness.

Prevention measures are also implemented, in particular concerning security. An annual audit of each center's security service provider is thus conducted by an external firm.

This audit focuses on the qualification of the teams, their continuous training and their knowledge of the procedures. It also includes a real-life simulation. If the score is below 90%, the service provider must propose an action plan to the property manager and undergo a new audit within three months. If the score of this counter-audit is still below 90%, the contract with the service provider is terminated.

Furthermore, Mercialys regularly commissions specific surveys and audits of certain risks in a proactive way, to ensure that such risks are properly managed, beyond regulatory requirements. Examples include tests in the water systems to make sure there is no legionella contamination, construction audits to check roof stability, etc.

SAFETY AUDITS

		Average score	Percentage of shopping centers covered by a safety audit
Current scope	2018	87.9%	78.7%
	2019	**86.7%**	**82.9%**

Beyond the physical safety of employees, retailers and visitors, Mercialys must also ensure the security of its IT data, including personal data.

The Company has a Data Protection Officer (DPO) whose duty is to ensure that its practices comply with the General Data Protection Regulation (GDPR), which came into force on May 25, 2018. It has also set up a personal data protection program for this purpose. The processing of this data was mapped out to ensure that personal data is processed in accordance and commensurate with pre-identified purposes, in a totally safe and confidential way, and to ensure that subcontractors comply with the same conditions. Contractual relationships with subcontractors are covered by the latest changes in applicable personal data protection regulations, including European regulations and the French data protection law (*Loi Informatique et Libertés*) of January 6, 1978, as amended.

Mercialys has acquired a tool which allows better monitoring of the processing of personal data via a software platform that controls compliance with the GDPR. In addition, compliance checks are conducted on a regular basis.

Employees have been made aware or the importance of complying with this regulation and the Company places a high priority on providing assistance and training to the teams specifically in charge of processing such data. At December 31, 2019, 92.5% of Mercialys employees had received training in personal data protection.

An ongoing monitoring process covers all those involved in the personal data processing chain. Furthermore, Mercialys makes every effort to provide people with the clearest and most transparent information on how their data is used by the Company. This dissemination of a data protection culture will remain part of the 2020 training program.

Objective No. 2: increase comfort and quality of life in the centers

Mercialys strives to improve the well-being and comfort of visitors and retailers; these are factors that set its shopping centers apart and make them a preferred destination.

To accomplish its goals, the Company measured the lighting levels, air flow rates, acoustics and indoor air quality of 79% of its portfolio over a four-year period in order to identify the steps to take to improve comfort in its shopping centers (increase in ventilation delivery rates, rectification of the air duct system, replacement of light fixtures, etc.).

Specific requirements concerning indoor air quality and the use of glues, paints and varnishes with an A+ environmental label have been incorporated in the Company's "Construction and Maintenance Specifications". These specifications are mandatory for companies in charge of construction work and major maintenance operations in Mercialys shopping centers.

In addition, the Company regularly verifies the quality of the main services in the centers (cleaning, waste sorting and collection, maintenance of green spaces, etc.) in order to provide a high-quality environment to the sites' personnel, as well as their visitors.

Moreover, Mercialys is working on developing a service offering tailored to its tenants' needs. A "retailer card" was thus introduced for the centers' retailers, allowing them to benefit from special offers, a dedicated carpooling service and a loyalty program.

Objective No. 3: strengthen visitor satisfaction

In an increasingly challenging competitive environment due to the growth of e-commerce, the increase in the number of physical shopping facilities and the emergence of new modes of consumption, visitor satisfaction has strategic importance for Mercialys. Indeed, the positioning of the centers within local communities, the centers' footfall and customer loyalty underpin retailers' economic performance, and thus the value of the Company's portfolio.

Mercialys measures visitor satisfaction in real-time with its digital tools, which enable it to rapidly implement corrective actions. The Company uses various tools to measure this satisfaction: e-mails sent to customers after their visit, a form to log into the center's Wi-Fi portal (to which a specific question was added) and the center's digital terminals. Customers rate their satisfaction on a scale of 1 to 5. In 2019, the average satisfaction score was 4.3/5, an improvement of +2% versus 2018.

Through the shopping centers' websites and Facebook pages, visitors can interact in real time with the centers' management teams to give them suggestions or their opinions on the quality of the services (e.g. cleaning of the centers) or events taking place within these centers.

VISITOR SATISFACTION

		Average score on visitor satisfaction survey	Percentage of centers covered by a visitor satisfaction survey
Current scope	2015	Not comparable	63%
	2016	Not comparable	65%
	2017	Not comparable	86%
	2018	4.2	93%
	2019	**4.3**	**94%**
	Change 2018-2019	**+2%**	

Coverage rate: 100%.

In addition to receiving this direct feedback from customers, Mercialys has implemented an internal operational excellence procedure that allows each shopping center manager to eliminate sources of customer dissatisfaction, such as toilet cleanliness or a recurring lift failure, in a spirit of continuous improvement. Each shopping center manager is thus asked to imagine that they are customers and share their comments through a dedicated IT tool.

This tool automatically generates alerts for the site's property manager and the departments involved (marketing, asset management), and makes it possible to monitor the implementation of corrective actions.

Mercialys' Operations Department conducts quarterly progress reviews with the services involved on the handling of these sources of customer dissatisfaction in order to identify service providers with recurring shortcomings, or determine how to further speed up the resolution of such incidents. In 2019, 4,273 sources of customer dissatisfaction were dealt with.

In addition, to measure and improve the quality of the welcome provided to visitors and staff, an annual report on the quality of the main services performed in the centers (cleaning, waste collection and management, maintenance, upkeep of green spaces, etc.) is submitted to Mercialys by the property manager. Following this report, budget adjustments or changes of service providers may take place.

Furthermore, to improve visitors' satisfaction and gain their loyalty, Mercialys has introduced a free, innovative loyalty program which is entirely electronic and fully complies with the GDPR. The program rewards customers for their visits or purchases in the center through electronic gift vouchers. Customers enrolled in the program also gets exclusive discounts for the stores in the center. At December 31, 2019, nearly 105,000 people had subscribed to the loyalty program, representing a sharp increase of +113% versus 2018.

Objective No. 4: increase tenant satisfaction

Retailers are Mercialys' direct customers, so the Company is keen to meet their needs and provide them with an environment that is suitable for their business.

To that end, conducted several types of satisfaction surveys among retailers in its shopping centers in 2019.

Mercialys queried its tenants on their wellbeing in the center, their satisfaction with the services offered, and their opinion on the quality of the service providers' work in the shopping center. Such surveys were conducted in 84% of the Company's centers in 2019.

TENANT SATISFACTION

		Percentage of centers covered by a tenant satisfaction survey
Current scope	2016	28%
	2017	53%
	2018	63%
	2019	**84%**
	Change 2018-2019	**+33%**

Coverage rate: 100%.

To specifically find out about its tenants' satisfaction with the marketing operations conducted (special operations, loyalty program, gift vouchers, retailer app, etc.), a survey was carried out by the marketing department in 2019 on 89% of the portfolio (in value terms), with store managers and retailers' sales staff. The objective was to determine whether they were satisfied with the initiatives put in place and if they had enough information on that subject to inform and guide the centers' visitors. This survey confirmed the appropriateness of Mercialys' choice of electronic customer reward programs and reasserted the need to regularly inform retailers on site concerning special operations and tools put in place by the Company.

Moreover, in 2019, the letting department also launched a survey to measure retailers' satisfaction with the letting process (from the first exchanges with Mercialys' letting teams to the actual opening of the store). For this survey, 100% of tenants who had signed a lease with Mercialys in 2019 were contacted, with an average response rate of 23%.

2.8 Community life and economic development

Shopping centers are places where people meet and gather. They thus play an active role in the cities where they are located, creating new forms of centrality. Attuned to this responsibility, Mercialys fuses its shopping centers with their local ecosystem by hosting non-profit organizations and local initiatives, and by participating in the local economy of the regions in which the centers are located.

Objective No. 1: promote local employment

Mercialys is a key player in the local economy and job market. A large number of people work at a shopping center (retailers, architects, construction workers, and service providers in charge of cleaning or the maintenance of planted areas, etc.). Through its centers, Mercialys creates indirect local employment covering a wide range of trades.

In 2019, Mercialys' shopping centers generated 19,764 local jobs: 19,364 jobs generated by shopping center retailers and 400 jobs related to services provided for the centers (maintenance, cleaning, upkeep, etc.).

The Company is also proactive in its support of the local job market. In this spirit, employment events were held at 28% of the shopping centers in 2019. These events included regional job fairs and "job dating". In Toulouse, for example, a regional job forum was organized for the 2nd consecutive year: 77 companies recruited more than 900 employees during the event. Non-profit organizations dealing with vocational integration and training bodies were on hand to help the jobseekers return to the workforce.

The Company also publicizes its retailers' job openings through a dedicated section on each shopping center's website. In 2019, 104 job offers were thus posted.

EMPLOYMENT ACTIONS

		Number of job vacancies	Percentage of shopping centers that organized an employment action
Current scope	2018	1,524	31.4%
	2019	**1,929**	**28.2%**

In its urban project development activities, Mercialys is in regular contact with all of the projects' stakeholders: municipal authorities, local planning authorities, partner developers, local residents, etc. The Company pays attention to their expectations and co-builds projects with them in order to take part in local economic development and ensure that its projects fit into the life of the community. In 2019, Mercialys was involved in 7 public inquiries and took part in 2 public consultation meetings. In the specifications of the calls for tenders for its projects, the Company included a requirement to use local companies and a minimum number of hours of job integration in order to promote the return to work for people in difficulty.

Objective No. 2: facilitate social harmony

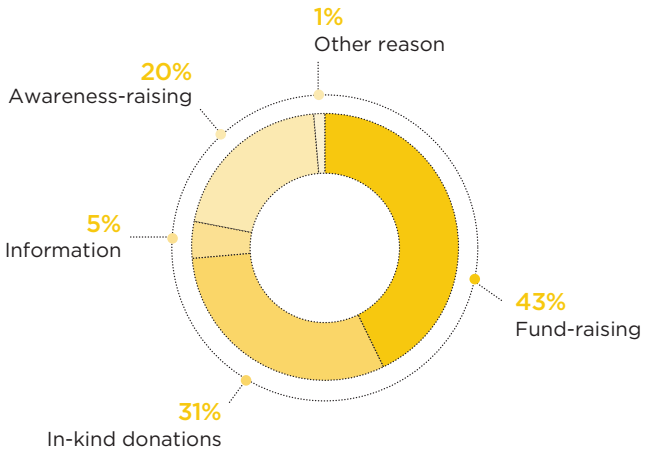
Hosting non-profit organizations helps the shopping centers blend into the life of the community. These initiatives also help to indirectly increase the center's visibility and footfall.

Mercialys supports non-profits by offering them complimentary use of casual leasing space in the mall to fundraise, engage in promotional activities or conduct outreach. In 2019, 94% of the Company's shopping centers provided space to at least one non-profit, including national-scope organizations such as Restos du Cœur, Banques Alimentaires, and Les Apprentis d'Auteuil, as well as local ones. A total of 327 non-profit organizations were thus hosted by Mercialys' centers. In 2019, on average, a Mercialys shopping center hosted 9 non-profits over the year, for a total of 21 days of presence.

LOCAL PUBLIC LIFE

		Number of non-profit organizations hosted	Percentage of centers that hosted a non-profit organization, by value
Current scope	**2019**	**327**	**93.9%**

NON-PROFITS' REASONS FOR COMING TO CENTERS



Out of the non-profit organizations hosted, 31% are focused on charitable or supportive activities.

To amplify this solidarity, four of Mercialys centers also organized a clothing drive in 2019, during which 8 tons of clothing were donated by customers and sold for the benefit of non-profit organizations APIVET 49 and Le Secours Populaire.

Lastly, Mercialys has also been a partner of Doctors of the World since 2015. Through its presence in the Company's shopping centers, this non-profit organization recruited 1,793 donors, with donations totaling around Euros 289,000 in 2019.

2.9 Responsible value chain

In its business activities, Mercialys is committed to a responsible purchasing approach. This enables the Company to involve its entire value chain in the implementation of its CSR policy, as well as limit legal and financial risks arising from corruption, non-compliance with environmental regulations, etc.

Objective No. 1: 80% of purchases over Euro 10,000 with CSR clauses

Mercialys calls on a large number of economic actors to staff, manage and renovate its shopping centers: property managers, advertising agencies, real estate experts, design and engineering firms, etc. The Company mainly calls on French service providers, whether for current expenses or capital expenditure (see mapping of purchases opposite).

Some of the companies called upon have direct contracts with Mercialys (mainly communication agencies and real estate experts). For the provision of services in Mercialys' shopping centers (cleaning, upkeep of green spaces), the firms sign a contract with the Company's property manager. For the centers' marketing and communication activities, contracts are signed with the marketing fund.

MAPPING OF PURCHASES

As a work giver, Mercialys has a responsibility regarding the services it purchases directly, as well as the services purchased for its centers by its agents or suppliers (e.g. the materials purchased for renovation operations or the cleaning products used for the centers' maintenance), as part of an approach based on vigilance over the entire value chain. Even though the Company is not bound by as Sapin 2 law and the law on the duty of vigilance, and while its business activities and its value chain are mainly based in France, Mercialys wishes to adopt an ethical approach and a responsible purchasing policy. Mercialys thus started by inserting CSR clauses into its two main contracts with the highest ethical

and environmental impact, i.e. the mandates for property management and the conduct of projects and construction work in the shopping centers. Indeed, the centers' services purchases and construction operations can carry risks:

- social risks stemming from undeclared work, forced labor, child labor, or non-compliance with working hours;
- environmental risks stemming from the use of products which are dangerous for customers or employees, or non-compliance with environmental regulations;
- economic risks relating to dependence, terms of payment, and the risk of corruption.

For example, in addition to compliance with applicable regulations, the CSR clauses in the technical and property management agreements provide for the monthly tracking of energy consumption, water consumption and waste production in Mercialys' reporting tool. On that subject, Mercialys conducts a monthly review with its property manager to ensure the comprehensiveness of the reporting and analyze changes in consumption. The agreement also provides for a quarterly report on regulatory compliance, as well as an annual report on the quality of the main services purchased for the centers and their compliance with Mercialys' CSR requirements ("zero phytosanitary products" for green areas, use of ecolabeled cleaning products, etc.). In 2019, for the first handover of this report, Mercialys informed its property manager of the indicators it wanted included and made sure that its requirements were complied with.

Under that contract, the property manager is also required to assist Mercialys in the BREEAM In-Use certification of its portfolio and helps to make tenants aware of the CSR strategy, in particular under the lease's environmental clause. On a yearly basis, Mercialys makes sure that this requirement is complied with by collecting the minutes of the meetings held.

To go even further, in 2019, Mercialys amended its centers' technical management contract to incorporate CSR criteria in its calls for tenders for the centers' technical services. The contract now includes the following provisions: drafting of specifications taking CSR criteria into account for products purchased and services performed for the centers, selection of suitable service providers, drafting of contracts with CSR clauses in keeping with the specifications, and monitoring of the services' compliance with those criteria.

Regarding projects and construction, the "Construction and Maintenance Specifications", which list all of Mercialys's social and environmental requirements for its projects, have been drafted by the Company's staff and appended to the assigned project management contract.

This document stipulates all the requirements for the building's environmental certification, the energy performance of the facilities, the sorting of construction waste, the certification of materials used, etc. In 2019, Mercialys verified that these specifications had been complied with in a construction operation.

RESPONSIBLE CORPORATE PURCHASINGS

		Percentage of corporate purchasings covered by CSR clauses
Current scope	2018	22.7%
	2019	**21.4%**

The Company also worked with its property manager to incorporate environmental and social clauses in the purchasing of services for its shopping centers (cleaning, upkeep of green spaces, waste management, maintenance, etc.). The cleaning contract thus requires the use of certified products, while the contract for the upkeep of the green spaces stipulates differentiated management, and the waste management contract requires monthly reporting by the service provider, etc.

Within the framework of the annual report on the quality of the centers' services, the property manager verifies, at Mercialys' request, that these contract clauses are complied with.

SHOPPING CENTER RESPONSIBLE PURCHASINGS

		Percentage of shopping center purchasings covered by CSR clauses
Current scope	2018	79.6%
	2019	**78.9%**

In addition to incorporating contractual clauses, Mercialys seeks to engage in constructive dialogue with its service providers in order to secure their involvement in a continuous improvement approach.

Objective No. 2: build CSR awareness across the value chain

Downstream of its value chain, the Company takes the opportunity to educate its retailer tenants and shopping center customers with the aim of working together to shrink the environmental and societal footprints of the Company's assets.

Educate retailers

Mercialys implements many initiatives to enhance cooperation with retailers, in particular on environmental issues.

To do this, the Company provides them with several resources including a guide on eco-friendly actions and a guide on waste tailored to each asset.

Mercialys also strives to encourage its tenants to reduce global environmental impacts. In 2013, it signed its first environmental clauses to the leases, which soon became standard for all new contracts signed and covering the entire premises (excluding amendments and exempt leases).

The environmental clause provides, in particular, for the exchange of information between the lessor and the tenant and an action plan to improve the overall environmental performance of the building and the leased premises.

In 2019, 94% of the leases signed during the year included an environmental clause.

GREEN LEASES

		Percentage of leases signed during the year covered by an environmental clause
Current scope	2015	61%
	2016	70%
	2017	100%
	2018	100%
	2019	**94%**

To concretely put these environmental clauses into effect, in 2019 Mercialys held meetings at 93% of its centers to present its CSR strategy and its results.

The meetings were also an opportunity to share the results of the tenant satisfaction survey and to discuss areas for improvement.

In addition, in 2019, to provide its tenants with benchmarks and identify joint areas of improvement, Mercialys took the proactive step of gathering its tenants' energy consumption data. In 2019, the Company thus gathered the energy consumption data of 23% of its tenants, with a view to initiating discussions with the retailers concerned in 2020.

Moreover, as confirmed by the tenant satisfaction survey, the sorting of waste is a major concern for Mercialys. In line with the Retailers CSR Agreement of 2016, Mercialys conducted trials on two pilot sites. These trials made it possible to identify the need to jointly develop appropriate communication tools. In collaboration with the retailers, the Company thus revised its on-site waste signage and produced a sorting guide setting out the main rules in this respect. In 2020, these tools will be widely disseminated by the center managers and should improve cooperation between lessors and lessees in this area.

Furthermore, in 2019, in the aim of maintaining ethical, well-balanced business relations with retailers, Mercialys signed the NEGO4GOOD charter for ethical and responsible negotiations.

In 2019, Mercialys also initiated an operation in partnership with retailers to raise the awareness of visitors on sustainable development issues. This operation, conducted in 95% of the portfolio during Sustainable Development Week, put the spotlight on 355 CSR actions conducted by retailers and showed that cooperation was possible between lessors and lessees in this area.

Educating visitors

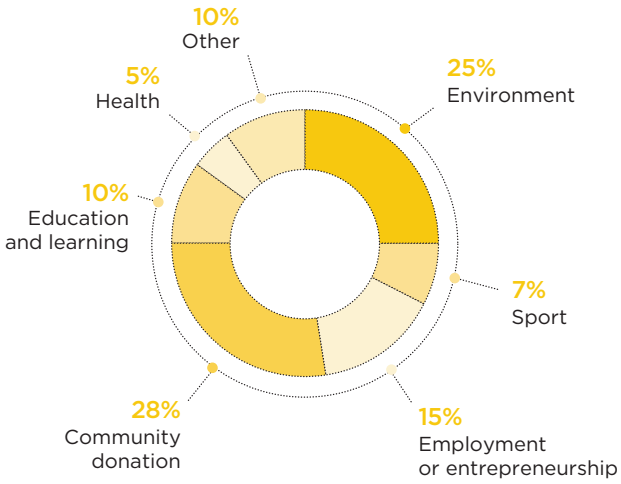
Mercialys conducts two types of campaigns to educate visitors to its shopping centers about the challenges of sustainable development:

- cross-functional campaigns at all centers in its portfolio, by displaying messages about public transport options on screens in the centers, or providing electric vehicle charging stations. In 2019, 94% of the centers in the portfolio provided CSR information digitally (through the website, the Facebook page and display screens in the shopping centers). In addition, 95% of Mercialys centers took part in the CSR operation "*La Galerie s'engage*" conducted in partnership with Reforest'Action during Sustainable Development Week. On that occasion, 3,000 trees were planted in France;
- "bespoke" campaigns, tailored to each center according to the latest CSR news: job fairs, Disability Employment Week, blood donations, empty your wardrobe campaign, etc. In 2019, 69% of Mercialys shopping centers carried out at least one CSR operation.

CSR OPERATIONS

		Shopping centers having carried out at least one CSR operation during the year
Current scope	**2019**	**68.9%**

BREAKDOWN OF CSR OPERATIONS BY SUBJECT



Getting employees involved

Mercialys operates solely in metropolitan France and certain French overseas territories. All its employees work in France. As a reminder, the country has ratified the eight fundamental conventions of the International Labor Organization (ILO), which address the elimination of discrimination in respect of employment and occupation, the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of compulsory or forced labor, and the abolition of child labor. Mercialys endeavors to scrupulously abide by these conventions and all current laws.

Moreover, Mercialys is a signatory to the United Nations Global Compact. This commitment demonstrates the Company's desire to respect fundamental rights in terms of human rights, international labor standards, environment and the fight against corruption, and to ensure that its suppliers do likewise. As a leading player in shopping centers in France, Mercialys frames its business and projects within a responsible and long-term vision, formalized in its Charter of Ethics and code of conduct. This document sets out the standards of behavior that all employees undertake to adopt and enforce while at work.

This Charter is given to all new employees joining the Company. It is also posted on Mercialys' intranet and website in English and French.

The Charter addresses the following topics:

- respect for the environment and the measures implemented to reduce the Company's environmental footprint;
- prevention of conflicts of interest;
- fight against money laundering and financing of terrorism;
- fight against corruption;
- the duty of vigilance;
- the regulation of lobbying activities (based on its registers, Mercialys has reported no interest representatives to the HATVP[1] as no one within its workforce qualifies for this status, given the low frequency of contacts);
- insider information and the prevention of insider trading;
- non-financing of political life;
- protection of employees' health and safety;
- prevention of discriminatory actions and the right to union representation;
- whistleblowing procedure.

To make the principles of the Charter more concrete, numerous examples have been included.

In addition to this Charter of Ethics, every year the Company provides training to all its employees on business ethics. In 2019, the training session particularly focused on personal data protection, the fight against corruption and diversity. Nearly 85% of Company employees attended this training.

Mercialys also has a compliance officer who is responsible for ethics and compliance. Any employee may contact the compliance officer, should they need advice. A whistleblower protection procedure has also been introduced. All employees are reminded of this procedure on a regular basis. It guarantees confidentiality, as required by law, and allows whistleblowers to contact the compliance officer by telephone or email.

In 2019, the compliance officer was not contacted as part of the whistleblowing procedure, but employees took the initiative to contact her on four occasions. No breach or violation of ethical rules was reported.

To ensure the full commitment of its employees in the implementation of its CSR strategy, Mercialys has, since 2017, included CSR criteria in their individual annual objectives. In 2019, each Company employee had an annual CSR objective which determined 5 to 20% of their annual bonus, depending on their status. It is qualitative for non-managerial staff quantitative for managers, and specific to each department.

As a first, in 2019 each department's CSR objectives were set according to a proposal made by each department manager, thus increasing the involvement of operational staff in the deployment of the Company's CSR strategy.

INVOLVEMENT OF EMPLOYEES

		Percentage of employees trained in ethics	Percentage of employees with an individual CSR objective
Current scope	2018	84%	-
	2019	**83%**	**100%**

(1) The French authority for transparency in public life.

2.10 Talents and diversity

Mercialys' workforce increased in 2019 (+3% compared to 2018).

The majority of the Company's workforce (84%) has permanent contracts (CDI).

In 2019, Mercialys took on 5 interns and used 9 temporary employees.

DISTRIBUTION OF WORKFORCE BY TYPE OF EMPLOYMENT CONTRACT

	2019		2018		2017		2016		2015		Change 2018-2019
Staff with permanent employment contracts (CDI)	93	84%	97	90%	97	86%	95	83%	91	96%	-4%
Staff with temporary employment contracts (CDD)	18	16%	11	10%	16	14%	20	17%	4	4%	+64%
TOTAL WORKFORCE	**111**	**100%**	**108**	**100%**	**113**	**100%**	**115**	**100%**	**95**	**100%**	**+3%**

In a tight job market where competition for talents is stiff, Mercialys needs to have proactive compensation and training policies that attract and retain talent. The Company must also be able to train its employees for major changes in their jobs and identify their needs to better help them grow and lay the groundwork for the Company's future.

Objective No. 1: identify, attract and retain talents

STAFF TURNOVER

	2019	2018	2017	2016	2015	Change 2018-2019
Permanent staff turnover	**22.1%**	10.2%	14.2%	14.4%	17.0%	+115.8%

Compensation policy

To increase its appeal and retain its employees, Mercialys has an incentive-based compensation policy in place which is designed to be attractive compared to its business sector.

The compensation for Mercialys' managers is made up of a fixed component and a variable component. The variable component can represent from 8% to 80% of the fixed component and is correlated to the achievement of three types of objectives, evaluated at the start of the following year:

- for 20% of the variable component: quantitative objectives tied to the Company's results;
- for 60% of the variable component: individual quantitative and qualitative objectives, related to the employee's performance evaluated by his/her manager. One of these quantitative objectives assesses the employee's execution of the CSR strategy, depending on their particular job;
- for 20% of the variable component: qualitative objectives tied to the Managerial Attitudes and Behavior (ACM), expected by the Company from each of its employees. The ACM approach is structured around the following 5 keywords: Leadership, Innovation, Decision-making, Engagement and Customer Responsibility. They encompass all the professional qualities that Mercialys considers essential to individual and collective success.

Moreover, in 2016, Mercialys introduced a bonus share plan to help retain employees. In 2019, a global plan for all eligible employees was implemented, in which 72,890 bonus shares were awarded.

In addition, in 2019, Mercialys set up a Company savings plan by agreement.

BONUS SHARES

	2019	2018	2017	2016	2015	Change 2018-2019
Number of shares distributed	**72,890**	83,199	83,947	42,464	0	-12.4%

Recruitment and onboarding policy

Recruitment and onboarding talent is a fundamental issue for the Company. In 2019, Mercialys recruited 30 new employees. For this purpose, the Company sometimes calls on specialized recruitment firms, depending on the type of profile and managerial level sought.

Particular attention is paid to the onboarding of new employees. The welcome pack and onboarding process welcome all new employees in a way that is tailored to the needs and specific nature of their role. This also enables them to understand how the Company works.

Training policy

Employee training is a vital tool for ensuring that the Company is agile and able to adjust quickly to market changes. It is also a factor that sets the Company apart and stimulates employee loyalty. Mercialys' training policy is structured around two areas:

- development of employees' skills and knowledge;
- support for employees during the course of their career or profession.

In order to assess their needs, employees are given the opportunity to state their training requests during their annual performance review. Training, whether certified or otherwise, can also be formulated on a case-by-case basis by managers according to the needs identified for their employees, to ensure that their knowledge is adapted to changes in their current position or a planned future role.

Mercialys uses a training center that offers three types of training:

- specific face-to-face training for the various business activities (real estate finance, commercial negotiation, management, etc.);
- cross-functional face-to-face training, which may be useful for all employees (communications, languages, etc.);
- training in e-learning.

In 2019, 99% employees engaged in one or more training actions.

TRAINING

	2019	2018	2017	2016	2015	Change 2018-2019
Percentage of employees trained	**99%**	100%	100%	52%	62%	-0.9%

Objective No. 2: combat all forms of discrimination

Mercialys believes that diversity is a source of emulation and innovation, and is at the foundation of a socially and economically successful company. Promoting diversity and equal opportunity helps develop a management that respects differences and is grounded in trust. This improves team cohesion, which is at the root of better living together and therefore business performance.

The Company is committed to preventing discrimination for any reason, and in particular to ensuring that no distinction is made between employees based on their age, gender, social, cultural, ethnic, racial, national origin, religious or political views, trade union activities, family situation, sexual orientation, health or disability. As a signatory to the Corporate Diversity Charter, it is committed to:

- educating and training managers and all employees about nondiscrimination and diversity issues;
- promoting the enforcement of the principle of nondiscrimination in all its forms in all actions by management and in all Company decisions, particularly in all stages of human resources management;
- encouraging the representation of diversity in all its differences and variety, within the workforce and at all levels of responsibility;
- communicating its commitment to all of its employees, customers and suppliers in order to encourage them to adopt this approach;
- making the development and implementation of the diversity policy a subject of social dialogue with the employee representatives;
- regularly assessing the progress made and publicizing this progress internally and externally.

As part of this effort, employee awareness and training campaigns take place every year. In 2019, nearly 85% of Mercialys employees were trained by the Director of Human Resources in the fight against all forms of discrimination. This training included a reminder of the regulatory framework, as well as practical examples.

An e-learning module on combating sexism and workplace harassment was also put in place. This course was provided to 29% of employees.

Gender equality

Women make up 55% of Mercialys' workforce and 42% of managers.

BREAKDOWN OF WORKFORCE BY GENDER

	2019		2018		2017		2016		2015		Change 2018-2019
Female managers	33	42%	34	41%	37	44%	35	44%	31	40%	-2.9%
Male managers	45	58%	49	59%	48	56%	45	56%	46	60%	-8.2%
Female employees	12	75%	9	82%	13	87%	13	59%	4	67%	+33.3%
Male employees	4	25%	2	18%	2	13%	9	41%	2	33%	+100.0%
Female supervisors	16	94%	14	100%	13	100%	13	100%	12	100%	+14.3%
Male supervisors	1	6%	0	0	0	0%	0	0	0	0%	
TOTAL WOMEN	**61**	**55%**	**57**	**53%**	**63**	**56%**	**61**	**53%**	**47**	**49%**	**+7.0%**
TOTAL MEN	**50**	**45%**	**51**	**47%**	**50**	**44%**	**54**	**47%**	**48**	**51%**	**-2.0%**

Mercialys endeavors to make gender equality a reality when it comes to compensation, training and access to promotions. In order to ensure similar changes in compensation, the average salary increase expected by the collective agreements is automatically applied to the salaries of women during their maternity leave. Finally, during maternity and paternity leave, Mercialys makes up the entire salary differential not covered by social security.

EQUALITY OF COMPENSATION

	2019	2018	2017	2016	2015	Change 2018-2019
Managerial pay differential	**-2.1%**	-4.1%	-4.5%	-6.2%	-3.9%	-50.1%

Women made up 50% of the Management Committee and 55% of Mercialys' Board of Directors at the end of 2019. Women also chair the three Specialized Committees assisting the Board of Directors (Investment Committee, Audit, Risks and Sustainable Development Committee, and Appointments and Compensation Committee).

EQUALITY IN MANAGEMENT

	2019		2018		2017		2016		2015		Change 2018-2019
Number of women on the Management Committee	**7**	**50%**	2	22%	2	22%	2	22%	1	14%	+250.0%
Number of women on the Board of Directors	**6**	**55%**	6	55%	6	50%	5	42%	4	36%	0.0%

Disabilities

Mercialys' policy concerning the employment of disabled workers focuses on two areas:

- the development of partnerships to accommodate interns or young graduates with disabilities;
- the education of employees and managers.

In 2019, Mercialys have one disabled employee in its workforce. In addition, the Company indirectly contributes to the employment of disabled people by using companies in the protected sector for services provided at its shopping centers (such as the upkeep of green spaces and cleaning).

EMPLOYEES WITH DISABILITIES

	2019	2018	2017	2016	2015
Number of employees with disabilities	**1**	0	0	0	0

In 2019, Mercialys entered into two partnerships with non-profit organizations dedicated to the employment of people with disabilities.

The first partnership, signed with the non-profit ARPEJEH, mainly concerns junior high school students. ARPEJEH is dedicated to promoting the training, qualification and employment of young people with disabilities. In 2020, Mercialys is planning to take in four or five ninth-grade students for a job-shadowing experience and offer interview simulations conducted by the Human Resources team. A visit to the company with an introduction to the various types of jobs will also take place in June 2020.

The second partnership was signed with the non-profit TREMPLIN, whose aim is to get companies involved in the preparation of the professional integration of people with disabilities currently in education. It particularly targets senior high school students and young people on work-study programs or looking for their first job. Under this partnership, a disabled student on a work-study program joined Mercialys in 2019.

Age

Intergenerational balance is also a component of diversity. In 2019, the average age of Mercialys' employees was 37.

BREAKDOWN OF WORKFORCE BY AGE

	2019		2018		2017		2016		2015		
Workforce under 30	**37**	**33%**	22	20%	33	29%	36	31%	16	17%	+68.2%
Workforce aged between 30 and 50 (inclusive)	**54**	**49%**	68	63%	63	56%	65	57%	68	72%	-20.6%
Workforce over 50	**20**	**18%**	18	17%	17	15%	14	12%	11	12%	+11.1%

2.11 Organization and quality of life at work

Mercialys is convinced that a high-quality work environment is conducive to employee well-being, commitment, and productivity.

Objective No. 1: ensure employee health and safety

Mercialys pays heed to its employees' health and well-being by guaranteeing them a good work-life balance, and thus maintains a low absenteeism rate and employs fulfilled people who are more engaged in their work and committed to satisfying their customers.

In 2019, Mercialys recorded no fatal work-related accident and no work-related accident resulting in lost time of at least one day.

Due to regular travel, in particular by the shopping centers' managers, special attention is given to road safety. A comprehensive campaign – including an information booklet or "on the road memo", an e-learning module on preventing risks on the road, a guide to "10 eco-driving tips" and specific training sessions – has been introduced to raise employee awareness about the dangers of driving and to remind them how to drive safely.

WORKPLACE HEALTH AND SAFETY

	2019	2018	2017	2016	2015	Change 2018-2019
Number of fatal accidents	**0**	0	0	0	0	
Number of traffic accidents	**0**	0	0	0	0	
Number of occupational diseases	**0**	0	0	0	0	
Number of work-related accidents resulting in lost time of at least one day	**0**	0	0	0	0	
Absenteeism rate	**4.4%**	4.7%	3.3%	3.3%	3.9%	-7.6%

When it comes to psychosocial risks, the Company's policy focuses on three levels of prevention:

- actions to eliminate the risk, such as listening procedures established by the managers;
- actions to reduce the risk, such as training managers in preventing and detecting high-risk situations and establishing a Charter on the Right to Disconnect. This charter outlines the right to disconnect and sets out best practices for avoiding stress caused by excessive use of digital devices at work;
- actions to remedy the risk after it occurs by providing people to listen.

Moreover, in 2019, the collective agreements relating to the health and benefit plans were renegotiated in order to provide employees with better coverage, largely defrayed by the Company. The employees were involved in the choice of insurance company via a survey conducted by the Human Resources Department.

In addition, for Mercialys' new head office, all of the furniture and computer hardware was renewed. For the greater comfort of employees, they were asked to vote for the most ergonomic office chairs, which they were able to test in the offices. Furthermore, convinced that the quality of the work environment has an impact on the performance of employees, Mercialys increased the number of common areas and meeting space formats creating an inclusive open-plan interior architecture conducive to exchanges.

Furthermore, to encourage employees to take up sports, in 2019, Mercialys defrayed the cost of 69 employees' annual subscription to a gym network.

Mercialys implemented teleworking in 2017 to improve its employees' work-life balance. At the end of 2019, 75% of eligible employees, i.e. 41 employees, worked from home one day a week.

This facility and the teleworking tools made available enabled numerous employees to manage the period of public transport strikes that took place at the end of 2019.

Finally, because Mercialys firmly believes that creating an environment that is comfortable for working parents helps to bolster employee loyalty, it signed the "Corporate Parenthood Charter". The Company also held a "Corporate Parenthood Day" during the end-of-year festive period. In 2019, 12 children took part in the event.

Objective No. 2: develop employee engagement

Every two years, Mercialys conducts an engagement survey with its employees. The last one dates back to 2018, with a participation rate of 76.2%.

EMPLOYEE ENGAGEMENT

	2019
Rate of participation in the most recent engagement survey	**76.2%**

Employee engagement is even more important as employees have confidence in the future of their company and take ownership of the strategy that is decided on by Senior Management. Because Mercialys welcomes direct, transparent dialogue between the management team and employees, the Company holds a plenary meeting with all employees every year. This event makes it possible to highlight the previous year's results and achievements, and present the Company's future strategy. Through Question-Answer sessions, employees can get replies from the Executive Management on specific queries.

Furthermore, to cultivate a team spirit and the pride in belonging, Mercialys' employees were invited to take part in two charitable sports challenges in 2019:

- Be Walk, for the benefit of the non-profit organization Les Etoiles du Sport Solidaire. For that event, Mercialys put together 10 teams of employees from Paris and other French regions. The winners received gift vouchers;
- the Football Charity Cup, held for the benefit of Cafés Joyeux, pitted retailer teams against teams of real estate company employees. Five Mercialys employees took part in the event, which collected a total of Euro 6,400 for the development of new Cafés Joyeux coffee shops, which employ people with mental and cognitive disabilities.

The Company encourages its employees to show solidarity and engage in charitable activities, as it is convinced that this can have a positive impact on their professional commitment. In 2019, Mercialys thus entered into two partnerships with non-profit organizations dedicated to the employment of underprivileged youths.

The first such partnership was with Institut Télémaque, which strives to promote equal opportunities in education by supporting youths from modest backgrounds, starting in junior high school. Under this partnership, 6 Mercialys employees committed to proposing one joint cultural activity per month to their *protégés*.

The second was signed with the non-profit organization Article 1, which offers youths personalized educational support with a professional mentor, in order to help them make a success of their professional integration, and in particular to find their first job. As part of this partnership, two mentoring pairs were set up by Mercialys (help with writing a resume, help with interview preparation, etc.).

All Mercialys employees also have the opportunity to show support by donating days of leave to colleagues who have a relative (young or old) in need of constant care.

Appendices

1. Additional information and data

1.1. Voluntary procedures implemented by the Company in respect of regulations which do not apply to it

Over recent years, several fundamental aspects of corporate life have become the subject of regulations relative to business ethics and corporate responsibility, in the aim of encouraging companies to better incorporate these aspects into their strategic reflection and action plans.

Due to its size, its business segment and/or its exclusively French activities, Mercialys is exempt from a certain number of these regulations. Nevertheless, as a responsible company, Mercialys is voluntarily implementing certain policies, procedures and action plans to address issues that, while not being regulatory prerequisites, are inherent to business ethics.

The regulations which do not apply to Mercialys, but for which the Company has voluntarily adopted good practices, are the following:

- **Article L225-102-1 of the French Commercial Code instituting the Extra-Financial Performance Statement (DPEF)**

  In chapter 2 of its Universal Registration Document, Mercialys voluntarily presents the information required under the DPEF. This information is also audited on a voluntary basis. Note that, due to the nature of its business, Mercialys does not present any information concerning the following issues:

  - tax evasion: Mercialys operates solely in France, where all its employees are based. Moreover, it is subject to the SIIC tax regime specific to listed real estate investment companies, exempting it from corporation tax on income from most of its activities, subject to predetermined conditions;
  - societal commitments relating to the fight against food waste, the fight against food insecurity, respect for animal welfare, and responsible, fair and sustainable food: Mercialys operates as a commercial real estate company and does not have any food-related activities.

For further details, please refer to the cross-reference table on chapter 9, § 9.4.5, p. 390.

- **Article 17 of Act No. 2016-1691 of December 9, 2016 relative to transparency, the fight against corruption and the modernization of economic life (the French "Sapin 2" Act)**

  All of Mercialys' assets are located in France, a country with a strict legal environment with regards to the fight against corruption. According to the corruption perception index published by Transparency International in 2019, France ranks 23rd out of 180 countries. Moreover, Mercialys is a signatory to the United Nations Global Compact, under which it has undertaken to respect and ensure respect for universal principles including those concerning the fight against corruption, throughout its value chain. The property sector contains potentially corrupt situations and the Company may be concerned by this risk across all of its functions. Accordingly, the fight against corruption represents a major focus for Mercialys and is based on the following:

  - measuring specific risks of corruption through dedicated risk mapping maintained by the Director of Compliance and Ethics (additionally the Compliance Officer) and the Internal Control Manager, through regular exchanges with all Mercialys departments and the Company's main service providers. An analysis and update is performed on a regular basis by the Risks Prevention Committee which is chaired by Mercialys' Chief Executive Officer, and reporting to the Audit, Risks and Sustainable Development Committee;
  - control and assessment procedures at operational and financial levels. These procedures include in particular 1/ the limitation of the power to make commitments on behalf of the Company, 2/ the validation process by several departments of expenditure and transactions with tenants, and 3/ the capacity restricted to four persons within executive management, to make payments on behalf of Mercialys;
  - the existence of a whistleblowing procedure, of which employees are reminded on a regular basis and which guarantees the legally required confidentiality (see p. 90);
  - a Charter of Ethics and code of conduct, appended to the internal rules and describing prohibited behaviors, in particular those relating to corruption and influence-peddling. This document is given to all new employees and regularly redistributed and is the subject of an annual training session (see p. 90).

- **Act No. 2017-399 of March 27, 2017 relative to parent companies' and work givers' duty of vigilance**

  In its business activities, Mercialys is committed to responsible purchasing and vigilance with regard to its value chain. This enables the Company to actively involve its stakeholders in its CSR endeavors. It can thus prevent abuses and mitigate risks in related areas such as human rights, the health and safety of people, and the environment.

The Company is a signatory to the United Nations Global Compact, under which it has undertaken to respect, and ensure respect throughout its value chain, for universal principles relating to human rights, the environment, international labor standards and the fight against corruption. Mercialys is also a signatory to the NEGO4GOOD Charter for ethical and responsible business negotiations. Moreover, the Company's Charter of Ethics and code of conduct includes the subject of the duty of vigilance that the Company has chosen to follow.

To comply with its commitments, Mercialys is working on introducing a vigilance procedure based on the following:

- the precise mapping and monitoring of the nature of the Company's expenses in order to identify the most significant purchases with regard to its responsibility in terms of human rights, health and safety and the environment (see p. 87 et seq.). An analysis and update is performed on a regular basis by the CSR Department, which reports notably to the Audit, Risks and Sustainable Development Committee;
- the adoption of measures aimed at preventing and mitigating identified risks, for example through the insertion of CSR clauses in major calls for tenders and service provision contracts, such as for property management or the conduct of projects and construction work in the shopping centers (see p. 87 et seq.); or through the review of contracts and procedures to ensure their compliance with the GDPR (see p. 83);
- the monitoring of these measures and the conduct of assessments and specific audits, such as external audits on the security of each center, comprising monitoring the implementation of any corrective measures, which can lead to the termination of the contract in the event of non-compliance with these measures (see p. 82 et seq.), preventive environmental assessments going beyond regulatory requirements (see p. 83), and audits on the quality of the main services in the centers (see p. 88);
- the existence of a whistleblowing procedure, of which employees are reminded on a regular basis and which guarantees confidentiality (see p. 90).

1.2 Additional information and indicators

Mercialys employees are covered by the following collective agreements:

- agreement on social dialogue;
- agreement on leave for family caregivers;
- agreement on arduous working conditions;
- agreement on time savings account;
- addendum on solidarity day;
- agreement on gender equality;
- diversity addendum;
- benefit plan agreement;
- health plan agreement;
- charter on the right to disconnect;
- charter on psychosocial risks;
- umbrella agreement on working hours;
- 1996 Casino agreement.

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Energy and greenhouse gas emissions	**Energy consumption**	Current			MWh	64,330	60,421	54,671	54,557	56,605
		Like-for-like			MWh	46,607	44,476	44,639	43,497	41,289
	Electricity consumption	Current	Elec-Abs		MWh	45,175	44,141	41,638	41,588	42,131
		Like-for-like	Elec-LFL		MWh	35,487	34,952	34,266	33,365	32,040
	Gas consumption	Current	Fuels-Abs		MWh	17,847	14,818	11,468	11,366	12,570
		Like-for-like	Fuels-LFL		MWh	9,736	8,062	8,808	8,529	7,344
	Urban heat consumption	Current	DH&C-Abs		MWh	1,309	1,462	1,565	1,603	1,905
		Like-for-like	DH&C-LFL		MWh	1,383	1,462	1,565	1,603	1,905
	Areal energy intensity	Current	Energy-Int		kWh/sq.m	188.3	187.2	183.2	173.0	162.2
		Like-for-like	Energy-Int	❖	kWh/sq.m	179.0	176.9	175.5	171.3	162.3
	Usage energy intensity	Current	Energy-Int		kWh/visitor	0.4	0.4	0.4	0.4	0.4
		Like-for-like	Energy-Int		kWh/visitor	0.4	0.4	0.4	0.4	0.4
	Climate-restated energy consumption	Current			MWh	22,028	27,721	22,962	22,714	19,416
		Like-for-like			MWh	16,563	16,113	15,827	15,694	15,049
	Percentage of renewable energy consumption				%			9.1	9.9	10.1
	Percentage of shopping centers with a Building Management System				%				89.9	85.1
	Percentage of shopping centers fitted with LED bulbs during the year				%				12.4	25.4
	Percentage of shopping centers that underwent an energy audit during the year				%					18.1
	Percentage of shopping centers that have had remote-readable sub-meters installed				%					60.0
	Number of photovoltaic power plants on Mercialys' shopping centers					30	36	38	38	37
	Total area of panels				sq.m	202,816	203,148	210,498	211,760	202,785
	Photovoltaic production				MWh	44,334	47,829	51,736	50,539	50,097
	Percentage of portfolio with a photovoltaic power plant, by value				%	30.1	38.1	38.8	38.0	37.4
	Scope 1 greenhouse gas emissions	Current	GHG-Dir-Abs		tCO_2e	3,031	2,843	2,074	2,135	2,203
		Like-for-like			tCO_2e	1,966	1,548	1,413	1,420	1,255
	Scope 2 greenhouse gas emissions, location based	Current	GHG-Indir-Abs		tCO_2e	2,280	4,409	4,253	4,368	4,795
		Like-for-like			tCO_2e	2,056	1,862	1,754	1,779	1,722
	Scope 2 greenhouse gas emissions, market based	Current	GHG-Indir-Abs		tCO_2e			4,447	4,245	4,241

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Energy and greenhouse gas emissions	**Scopes 1 & 2 greenhouse gas emissions, location based**	Current			tCO_2e	5,311	7,252	6,327	6,503	6,998
		Like-for-like			tCO_2e	4,021	3,410	3,167	3,200	2,976
	Scopes 1 & 2 greenhouse gas emissions, market based	Current			tCO_2e			6,521	6,380	6,444
	Scopes 1 & 2 areal carbon intensity, location based	Current	GHG-Int		$tCO_2e/sq.m$	23.0	26.2	23.5	21.5	20.6
		Like-for-like	GHG-Int		$tCO_2e/sq.m$	22.2	19.8	18.1	18.3	16.9
	Scopes 1 & 2 areal carbon intensity, market based	Current	GHG-Int	❖	$tCO_2e/sq.m$			23.3	21.1	19.0
	Scopes 1 & 2 carbon intensity of use, location based	Current	GHG-Int		$tCO_2e/visitor$	51.9	55.9	54.1	47.3	48.5
		Like-for-like	GHG-Int		$tCO_2e/visitor$	54.1	44.8	40.1	43.4	40.2
	Greenhouse gas emissions from tenant energy consumption			❖	$kgCO_2e/sq.m$			51.5	53.2	53.1
	Greenhouse gas emissions from employee travel			❖	tCO_2e			289.0	321.0	190.0
	Greenhouse gas emissions relating to the management of operations waste			❖	tCO_2e/ton			0.3	0.3	0.3
Asset resilience and adaptability	**Percentage of BREEAM In-Use certified centers, by value**		Cert-Tot	❖	%	28.4	28.2	45.9	55.6	68.3
	Percentage of BREEAM In-Use certified centers, by surface area		Cert-Tot		%		18.2	42.6	49.2	61.1
	Number of BREEAM In-Use certified centers		Cert-Tot			5	5	22	23	26
	Percentage of centers certified BREEAM New Construction, by value		Cert-Tot		%	0.0	0.0	7.5	7.7	7.4
	Number of centers certified BREEAM New Construction		Cert-Tot			0	0	1	1	1
Circular economy	**Total quantity of waste**	Current	Waste-Abs		tons	5,907	6,732	6,776	7,805	8,671
		Like-for-like	Waste-LFL		tons	4,572	4,895	4,852	5,404	5,479
	Quantity of non-hazardous industrial waste	Current	Waste-Abs		tons	4,605	5,320	5,158	5,955	6,576
		Like-for-like	Waste-LFL		tons	3,546	3,791	3,679	4,144	4,267
	Quantity of cardboard	Current	Waste-Abs		tons	1,261	1,372	1,520	1,718	1,883
		Like-for-like	Waste-LFL		tons	1,006	1,081	1,139	1,205	1,185
	Quantity of plastic	Current	Waste-Abs		tons	19	23	33	37	26
		Like-for-like	Waste-LFL		tons	19	23	28	32	16
	Quantity of biodegradable waste	Current	Waste-Abs		tons	22	17	61	82	80
		Like-for-like	Waste-LFL		tons	0	0	0	10	6

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Circular economy	**Quantity of paper**	Current	Waste-Abs		tons	0	0	0	0	0
		Like-for-like	Waste-LFL		tons	0	0	0	0	0
	Quantity of wood	Current	Waste-Abs		tons	0	0	5	5	14
		Like-for-like	Waste-LFL		tons	0	0	5	5	4
	Quantity of glass	Current	Waste-Abs		tons	0	0	0	8	3
		Like-for-like	Waste-LFL		tons	0	0	0	8	3
	Quantity of metal	Current	Waste-Abs		tons	0	0	0	0	0
		Like-for-like	Waste-LFL		tons	0	0	0	0	0
	Quantity of bulky waste	Current	Waste-Abs		tons	0	0	0	0	89
		Like-for-like	Waste-LFL		tons	0	0	0	0	0
	Sorting rate	Current			%	22.1	21.0	23.9	23.7	24.2
		Like-for-like			%	22.4	22.6	24.2	23.3	22.1
	Recycling rate	Current			%	18.1	8.7	21.2	14.5	12.8
		Like-for-like			%	19.5	10.8	16.3	8.1	7.8
	Recovery rate	Current		❖	%	27.9	18.4	31.8	47.4	59.2
		Like-for-like			%	24.1	14.2	23.6	41.9	49.8
	Percentage of waste recycled	Current			%	18.1	7.0	20.2	14.4	12.6
		Like-for-like			%	19.5	8.4	14.8	8.1	7.8
	Percentage of waste reused	Current			%	0.0	0.0	0.0	0.0	0.0
		Like-for-like			%	0.0	0.0	0.0	0.0	0.0
	Percentage of waste composted	Current			%	0.0	1.7	1.0	0.1	0.3
		Like-for-like			%	0.0	2.4	1.5	0.0	0.0
	Percentage of waste incinerated with energy recovery	Current			%	4.8	5.6	3.7	8.1	6.1
		Like-for-like			%	0.0	1.4	0.9	7.9	5.8
	Percentage of waste incinerated without energy recovery	Current			%	40.7	50.6	39.0	16.6	7.6
		Like-for-like			%	45.7	60.3	51.8	23.2	12.2
	Percentage of waste sent to landfill	Current			%	22.2	22.0	21.6	29.6	27.1
		Like-for-like			%	22.7	20.9	20.9	28.4	30.4
	Total water consumption	Current	Water-Abs		m^3	135,459	139,763	144,199	134,028	159,418
		Like-for-like	Water-LFL	❖	m^3	104,228	100,280	100,640	96,301	99,712
	Areal water intensity	Current	Water-Int		m^3/sq.m	0.9	0.9	1.0	0.7	0.9
		Like-for-like	Water-Int		m^3/sq.m	1.0	0.9	0.9	0.9	0.9
	Water intensity of use	Current	Water-Int		L/visitor	1.2	1.3	1.3	1.0	1.2
		Like-for-lke	Water-Int		L/visitor	1.3	1.2	1.3	1.2	1.3
	Percentage of shopping centers with rainwater storage tanks				%				27.6	24.1
Biodiversity	**Average BREEAM In-Use score for Land Use & Ecology**			❖	%					55.1

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Accessibility and connectivity	Average number of transport lines accessible to one visitor to a shopping center						3	3	3	3
	Percentage of shopping centers located less than 500 meters from a public transport stop				%	80.0	96.2	98.3	98.3	99.5
	Percentage of customers who travel to shopping centers by car or motorbike			❖	%	85.5	85.5	75.1	63.6	83.8
	Percentage of customers who travel to shopping centers by public transport			❖	%	7.4	7.4	13.0	20.1	8.3
	Percentage of customers who travel to shopping centers by bicycle			❖	%	0.8	0.8	2.7	1.1	0.9
	Percentage of customers who walk to shopping centers			❖	%	6.3	6.3	9.2	15.2	6.9
	Percentage of centers with carpooling spaces				%			60.8	61.3	67.5
	Number of electric vehicle charging stations							21	27	28
	Percentage of centers equipped with electric and vehicle charging stations				%			33.3	46.7	46.3
Customer wellbeing, health and safety	Percentage of shopping centers that underwent a safety audit during the year	H&S-Asset		❖	%				78.7	82.9
	Average safety audit score	H&S-Asset		❖	%				87.9	86.7
	Percentage of centers covered by a visitor satisfaction survey			❖	%	63	65	86	93	94
	Average score on visitor satisfaction survey			❖	/5				4.2	4.3
	Percentage of shopping centers covered by a loyalty program				%	9	61	72	71	84
	Number of customers subscribed to the loyalty program					420	12,505	25,497	49,143	104,890
	Percentage of centers covered by a tenant satisfaction survey			❖	%		28	53	63	84
	Number of tenants surveyed						114	529	760	774

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Community life and economic development	**Percentage of shopping centers that organized an employment event during the year**		Comty-Eng	❖	%				31.4	28.2
	Number of job opportunities offered on Mercialys shopping centers			❖					1,524	1,929
	Number of jobs induced by Mercialys business activity							20,607	20,617	19,764
	Percentage of shopping centers that hosted a non-profit organization during the year		Comty-Eng	❖	%					93.9
	Number of non-profit organizations hosted		Comty-Eng	❖						327
	Percentage of shopping centers providing customers with CSR information during the year				%				95.9	93.7
	Percentage of shopping centers carrying out at least one CSR initiative during the year		Comty-Eng	❖	%					68.9
Responsible value chain	**Percentage of tenants whose energy consumption data was collected**				%			20.9	19.8	23.3
	Percentage of employees trained in ethics during the year			❖	%			85	84	83
	Percentage of leases signed during the year comprising an environmental clause			❖	%	61	70	100	100	94
	Percentage of corporate purchasing covered by CSR clauses			❖	%				22.7	21.4
	Percentage of shopping center purchasing covered by CSR clauses			❖	%				79.6	78.9
	Number of referrals to the compliance officer as part of the whistle-blowing procedure								0	0
	Contributions to trade federations				€k				83.3	84.0
	Percentage of employees with an individual CSR objective			❖	%					100
	Percentage of shopping centers placing CSR on the agenda of a meeting with tenants				%				90.5	93.2

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Talents and diversity	**Total staff**			❖		95	115	113	108	111
	Staff with permanent employment contracts (CDI)			❖		91	95	97	97	93
	Staff with temporary employment contracts (CDD)			❖		4	20	16	11	18
	Number of co-op students						18	12	9	4
	Number of interns					7	12	12	12	5
	Temporary staff							7	13	9
	Full-time staff					85	107	103	100	105
	Part-time staff					10	8	10	8	6
	Total number of hires		Emp-Turnover			29	43	35	19	30
	Number of new hires with temporary employment contracts (CDD)		Emp-Turnover			3	20	13	8	14
	Number of new hires with permanent employment contracts (CDI)		Emp-Turnover			26	23	22	11	16
	Number of redundancies		Emp-Turnover			0	0	0	0	0
	Number of dismissals for other reasons		Emp-Turnover			8	5	5	4	5
	Total number of departures		Emp-Turnover			15	21	36	25	21
	Permanent staff turnover		Emp-Turnover		%	17.0	14.4	14.2	10.2	22.1
	Average annual increase for employees				%	0.7	1.0	1.0	1.5	1.0
	Number of bonus shares distributed			❖		0	42,464	83,947	83,199	72,890
	Total number of training hours		Emp-Training		h	962	1,082	1,747	1,281	1,402
	Average number of training hours per employee who received training		Emp-Training		hours/ emp	17.2	18.0	15.2	11.6	12.7
	Number of permanent employees trained		Emp-Training							96
	Percentage of employees trained		Emp-Training	❖	%	62	52	100	100	99
	Budget dedicated to training		Emp-Training		€	107,200	81,402	198,000	295,120	127,767
	Number of employees with disabilities		Diversity – Emp	❖				0	0	1
	Total number of women		Diversity – Emp	❖		47	61	63	57	61
	Total number of men		Diversity – Emp	❖		48	54	50	51	50
	Total number of female managers		Diversity – Emp	❖		31	35	37	34	33
	Total number of female employees		Diversity – Emp	❖		4	13	13	9	12

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Talents and diversity	**Total number of female supervisors**		Diversity – Emp	❖		12	13	13	14	16
	Total number of male managers		Diversity – Emp	❖		46	45	48	49	45
	Total number of male employees		Diversity – Emp	❖		2	9	2	2	4
	Total number of male supervisors		Diversity – Emp	❖		0	0	0	0	1
	Number of women on the Management Committee		Diversity – Emp	❖		1	2	2	2	7
	Number of men on the Management Committee		Diversity – Emp	❖		7	7	7	7	7
	Number of women on the Board of Directors		Diversity – Emp	❖		4	5	6	6	6
	Number of men on the Board of Directors		Diversity – Emp			7	7	6	5	5
	Number of women on permanent employment contracts promoted during the year		Diversity – Emp			3	1	1	0	1
	Number of women recruited during the year		Diversity – Emp			13	24	21	10	22
	Number of women trained during the year		Diversity – Emp					83	61	66
	Average age				Years	39.0	37.0	37.1	38.7	37.3
	Average salary for female managers		Diversity – Pay	❖	€	57,546	56,949	57,931	58,889	60,495
	Average salary for male managers		Diversity – Pay	❖	€	59,877	60,687	60,641	61,413	61,762
	Number of employees under 30		Diversity – Emp	❖		16	36	33	22	37
	Number of employees between 30 and 50		Diversity – Emp	❖		68	65	63	68	54
	Number of employees over 50		Diversity – Emp	❖		11	14	17	18	20

PRIORITY ISSUES	INDICATOR	SCOPE	EPRA CODE	DPEF INDICATOR	UNIT	2015	2016	2017	2018	2019
Organization and quality of life at work	**Number of fatal accidents**		H&S – Emp	❖		0	0	0	0	0
	Number of traffic accidents		H&S – Emp	❖		0	0	0	0	0
	Number of occupational diseases		H&S – Emp			0	0	0	0	0
	Number of work-related accidents		H&S – Emp	❖		0	0	0	0	0
	Frequency rate of work-related accidents		H&S – Emp	❖		0	0	0	0	0
	Severity rate of work-related accidents		H&S – Emp	❖		0	0	0	0	0
	Number of employees teleworking							22	36	41
	Number of people eligible for teleworking							58	58	55
	Absenteeism rate		H&S – Emp		%	3.9	3.3	3.3	4.7	4.4
	Rate of participation in the most recent engagement survey			❖	%			80.7	76.2	76.2
	Number of days donated to caregivers				days	5	4	6	5	0
	Number of employees covered by a collective agreement						95	97	97	93
	Number of meetings held with staff representatives					15	18	17	17	27
	Number of employees who had an interview during the year		Emp-Dev						101	95

Governance indicators

To comply with the EPRA sBPR, the table below shows where to find governance information in this Universal Registration Document.

Information	Code EPRA	Correspondence in the Universal Registration Document
Composition of the Board of Directors	Gov-Board	chapter 4, § 4.1.1, p. 214 to 231
Procedure for selecting and appointing Board members	Gov-Select	chapter 4, § 4.1.1, p. 232 and 233
Procedure for managing conflicts of interest	Gov-Col	chapter 4, § 4.1.7, p. 242 and 243

Head office indicators

Indicator	EPRA code	Unit	2015	2016	2017	2018	2019	Change 2018/2019
Total electricity consumption	Elec-Abs	MWh	181	225	216	234	147	
Total like-for-like electricity consumption	Elec-LFL	MWh	181	225	216	234	147	-37.2%
Total energy consumption from district heating or cooling networks	DH&C-Abs	MWh	137	156	156	197	184	
Total energy consumption from district heating or cooling networks, like-for-like basis	DH&C-LFL	MWh	137	156	156	197	184	-6.6%
Total fuel consumption	Fuels-Abs	MWh	4.0	4.0	4.2	3.9	3.2	
Total fuel consumption, like-for-like basis	Fuels-LFL	MWh	4.0	4.0	4.2	3.9	3.2	-17.7%
Energy intensity of the building	Energy-Int	kWh/sq.m	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Total direct GHG emissions	GHG-Dir-Abs	tCO_2	1.104	0.736	0.829	0.768	0.583	
Total indirect GHG emissions	GHG-Dir-Abs	tCO_2	37.6	43.9	43.3	53.7	37.5	
Carbon intensity of the building	GHG-Int	tCO_2e/sq.m	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Total water consumption	Water-Abs	m^3	478	608	514	688	611	
Total water consumption, like-for-like basis	Water-LFL	m^3	478	608	514	688	611	-11.2%
Building's water intensity	Water-Int	m^3/visit	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Total waste production by type of treatment	Waste-Abs	tons	4.7	5.7	6.2	7.3	2.9	
		% recycled	35%	34%	34%	26%	57%	
		% buried	65%	66%	66%	74%	43%	
Total waste production by type of treatment, like-for-like basis	Waste-LFL	tons	4.7	5.7	6.2	7.3	2.9	-60.3%
		% recycled	35%	34%	34%	26%	57%	
		% buried	65%	66%	66%	74%	43%	

2. Methodological note

1. Scopes

A. CSR scope

The CSR scope includes assets in the portfolio at December 31, year N, excluding "Monoprix" assets and individual lots. The CSR scope therefore solely consists of shopping centers.

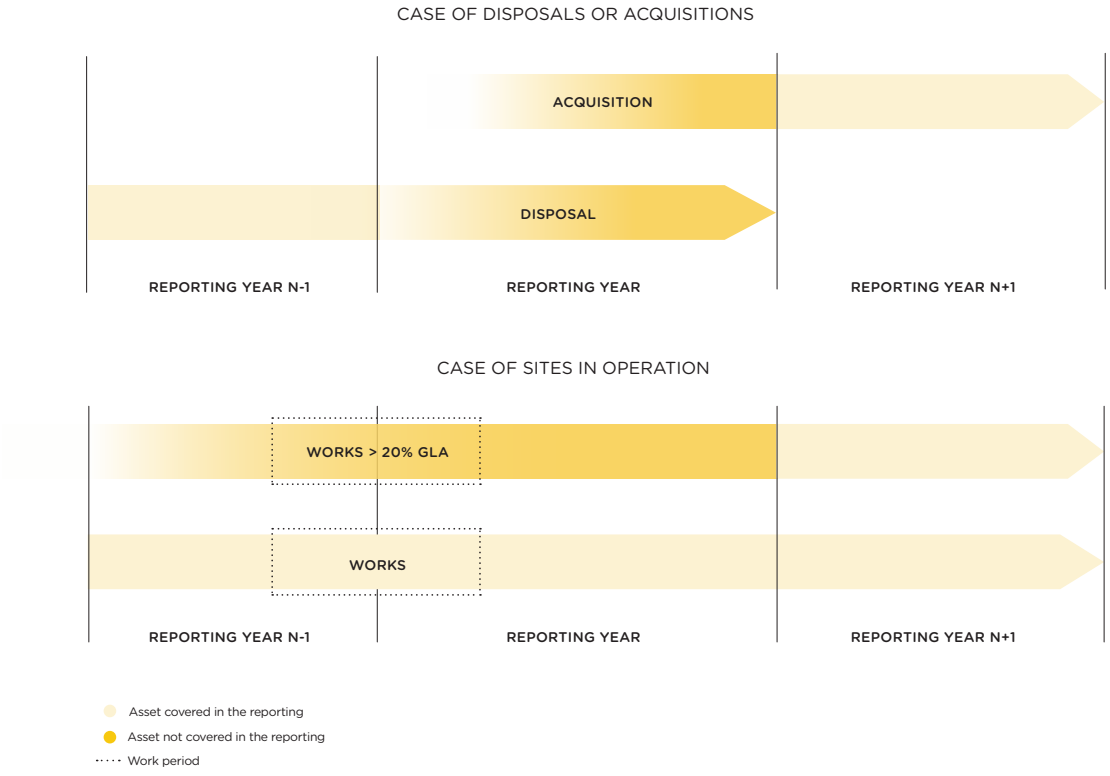
B. Current scope

The current scope comprises the assets within the CSR scope, excluding acquisitions during the year, in accordance with the CNCC's CSR reporting guidelines.

C. Like-for-like

The like-for-like scope comprises the assets within the current scope, excluding assets that underwent construction representing the creation of Gross Leasable Area (GLA) of more than 20%, in accordance with the CNCC's CSR reporting guidelines.

Like-for-like scope is calculated in relation to 2015, the CSR strategy baseline year.



2. Reporting period

Environmental indicators (energy consumption, water consumption, greenhouse gas emissions, waste quantities, etc.) are reported over a rolling 12-month period, from October 1 of year N-1 to September 30 of year N. Data entered as "N" therefore correspond to the environmental indicators calculated from October 1 of year N-1 to September 30 of year N, inclusive.

The footfall used to calculate the usage indicators is reported over a rolling 12-month period, from October 1 of year N-1 to September 30 year N.

Social and societal indicators are reported on a calendar-year basis, from January 1 to December 31 of year N.

3. Coverage rate

For each indicator, the coverage rate is given in terms of fair value, including transfer taxes.

The fair value of each asset is based on appraisals conducted on behalf of Mercialys.

For constant scope coverage rates, the market values at December 31 of year N are used.

4. Business indicators

A. Surface area of common areas

Common areas are considered to be the mall and heated, ventilated or chilled/cooled areas that may or may not be accessible to the public.

B. Gross leasable area surfaces

The gross leasable areas (used for the calculation of coverage rates in surface area) are those appearing in Chapter 1, § 1.3.2.3., p. 65 et seq.

C. Footfall

Footfall data comes from the counter mechanisms set up at the shopping centers and is collected daily.

The shopping centers for which counters were installed (full installation or modification of existing equipment) during the reporting period are not included in the usage indicators scope. They are factored in after a full year of operation.

5. Environmental indicators

A. Environmental certifications

A shopping center is considered certified for the period if the certificate is issued before December 31 of year N.

B. Energy consumption

This refers to energy consumption in kWh (final energy) paid for by the property manager and distributed to the common areas as well as the private areas that may be served by shared systems for heating, ventilation and/or air conditioning (connected private areas).

C. Greenhouse gas emissions

Greenhouse gas emissions (scope 1)

Emissions related to energy consumption burned on-site for the common areas and connected private areas (particularly gas) and to refrigerant leaks.

Greenhouse gas emissions generated by refrigerant leaks from air conditioning systems are calculated as follows:

Greenhouse gas emissions generated by the refrigerant ($kgCO_2e$) = quantity of refrigerant (kg) × refrigerant's GWP[(1)] ($kgCO_2e/kg$).

Greenhouse gas emissions (scope 2)

Emissions related to electricity consumption and urban heat used for the common areas and connected private areas.

Location-based emission factors and GWP

The location-based emission factors used are derived from ADEME's Carbon Base in the most recent version available.

The GWP factors also come from the Base Carbone when they are available.

Market-based emission factors

The market-based emission factors are derived directly from the different energy suppliers. If the emission factor is not available for year N at the time of the Universal Registration Document's publication, the emission factor for N-1 is used.

In addition, for properties for which information is not provided by the energy supplier, the residual factor calculated by the AIB (Association of Issuing Bodies) is used. For Corsican and Reunionese assets, the location-based emission factor of the Carbon Base is used.

D. Waste

This relates to waste:

- produced by retailers;
- left by visitors in the shopping center's waste containers.

The sites for which waste management is shared between the hypermarket and the shopping center are not taken into account as part of the waste scope.

Quantity

Waste quantities are given by the service provider that collects and handles the treatment of waste on a web platform. For removal in volume, the collected tonnage is estimated based on a number of containers removed and an average volume weight.

For removal by the town, an estimation methodology based on average tonnage by sq.m. has been devised.

Quantities of unclassified waste (waste that is sorted but rejected for recovery because it is insufficiently sorted) is incorporated into the tonnage of nonhazardous industrial waste.

Outfalls

Information on outfalls is reported by the waste service providers based on European nomenclature codes. For this indicator, a site is excluded from the scope if the end-of-life treatment of more than 30% of the waste produced (in tons) is unknown.

E. Water consumption

This applies to drinking water consumption only in communal areas, expressed in liters.

This indicator includes:

- consumptions associated with the shopping center's sanitation facilities (customer sanitation facilities and those of the shopping center's management);
- consumptions related to cleaning the center (mall, compactors, etc.);
- consumption related to watering the green spaces;
- water consumption of the air conditioning systems (cooling towers).

This indicator does not include:

- purely private consumption (shop consumption);
- water consumption related to fire safety (sprinkler tank, etc.).

(1) Global Warming Potential (GWP): an indicator that measures the cumulative effect of all the substances that aggravate the greenhouse effect.

F. Head office environmental indicators

The environmental indicators related to offices occupied by Mercialys are limited to the surface area occupied in the building (percentage shares).

G. Accessibility by public transport

The shopping centers' accessibility is assessed based on an inventory taken from the centers' managers and updated annually (stops near the shopping center, line serving the shopping center, arrival frequency, etc.).

H. Modes of transport used by visitors

The modes of transport used by visitors are calculated based on a customer survey distributed either on paper or digitally (wifi form or game). Shopping centers with fewer than 100 respondents are not used to calculate this indicator.

Modes of transport are weighted by the center's footfall.

6. Social indicators

A. Training

All types of training, whether face-to-face or e-learning courses, are taken into account for the training indicators. There is no minimum duration used to calculate training hours.

B. Staff turnover

Turnover is calculated for staff with permanent employment contracts by dividing the total number of departures of staff with permanent employment contracts by the average staff with permanent employment contracts.

C. Absenteeism

The absenteeism rate is calculated based on theoretical working hours. It takes into account all hours of absence that are not hours for parental leave, training hours or days off.

D. Managerial pay differential

The pay differential between male managers and female managers does not cover level-9 managers and top executives.

7. Societal indicators

A. Green leases

The coverage rate of environmental lease clauses is calculated as a percentage of leases signed during the current year that are eligible for an environmental clause. Exempt leases, lease amendments and disposals of businesses are excluded.

B. Jobs at the portfolio's shopping centers

These jobs include:

- store positions in shopping centers. These jobs were identified specifically from a sample of Mercialys' centers. Based on the corresponding areas, employment ratios per sq.m, specific to each business sector, were calculated. These area-based ratios are used to extrapolate store positions at all shopping centers in Mercialys' portfolio;
- indirect jobs with service providers operating at Mercialys' centers. The following activities were taken into account: maintenance, cleaning, insurance and security.

C. Visitor satisfaction

Visitor satisfaction is calculated based on the overall satisfaction score, weighted by the center's footfall. The score is taken into account for all the shopping centers surveyed, irrespective of the number of respondents.

To be included in the coverage rate, a shopping center must have used the survey in the last 24 months.

D. Tenant satisfaction

Tenant satisfaction is measured through paper surveys.

To be included in the coverage rate, a shopping center must have used the survey in the last 24 months.

3. Independent third party's report

Mercialys
Year ended the 31 December 2019

Independent third party's report on consolidated non-financial statement presented in the management report

To the General Management,

Following the entity's request and in our capacity as independent verifier, member of the network of the statutory auditors of your company (hereinafter referred to as "entity"), we hereby present to you our report on the consolidated non-financial statement established for the year ended 31 December 2019 (hereinafter referred to as the "Statement"), which the entity has chosen to prepare and present in its management report, by reference to the legal and regulatory provisions of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

As part of this voluntary process, it is the responsibility of the entity to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement (or available on demand at the entity's headquarters).

Independence and quality control

Our independence is defined by the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance to the Statement with the provision of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of work

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000(1):

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1. Concerning certain risks (talents and diversity, as well as organization and living conditions at work), our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities: la Galerie Espaces Anjou (Angers) and la Galerie Espaces Fenouillet (Toulouse);
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code;

(1) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 8% and 16% of the consolidated data relating to the key performance indicators and outcomes selected for these tests (8% of the energy consumption, 10% of the surface of common areas and 16% of the market value);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities included in the consolidation perimeter.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our verification work mobilized the skills of five people and took place between October 2019 and February 2020 over a total intervention period of approximately ten weeks.

We conducted four interviews with the persons responsible for the preparation of the Statement, representing in particular the environmental, human resources and purchasing departments.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Paris-La Défense, the 13 February 2020

Independent third party
EY & Associés

Jean-François Bélorgey
Partner

Eric Duvaud
Partner, Sustainable Development

Appendix 1: Information considered most important

Social information	
Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Share of women Share of men Turnover (permanent contracts) Average number of training hours per employee trained Proportion of trained employees Number of disabled employees Share of women in the management committee Share of women on the Board of Directors Average salary for women executives Average salary for male executives Wage equity ratio Breakdown of employees by age Frequency rate of workplace accidents Severity rate of workplace accidents Absenteeism rate	Recruitment and integration of talents Development of employees' skills and support in the evolution of their profession or function Development of employee engagement Actions to promote gender diversity and diversity within teams

Environmental information	
Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Energy intensity per unit area Share of energy consumption from renewable sources Greenhouse gas emissions scope 1 & 2 - location based Greenhouse gas emissions scope 1 & 2 - market based Carbon intensity per unit area (scope 1 & 2) Greenhouse gas emissions related to the management of waste from operations Greenhouse gas emissions related to tenants' energy consumption Greenhouse gas emissions linked to employees' travel Share of BREEAM In-Use certified assets by value Share of BREEAM New Construction certified assets by value Total quantity of waste by type of waste Share of recycled waste Share of reused waste Share of composted waste Share of waste incinerated with energy recovery Share of landfilled waste Waste sorting rate Waste recycling rate Waste valorization rate Water consumption per visitor	Improvement in energy efficiency, in particular through the installation of more efficient equipment Implementation of real-time consumption measurements Definition of a 2°C strategy Progression of a certification level for BREEAM In-Use certified assets

Societal information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Share of assets having undergone a safety audit Average security audit score Share of assets covered by a visitor satisfaction survey Average rating in the visitor satisfaction survey Share of assets covered by a tenant satisfaction survey Share of assets that have carried out an employment supporting action Number of job offers in Mercialys assets Number of jobs created by Mercialys assets Share of assets that hosted an association Number of associations hosted Share of leases signed during the year covered by an environmental annex Share of corporate purchases covered by CSR clauses Share of asset purchases covered by CSR clauses Number of cases referred to the Ethics Officer as part of the alert procedure Fatal accidents at work on construction sites Share of assets located within 500m of a public transport stop Share of customers coming by car and motorcycle to the assets Share of customers coming by public transportation to the assets Share of customers coming to the assets by bicycle Share of customers walking to the assets Share of assets equipped with carpooling spaces Share of assets equipped with charging stations for electric vehicles	Deployment of charging stations for electric vehicles Deployment of the Loyalty Challenge program Implementation of local employment initiatives Provision of space for associations within the assets Addition of CSR clauses in contracts

€3,634M
Portfolio value including transfer taxes

€20.01
EPRA NNNAV per share

€1.35
FFO per share

3

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3.1 Consolidated financial statements 118

3.1.1 Financial statements 118

3.1.2 Notes to the financial statements 124

3.1.3 Statutory Auditors' report on the consolidated financial statements 172

3.2 Separate financial statements 176

3.2.1 Financial statements 176

3.2.2 Notes to the financial statements 179

3.2.3 Statutory Auditors' report on the separate financial statements 200

3.2.4 Statutory Auditors' special report on related-party agreements and commitments 204

3.2.5 Five-year results of Mercialys SA 209

3.2.6 Information on the terms of payment of Mercialys SA 210

3.1 Consolidated financial statements

3.1.1 Financial statements

3.1.1.1 Consolidated income statement

(in thousands of euros)	Notes	12/2019	12/2018
Rental revenues		**191,853**	**187,287**
Service charges and property tax		(47,811)	(45,668)
Expenses billed to tenants		42,236	40,668
Property operating expenses		(7,076)	(6,920)
Net rental income	**6.1**	**179,202**	**175,367**
Management, administrative and other activities income	6.2	3,229	3,076
Other income	6.3	276	285
Other expenses	6.4	(7,283)	(8,335)
Personnel expenses	6.5	(12,413)	(12,581)
Depreciation and amortization[(1)]	6.6	(40,440)	(37,016)
Reversals of/(Allowances for) provisions		(1,252)	(1,481)
Other operating income	6.7	102,496	30,481
Other operating expenses	6.7	(98,792)	(25,610)
Operating income		**125,023**	**124,186**
Income from cash and cash equivalents		190	430
Gross finance costs		(22,180)	(31,697)
(Net finance costs)/income from net cash	**14.1.1**	**(21,990)**	**(31,267)**
Other financial income	14.1.2	255	285
Other financial expenses[(1)]	14.1.2	(3,111)	(2,195)
Net financial income		**(24,846)**	**(33,177)**
Tax expense	7.1	(3,270)	(2,402)
Share of net income from equity associates and joint ventures	3.5	2,289	1,012
CONSOLIDATED NET INCOME		**99,196**	**89,619**
attributable to non-controlling interests		8,856	8,768
attributable to owners of the parent		90,340	80,851
Earnings per share	**20.3**		
Net income, attributable to owners of the parent (in euros)		0.98	0.88
Diluted net income, attributable to owners of the parent (in euros)		0.98	0.88

(1) Application of IFRS 16 – Leases (note 1.2.3, p. 126) from January 1, 2019, using the simplified retrospective method.

3.1.1.2 Statement of consolidated comprehensive income

(in thousands of euros)	Notes	12/2019	12/2018
Consolidated net income		99,196	89,619
Items that may be recycled as income		**(9,180)**	**(3,077)**
Cash-flow hedges	18	(9,180)	(3,077)
Items that may not be recycled as income		**(4,115)**	**(3,023)**
Change in fair value of financial assets measured at fair value through the other items of comprehensive income	18	(3,326)	(4,552)
Actuarial gains or losses	22.1	(7)	(58)
Tax effects		(783)	1,587
Other comprehensive income for the period, net of tax		(13,296)	(6,100)
CONSOLIDATED COMPREHENSIVE INCOME		**85,901**	**83,519**
attributable to non-controlling interests		8,856	8,768
attributable to owners of the parent		**77,045**	**74,751**

3.1.1.3 Consolidated balance sheet

Assets

(in thousands of euros)	Notes	12/2019	12/2018
Intangible assets	8.1	3,588	2,710
Property, plant and equipment other than investment property	8.1	857	8
Investment property	8.1	2,222,452	2,322,755
Right-of-use assets[(1)]	9	9,981	-
Investments in equity associates	3.5	36,355	35,160
Other non-current assets	10	51,867	46,773
Deferred tax assets	7	1,200	1,727
Non-current assets		**2,326,300**	**2,409,134**
Trade receivables	12	20,532	22,341
Other current assets	13	36,594	49,448
Cash and cash equivalents	14	72,024	377,106
Investment property held for sale	8.2	111	3,753
Current assets		**129,262**	**452,648**
TOTAL ASSETS		**2,455,562**	**2,861,781**

Equity and liabilities

(in thousands of euros)	Notes	12/2019	12/2018
Share capital	20	92,049	92,049
Additional paid-in capital, treasury shares and other reserves		565,909	587,551
Equity, attributable to owners of the parent	**20**	**657,958**	**679,601**
Non-controlling interests	20.5	202,072	199,944
Equity		**860,030**	**879,545**
Non-current provisions	22	1,128	1,063
Non-current financial liabilities	14	1,234,944	1,208,999
Deposits and guarantees		21,502	22,081
Non-current lease liabilities[(1)]	9	9,640	-
Other non-current liabilities		12,939	3,580
Non-current liabilities		**1,280,154**	**1,235,723**
Trade payables	15	13,839	14,769
Current financial liabilities	14	261,643	690,939
Current lease liabilities[(1)]	9	959	-
Current provisions	22	10,920	7,538
Other current liabilities	16	27,542	33,218
Current tax liabilities	16	474	49
Current liabilities		**315,378**	**746,513**
TOTAL EQUITY AND LIABILITIES		**2,455,562**	**2,861,781**

(1) Application of IFRS 16 – Leases (note 1.2.3, p. 126) from January 1, 2019, using the simplified retrospective method.

3.1.1.4 Consolidated cash-flow statement

(in thousands of euros)	Notes	12/2019	12/2018
Net income, attributable to owners of the parent		90,340	80,851
Non-controlling interests		8,856	8,768
Consolidated net income		**99,196**	**89,619**
Depreciation and amortization[2] and provisions, net of reversals	6.6	54,226	41,507
Expenses/(income) relating to stock options and similar		206	235
Other calculated expenses/(income)[3]		(2,133)	(1,964)
Share of net income from equity associates	3.5	(2,289)	(1,012)
Dividends received from associates	3.5	2,449	4,397
Income from asset disposals		(17,443)	(8,119)
Expenses/(income) from net financial debt		21,990	31,268
Net financial interest in respect of lease agreements[1]	9	328	-
Tax expense (including deferred tax)	7	3,270	2,402
Cash-flow		**159,800**	**158,333**
Taxes received/(paid)		(2,572)	(305)
Change in working capital requirement relating to operations, excluding deposits and guarantees[4]		(1,688)	8,729
Change in deposits and guarantees		(579)	(612)
Net cash-flow from operating activities		**154,960**	**166,144**
Cash payments on acquisitions of:			
• investment properties and other fixed assets	4.2/8.1.2.3	(26,412)	(79,294)
• non-current financial assets		(1)	(221)
Cash receipts on disposals of:			
• investment properties and other fixed assets[5]	4.3	96,285	27,890
• non-current financial assets		-	-
Investments in equity associates[6]		(1,625)	(975)
Impact of changes in the scope of consolidation with change of ownership		-	(44)
Change in loans and advances granted[8]		10,839	(7,826)
Net cash-flow from investing activities		**79,086**	**(60,470)**
Dividends paid to shareholders of the parent company	21	(56,863)	(62,403)
Interim dividend	21	(43,123)	(45,805)
Dividends paid to non-controlling interests		(6,728)	(10,844)
Other transactions with shareholders		-	-
Changes in treasury shares		960	(3,510)
Increase in borrowings and financial debt[7]		1,499,700	1,080,043
Decrease in borrowings and financial debt[7]		(1,912,400)	(857,000)
Repayment of lease liabilities[1]	9	(644)	-
Net interest received	4.4	33,349	31,140
Net interest paid	4.4	(53,332)	(56,715)
Net cash-flow from financing activities		**(539,080)**	**74,904**
CHANGE IN CASH POSITION		**(305,034)**	**180,577**
Net cash at beginning of year	14	377,046	196,469
Net cash at end of year	14	72,012	377,046
Of which:			
• Cash and cash equivalents		72,024	377,106
• Bank overdrafts		(12)	(60)

(1) Application of IFRS 16 – Leases (note 1.2.3, p. 126) from January 1, 2019, using the simplified retrospective method.
(2) Depreciation and amortization exclude the impact of current asset impairments.

(in thousands of euros)	Notes	12/2019	12/2018
(3) Other calculated expenses and income mainly comprise:			
• *discounting adjustments to construction leases (note 10, p. 148)*		*(355)*	*(444)*
• *lease rights received from tenants and spread out over the term of the lease*		*(2,899)*	*(1,980)*
• *financial expenses spread out*		*921*	*402*
• *interest on non-cash loans*		*102*	*(50)*
(4) The change in working capital requirement breaks down as follows:			
• *trade receivables*		*1,623*	*(7,076)*
• *trade payables*		*(929)*	*2,228*
• *other receivables and payables*		*(2,382)*	*13,577*
		(1,688)	***8,729***

(5) In 2019, cash inflows related to disposals were essentially composed of the disposals of the sites in Gap for Euro 6.4 million excluding transfer taxes, Anglet for Euro 2.8 million, La Garenne-Colombes for Euro 39.7 million, and Saint-Germain-en-Laye for Euro 47.6 million. (note 2, p. 128).

In 2018, cash inflows related to disposals were essentially composed of the disposals of the sites at Saint-Paul and Lannion for Euro 25.2 million excluding transfer taxes.

(6) On June 28, 2019, the General Meeting of SCI Rennes-Anglet unanimously decided to allocate losses between the partners in proportion to their share in the equity capital, i.e. Euro 1,625,000 for Mercialys.
During the first half of 2018, Mercialys took part in a capital increase of the SCI AMR for Euro 975,000.

(7) In 2019, increases and decreases in borrowings and financial debt corresponded to subscriptions and redemption of commercial paper , i.e. Euro (67,000) net of expenses in 2019, as well as the redemption of the bond in the amount of Euro 479.7 million (note 14.2.6, p. 154).

In 2018, increases and decreases of borrowings and financial debt corresponded to subscriptions and redemption of commercial papers and the establishment of the new bond, representing Euro 298,466,000 net of expenses in 2018 and Euro 148,260,000 net of expenses (note 14.2.6, p. 154).

(8) In 2018, Mercialys granted an additional loan of Euro 7.8 million to SCI Rennes-Anglet. This was fully repaid by SCI Rennes Anglet in the amount of Euro 10.8 million in 2019 (note 24.10, p. 169).

3.1.1.5 Change in consolidated equity

(in thousands of euros)	Share capital	Reserves related to share capital[1]	Treasury shares	Consolidated reserves and retained earnings	Actuarial gains or losses	Change in financial assets through the other items of comprehensive income	Equity, attributable to owners of the parent[2]	Non-controlling interests	Total shareholder's equity Financial
At December 31, 2017	**92,049**	**482,834**	**(2,943)**	**145,345**	**(297)**	**1,529**	**718,517**	**202,023**	**920,540**
IFRS 9 restatements	-	-	-	(2,690)	-	-	(2,690)	(2)	(2,692)
At January 1, 2018	**92,049**	**482,834**	**(2,943)**	**142,654**	**(297)**	**1,529**	**715,827**	**202,021**	**917,848**
Other comprehensive income for the period	-	-	-	(3,077)	(38)	(2,985)	(6,100)	-	(6,100)
Net income for the period	-	-	-	80,851	-	-	80,851	8,768	89,619
Consolidated comprehensive income for the period	**-**	**-**	**-**	**77,774**	**(38)**	**(2,985)**	**74,751**	**8,768**	**83,519**
Treasury share transactions (note 20, p. 160)	-	-	(2,032)	(970)	-	-	(3,002)	-	(3,002)
Final dividends paid for 2017	-	-	-	(62,403)	-	-	(62,403)	(10,844)	(73,248)
Interim dividends paid for 2018	-	-	-	(45,805)	-	-	(45,805)	-	(45,805)
Payments in shares	-	-	-	235	-	-	235	-	235
As at December 31, 2018	**92,049**	**482,834**	**(4,975)**	**111,484**	**(335)**	**(1,456)**	**679,601**	**199,944**	**879,545**
Other comprehensive income for the period	-	-	-	(9,180)	(37)	(4,079)	(13,296)	-	(13,296)
Net income for the period	-	-	-	90,340	-	-	90,340	8,856	99,196
Consolidated comprehensive income for the period	**-**	**-**	**-**	**81,160**	**(37)**	**(4,079)**	**77,044**	**8,856**	**85,900**
Treasury share transactions (note 20, p. 160)	-	-	1,374	(281)	-	-	1,093	-	1,093
Final dividends paid for 2018	-	-	-	(56,863)	-	-	(56,863)	(1,417)	(58,280)
Interim dividends paid for 2019	-	-	-	(43,123)	-	-	(43,123)	(5,311)	(48,434)
Payments in shares	-	-	-	206	-	-	206	-	206
Other movements	-	-	-	12	-	(12)	-	-	-
AT DECEMBER 31, 2019	**92,049**	**482,834**	**(3,601)**	**92,595**	**(371)**	**(5,546)**	**657,958**	**202,072**	**860,030**

(1) Reserves related to share capital correspond to premiums on shares issued for cash or assets, merger premiums and statutory reserves.
(2) Attributable to Mercialys SA shareholders.

3.1.2 Notes to the financial statements

Note 1	Accounting principles and measurement methods	125
Note 2	Main highlights of the fiscal year	128
Note 3	Consolidation scope	128
Note 4	Additional information on the cash-flow statement	133
Note 5	Segment reporting	134
Note 6	Information concerning operating income	135
Note 7	Tax	138
Note 8	Intangible assets, property, plant & equipment and investment property	140
Note 9	Leases	146
Note 10	Other non-current assets	148
Note 11	Impairment of non-current assets	149
Note 12	Trade accounts and other receivables	149
Note 13	Other current assets	150
Note 14	Financial structure	150
Note 15	Trade payables	155
Note 16	Other current liabilities and tax liability	155
Note 17	Breakdown of financial assets and liabilities, per instrument category	155
Note 18	Fair value hierarchy	157
Note 19	Financial risk management:	158
Note 20	Equity and earnings per share	160
Note 21	Dividend	163
Note 22	Provisions	165
Note 23	Off-balance sheet commitments	166
Note 24	Related-party transactions	167
Note 25	Statutory Auditors' fees	171
Note 26	Workforce	171
Note 27	Subsequent events	171

Information about the Mercialys group

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

The shares of Mercialys SA are listed on Euronext Paris, Compartment A.

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

The consolidated financial statements at December 31, 2019, reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in affiliated companies.

On February 12, 2020, the Board of Directors approved and authorized the publication of the Mercialys group consolidated financial statements for the fiscal year 2019.

Note 1 Accounting principles and measurement methods

1.1 Reporting standards

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 at the date on which the financial statements were approved by the Board of Directors 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 the new standards and interpretations described below.

Standards, amendments and interpretations adopted by the European Union and mandatory as from the fiscal year beginning January 1, 2019

The European Union has adopted the following standards which are mandatory for the Group for its fiscal year beginning January 1, 2019:

- IFRS 16 – Leases. Impacts related to the application of IFRS 16 are described in note 1.2.3, p. 126.

The following texts have no impact on the Group's consolidated financial statements:

- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Annual improvements (2015-2017 cycle) – Annual improvement process, 2015-2017 cycle.

Standards and interpretations published but not yet in force

Standards adopted by the European Union at the reporting date but not yet in force

The IASB has published the following standards, amendments and interpretations that have been adopted by the European Union but were not yet in force on January 1, 2019.

- Amendments to references to the conceptual framework in IFRS standards;
- Amendment to IFRS 3 – Definition of a business;
- Amendments to IAS 1 and IAS 8 – Definition of "material";
- IFRS 17 – Insurance contracts.

These should not have a material impact on the Group's consolidated financial statements.

1.2 Basis of preparation and presentation of the consolidated financial statements

1.2.1 Basis of assessment

The consolidated financial statements were prepared using the historical cost principle with the exception of:

- assets and liabilities remeasured at fair value in the context of a business combination, in accordance with the principles set out in IFRS 3;
- derivative financial instruments and financial assets measured at fair value. The carrying cost of assets and liabilities that are fair value hedged items that would otherwise be measured at cost is adjusted to reflect changes in fair value attributable to the risks being hedged.

The consolidated financial statements are presented in thousands of euros. The amounts stated in the Consolidated Financial Statements have been rounded up or down to the nearest thousand and include figures that have been rounded individually. There may be differences between the arithmetic totals of these figures and the aggregates or subtotals shown.

1.2.2 Use of estimates and judgments

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

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

The material judgments made by Management to apply the Group's accounting methods and the main sources of uncertainty linked to estimates are identical to those described in the latest annual financial statements, except with respect to the application of IFRS 16 (note 1.1, p. 125).

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

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

1.2.3 Changes in accounting methods

The main changes resulting from the application of IFRS 16 are as follows:

IFRS 16, which replaces IAS 17 and the related interpretations from January 1, 2019, eliminates the distinction between operating leases and finance leases; it requires the recognition of an asset ("right-of-use asset") and a lease liability representative of discounted future lease payments for practically all leases. The rent expense is replaced by an amortization expense linked to a right of use and a financial interest expense linked to a lease debt. Previously, the Group mainly recorded operating lease expenses on a straight-line basis over the term of the lease and only recorded assets and liabilities if there was a disparity between the actual lease payments and the expense recorded. Further, operating cash-flows will be higher, given that payments related to the main component of the financial liability and the associated interest will be presented in financing activities. The leases for which Mercialys is a tenant fall into two categories:

- leases on parcels of land related to investment properties (mainly construction leases and emphyteutic leases);
- commercial leases for offices.

On January 1, 2019, the Group decided to adopt the simplified retrospective approach as a transition method. As a result, the 2018 financial statements will not be restated.

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

Rents not included in the initial measurement of liabilities, such as short-term lease expenses, will continue to be classified as operating expenses.

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

The tables below show the impact, on the previously reported consolidated balance sheet, of the simplified retrospective application of IFRS 16 – Leases, as at January 1, 2019.

Impacts on the main aggregates of the consolidated statement of financial position

Assets

(in thousands of euros)	December 31 2018 published	IFRS 16 Restatements	January 1, 2019 restated
Intangible assets	2,710	-	2,710
Property, plant and equipment other than investment property	8	-	8
Investment property	2,322,755	-	2,322,755
Right-of-use assets	-	11,243	11,243
Investments in equity associates	35,160	-	35,160
Other non-current assets	46,773	-	46,773
Deferred tax assets	1,727	-	1,727
Non-current assets	**2,409,134**	**11,243**	**2,420,377**
Trade receivables	22,341	-	22,341
Other current assets	49,448	-	49,448
Cash and cash equivalents	377,106	-	377,106
Investment property held for sale	3,753	-	3,753
Current assets	**452,648**	**-**	**452,648**
TOTAL ASSETS	**2,861,781**	**11,243**	**2,873,024**

Equity and liabilities

(in thousands of euros)	December 31 2018 published	IFRS 16 Restatements	January 1, 2019 restated
Share capital	92,049	-	92,049
Additional paid-in capital, treasury shares and other reserves	587,551	-	587,551
Equity, attributable to owners of the parent	679,601	-	679,601
Non-controlling interests	199,944	-	199,944
Equity	**879,545**	**-**	**879,545**
Non-current provisions	1,063	-	1,063
Non-current financial liabilities	1,208,999	-	1,208,999
Deposits and guarantees	22,081	-	22,081
Other non-current liabilities	3,580	-	3,580
Non-current lease liabilities	-	10,366	10,366
Non-current liabilities	**1,235,723**	**10,366**	**1,246,089**
Trade payables	14,769	-	14,769
Current financial liabilities	690,939	-	690,939
Current provisions	7,538	-	7,538
Other current liabilities	33,218	-	33,218
Current lease liabilities	-	877	877
Current tax liabilities	49	-	49
Current liabilities	**746,513**	**877**	**747,390**
TOTAL EQUITY AND LIABILITIES	**2,861,781**	**11,243**	**2,873,024**

The right of use is the present value of the fixed portion of lease payments over the lease term. The lease term applied is the most probable duration of the lease.

The depreciation period of agreements is consistent with the term used in the calculation of rights of use.

At January 1, 2019, the rates used to discount lease liabilities were as follows:

Duration *(year)*	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Rate *(%)*	0.63	1.11	1.64	2.17	2.68	3.04	3.39	3.71	4.02	4.32

Reconciliation of lease commitments at December 31, 2018 and lease liabilities at January 1, 2019:

Lease commitments relating to operating leases held by the Group amounted to Euro 12.8 million at December 31, 2018.

The simplified retrospective application of IFRS 16 resulted in the recognition of a lease liability of Euro 11.2 million as at January 1, 2019.

The difference of Euro (1.5) million mainly breaks down as follows:

- the effect of discounting for Euro 3.0 million;
- the difference between the minimum commitment period and the reasonably certain period of validity for certain contracts as part of the IFRS 16 restatement, in particular the lease signed on the registered office for Euro (2.7) million;
- the end of the lease on the Gap site for Euro 1.6 million following the sale of the site.

IFRS 16 impact on the income statement at December 31, 2019:

Following the application of IFRS 16 in 2019, the amount of restated rent expenses was Euro 1.5 million. These rents are replaced by a depreciation expense of Euro 1.3 million and a financial interest expense of Euro 0.3 million.

The residual lease expense related to contracts excluded from the application of IFRS 16 (less than 12 months) amounts to Euro 424,000.

Note 2 Main highlights of the fiscal year

In February 2019, Mercialys finalized the sale of the Gap site for Euro 6.7 million (excluding transfer taxes).

In March 2019, Mercialys redeemed at maturity a residual bond of Euro 479.7 million (Euro 650 million issued in March 2012, partly redeemed in December 2014), bearing a fixed coupon of 4.125%.

In April 2019, Mercialys changed its registered office, which is now located at 16-18 rue du Quatre-Septembre, 75002 Paris.

In May, SCI Rennes-Anglet, which is 30% owned by Mercialys, sold the premises of the Anglet hypermarket for Euro 19.8 million (excluding transfer taxes). At the same time, Mercialys sold the units it owned on this site for Euro 2.8 million (excluding transfer taxes). Then, in early July, the Rennes hypermarket was sold for Euro 24.1 million (excluding transfer taxes).

In July 2019, Mercialys sold the Monoprix sites of La Garenne-Colombes and Saint-Germain-en-Laye for Euro 41.0 million and Euro 49.1 million, respectively (excluding transfer taxes).

In December 2019, an amendment to the cash advance agreement was signed by Mercialys and Casino Finance. This amendment lowered the advance to Euro 35 million (versus Euro 50 million previously), thus modifying the financial terms and bringing the maturity date to December 31, 2021.

In December 2019, Mercialys also extended the maturity of its 3-year undrawn credit line, reducing its amount from Euro 240 million to Euro 225 million.

In 2019, Mercialys' shareholding structure changed following the Casino group's announcement, in July 2018, of the definitive sale of 15% of its stake in Mercialys through an equity swap with Crédit Agricole.

In April and then again in September 2019, Crédit Agricole informed the French financial markets authority that its stake in Mercialys had fallen below the thresholds of 15% and then 10% of the company's share capital and voting rights, to 14.98% and then 9.95%. On January 14, 2020, Crédit Agricole informed the French financial markets authority that its stake in Mercialys had fallen below the threshold of 5% of the company's share capital and voting rights, to 4.99%.

Lastly, a disclosure of threshold crossing made to the French financial markets authority on January 31, 2020, by the consortium made up of Mr. Jean-Charles Naouri and the companies that he directly or indirectly controls shows that, as at that date, the Casino group holds 25.16% of Mercialys' share capital and voting rights, while Foncière Euris holds 0.32% and Crédit Agricole holds 4.47%.

Note 3 Consolidation scope

ACCOUNTING PRINCIPLE

Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a subsidiary where it is shown or where it has the right to variable returns due to its links with the entity and it has the ability to influence these returns due to its power over the entity. Financial statements of subsidiaries are included in the consolidated financial statements as from the date of effective transfer of control until the date the control ceases to exist. Subsidiaries, regardless of the percentage interest held, are fully consolidated in the Group's balance sheet.

Partnerships

The Group classifies its interests in partnerships either as a joint activity (if it has rights to assets and assumes obligations with respect to liabilities, within the framework of a partnership) or as a joint venture (if it only has rights to the net assets concerned by a partnership). On making this assessment, the Group has taken into account the structure of the partnership, the legal form of the separate vehicle, contractual stipulations and, if applicable, other facts and circumstances.

The Group has analyzed its partnerships and concluded that they should be qualified as a joint venture (previously jointly-owned entity). As a result, investments are accounted for using the equity method.

Associated companies

Equity associates are companies over which the Group exercises significant influence on financial and operating policies but which it does not control. Associated companies are accounted for in the balance sheet using the equity method. Goodwill relating to these entities is included in the carrying cost of the equity investment.

Business combinations

As required by IFRS 3 revised, the acquisition cost is measured at fair value of the assets, issued equity and liabilities on the date of transaction. The identifiable assets and liabilities of the acquired business are measured at their fair value on the date of acquisition. Costs directly associated with the acquisition are recognized under "Other operating expenses."

Any surplus remaining, plus, if relevant, the amount of non-controlling interests and the fair value of all interests previously held in the acquired company, after deduction of the Group share of the net fair value of the identifiable assets and liabilities of the acquired business will be recognized as goodwill. When the difference is negative, a gain on a bargain purchase is immediately recognized as income.

At the date of acquisition, for each business combination, the Group may elect to use either the partial goodwill method (restricted to the share acquired by the Group) or the full goodwill method. If the full goodwill method is chosen, non-controlling interests are valued at their fair value and the Group recognizes goodwill on the full amount of the identifiable assets acquired and liabilities assumed.

Business combinations completed prior to January 1, 2010, were accounted for using the partial goodwill method, the only method applicable before the IFRS 3 (revised).

In case of acquisition by stages, the previously-held equity interest will be remeasured at fair value on the effective date of control. The difference between the fair value and net carrying cost of this equity interest is recognized directly in the income statement under ("Other operating income" or "Other operating expenses.")

The amounts recognized on the acquisition date may be adjusted retrospectively if they relate to new information brought to the buyer's attention concerning facts and circumstances that existed before the acquisition date. Beyond the measurement period (not exceeding 12 months after the takeover of the acquired entity), the goodwill may no longer be adjusted. Subsequent acquisitions/disposals of non-controlling interests are recognized as transactions with shareholders, *i.e.* directly under equity.

In addition, earn-out payments are included in the consideration transferred at their fair value at the acquisition date and regardless of their probability. During the valuation period, subsequent adjustments are allowed against goodwill when they relate to facts and circumstances that existed at the acquisition date. Otherwise and beyond this period, adjustments to earn-out payments are recognized directly in the income statement (under "Other operating income" or "Other operating expenses"), unless the earn-out payments are against an equity instrument. In the latter case, the earn-out payment is not restated at a later date.

Year-end

The financial year-end for all Mercialys group companies is December 31.

Transactions eliminated from the Consolidated Financial Statements

Balance sheet items and income and expense items resulting from intra-group transactions are eliminated when preparing the Consolidated Financial Statements.

3.1 Transactions in 2019

In connection with the new activities developed by the Group, two new entities were created in 2019: SAS Ocitô la Galerie, for home food delivery, and SAS Cap Cowork Mercialys, for creating coworking spaces.

In December 2019, SAS Saint-Denis Genin was created by two companies – Astuy and Panhard Developpement (note 3.4, p. 130).

3.2 Transactions in 2018

Agout, Alcudia Albertville and SCI MS Investissement were dissolved in 2018. Those dissolutions resulted in the universal transfer of assets from those companies to Mercialys SA. These transactions had no impact on the consolidated financial statements.

3.3 List of consolidated companies

At December 31, 2019, the Mercialys group comprises 27 consolidated companies:

	December 31, 2019			December 31, 2018		
Name	**Method**	**% of interest**	**% of control**	**Method**	**% of interest**	**% of control**
Mercialys SA	**FC**	**Parent company**	**Parent company**	**FC**	**Parent company**	**Parent company**
Mercialys Gestion SAS	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Kerbernard	FC	100.00%	100.00%	FC	100.00%	100.00%
Point Confort SA	FC	100.00%	100.00%	FC	100.00%	100.00%
Corin Asset Management SAS	EM	40.00%	40.00%	EM	40.00%	40.00%
SARL La Diane	FC	100.00%	100.00%	FC	100.00%	100.00%
Société du Centre Commercial de Narbonne SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
FISO SNC	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS des Salins	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Timur	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Géante Périaz	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Dentelle	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Caserne de Bonne	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI AMR	EM	39.90%	39.90%	EM	39.90%	39.90%
SNC Aix 2	EM	50.00%	50.00%	EM	50.00%	50.00%
SNC Fenouillet Participation	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Fenouillet Immobilier	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Hyperthetis Participations	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Immosiris	FC	51.00%	51.00%	FC	51.00%	51.00%
SAS Epicanthe	FC	100.00%	100.00%	FC	100.00%	100.00%
SARL Toutoune	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Mercialys Exploitation	FC	100.00%	100.00%	FC	100.00%	100.00%
SCI Rennes-Anglet	EM	30.00%	30.00%	EM	30.00%	30.00%
SAS Astuy	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Sacré-Cœur	FC	100.00%	100.00%	FC	100.00%	100.00%
SAS Ocitô la Galerie	FC	100.00%	100.00%	-	-	-
SAS Cap Cowork Mercialys	FC	100.00%	100.00%	-	-	-
SAS Saint-Denis Genin	EM	30.00%	30.00%	-	-	-

FC: Full consolidation.
EM:Equity method.

3.4 Measurement of control

No event occurred in 2019 to question the method used to measure the control of the entities in the scope of consolidation.

Analysis of control for entities that are not 100% owned by the Mercialys group:

SAS Corin Asset Management

The Group jointly holds a 40% stake in Corin Asset Management. In view of the agreements with its partner, the Group considers the company as a joint venture according to IFRS 11. Corin Asset Management is therefore accounted for using the equity method (note 3.5, p. 131).

SCI AMR

SCI AMR is 60.1%-owned by Amundi and 39.9% by Mercialys SA. The SCI is governed by the articles of association and a partner agreement dated April 23, 2013. The key decisions granting their holders a participatory right are taken by simple majority. Other decisions requiring the approval of Mercialys are non-strategic decisions and they confer a protective right on partners.

The Group only has a significant influence over SCI AMR. As a result, the company is accounted for using the equity method (note 3.5, p. 131).

SNC Aix 2

The Group jointly holds a 50% stake in SNC Aix2. A partner agreement formalizes the sharing of control of the business and sets out the powers of the Monitoring Committee composed of both executives. Each member of the monitoring committee has one vote. The Monitoring Committee may only validly deliberate when all members are present. The Committee's decisions are adopted unanimously.

Accordingly, the Group considers the company as a joint venture according to IFRS 11. SNC Aix2 is therefore accounted for using the equity method (note 3.5, p. 131).

OPCI UIR II

Since July 2011, Mercialys owns 19.99% of OPCI UIR II established with UI, which owns 80.01%.

The governance rules are as follows:

- the Board of Directors makes all decisions (strategic, financial and operational);
- management is undertaken by UI and Mercialys may not cancel this;
- dividend distributions are on the initiative of UI;
- all decisions of the Board of Directors are made by a majority of those present (UI is represented by four out of five members);
- no specific rights are granted to Mercialys;
- Mercialys may decide to leave the OPCI since it benefits from a put option in respect of UI.

These governance rules cannot presume that Mercialys has significant influence over the OPCI. OPCI UIR II is therefore classified under Financial assets at fair value through other comprehensive income (note 10, p. 148).

SAS Hyperthetis Participations (note 20.5, p. 162)

On June 1, 2015, Mercialys set up the simplified joint-stock company Hyperthetis Participations with a capital of Euro 10. On June 17, 2015, Mercialys transferred six real-estate assets to Hyperthetis Participations. On June 26, 2015, Mercialys sold 49% of the shares in Hyperthetis Participations to OPCI SPF2, majority-owned by BNP Paribas.

Since the end of June 2015, Mercialys holds a 51% stake in SAS Hyperthetis Participations. In view of the IFRS 10 standard, analysis led to the conclusion that Mercialys has exclusive control over the whole.

Mercialys has the power to influence the returns of SAS Hyperthetis Participations through the shareholders' agreement in place.

Consequently, SAS Hyperthetis Participations continues to be accounted for according to the full consolidation method in the Group's consolidated financial statements.

SAS Immosiris (note 20.5, p. 162)

On October 22, 2015, Mercialys set up a simplified joint-stock company Immosiris Participations with a capital of Euro 100.

On November 2, 2015, Mercialys transferred one real-estate asset Immosiris. On November 10, 2015, Mercialys sold 29.7% of the shares in Immosiris to OPCI REAF, majority-owned by BNP Paribas. On November 10, 2015, Mercialys was diluted by OPCI REAF to 51%.

Since November 2015, Mercialys owns 51% of SAS Immosiris. According to IFRS 10, the analysis performed concludes that the governance rules in place do not define a joint venture but monitor Mercialys's exclusive control over the partners, accompanied by protection rights for minority shareholders given the particular nature of the activity, of which a part of the revenues is obtained from a related party. This is because the criteria defining the concept of control are respected in accordance with IFRS 10:

- Mercialys has power over collective decisions and consequently controls the operational and strategic activities of SAS Immosiris which mainly comprise the management of rents and investment;
- the rights that Mercialys grants to non-controlling interests are protective rights.

Consequently, SAS Immosiris is consolidated according to the full consolidation method in the Group's consolidated accounts.

SCI Rennes-Anglet

SCI Rennes-Anglet is 70%-owned by the Casino group and 30%-owned by Mercialys SA. The company's operational and strategic decisions are made by the manager: Casino group. Mercialys sits on the Strategic Committee of SCI Rennes-Anglet and has veto rights on a number of decisions. Which are considered protective and show that Mercialys has a significant influence on the company. SCI Rennes-Anglet is therefore accounted for using the equity method (note 3.5, p. 131).

SAS Saint-Denis Genin

SAS Saint-Denis Genin is 70%-owned by SAS Panhard Developpement and 30%-owned by SAS Astuy. Ordinary decisions are taken by a simple majority of the votes cast by the partners. Extraordinary decisions, as well as those coming under Article L. 227-19 of the French Commercial Code, require the partners' unanimous approval. The Group only has a significant influence over SAS Saint-Denis Genin. As a result, the company is accounted for using the equity method.

3.5 Investments in equity associates and joint ventures

3.5.1 Significant equity associates

The table below shows the full condensed financial statements of the three main equity associates accounted for using the equity method. This information is prepared in compliance with IFRS, restated where appropriate for adjustments made by the Group such as fair value revaluation adjustments on the date when control is lost or gained, adjustments to bring the accounting principles into line with those of the Group and elimination of inter-company acquisitions or disposals up to the percentage held in equity associates:

	2019			2018		
(in thousands of euros)	SCI AMR	SNC Aix 2	SCI Rennes-Anglet	SCI AMR	SNC Aix 2	SCI Rennes-Anglet
% of interest	39.9%	50%	30%	39.9%	50%	30%
Net rental income	7,614	2,244	1,514	8,859	2,489	3,957
Operating income	5,345	1,244	1,072	6,232	1,105	(3,547)
Net financial items	(1,329)	(353)	(105)	(1,312)	(352)	(981)
Tax expense	(54)	(9)	(13)	(29)	(3)	(26)
Net income	**3,962**	**882**	**953**	**4,892**	**750**	**(4,554)**
Investment property	126,919	29,646	5,537	128,627	30,394	5,471
Investment property held for sale	-	-	-	-	-	44,032
Non-current financial assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	90	-
Non-current assets	**126,919**	**29,646**	**5,537**	**128,627**	**30,484**	**49,503**
Trade receivables	1,968	460	478	1,991	357	662
Other current assets	7,510	81	141	10,890	130	554
Cash and cash equivalents	4,893	6,181	15,406	3,227	4,763	1,022
Current assets	**14,371**	**6,723**	**16,025**	**16,108**	**5,250**	**2,238**
TOTAL ASSETS	**141,290**	**36,370**	**21,561**	**144,735**	**35,735**	**51,740**
Equity	**56,604**	**14,847**	**20,869**	**58,119**	**14,953**	**14,631**
Non-current financial liabilities	75,000	18,376	-	74,628	18,455	36,214
Other non-current liabilities	-	528	98	-	421	103
Non-current liabilities	**75,000**	**18,904**	**98**	**74,628**	**18,876**	**36,317**
Trade payables	7,337	24	237	8,524	15	265
Current financial liabilities	-	204	-	190	247	-
Other current liabilities	2,349	2,391	358	3,274	1,644	526
Current liabilities	**9,686**	**2,619**	**595**	**11,988**	**1,906**	**791**
TOTAL EQUITY AND LIABILITIES	**141,290**	**36,370**	**21,561**	**144,735**	**35,735**	**51,740**

3.5.2 Change in investments in equity associates and joint ventures

The table below presents aggregate information of individually non-significant equity associates and joint ventures, for the share held by the Group.

(in thousands of euros)	Beginning of period	share of income for the period	Dividends	Others	End of period
Joint ventures					
SAS Corin Asset Management	53	51	-	-	104
SCI AMR	23,645	1,952	(2,495)[1]	88	23,190
SNC Aix 2	7,362	375	(305)	45	7,477
SCI Rennes-Anglet	7,384	(1,366)	(1,510)	(119)	4,389
FISCAL YEAR 2018	**38,445**	**1,012**	**(4,310)**	**14**	**35,160**
Joint ventures					
SAS Corin Asset Management	104	(19)	-	-	85
SCI AMR	23,190	1,581	(2,173)[1]	(13)	22,585
SNC Aix2	7,477	441	(377)	(117)	7,424
SCI Rennes-Anglet	4,389	286		1,585[2]	6,260
SAS Saint-Denis Genin	-	-	-	-	-
2019	**35,160**	**2,289**	**(2,550)**	**1,455**	**36,355**

(1) of which Euro 651,000 in dividends not received at December 31, 2019, and Euro 550,000 at December 31, 2018.
(2) of which Euro 1,625,000 in losses from SCI Rennes Anglet.

Note 4 Additional information on the cash-flow statement

ACCOUNTING PRINCIPLE

The cash-flow statement is prepared according to the indirect method from the consolidated entity's pre-tax income and is broken down into three categories:

- cash-flows from the activity: including tax, and dividends received from equity associates and joint ventures;
- cash-flows from investing activities: especially acquisitions of control, loss of control including transactions costs, acquisitions and disposals of shares in non-consolidated companies, equity associates and joint ventures as well as fixed asset acquisitions and disposals;
- cash-flows from financing activities: in particular bond issues and redemptions, issues of equity instruments, transactions between shareholders, net interest (cash-flows from finance costs), equity-related transactions and dividends paid.

4.1 Reconciliation between change in cash position and change in net financial debt

(in thousands of euros)	12/2019	12/2018
Change in cash position	(305,034)	180,577
Increase in borrowings and financial liabilities	(1,499,700)	(1,081,500)
Decrease in borrowings and financial liabilities	1,912,400	857,000
Issue costs and loan repayment premiums[(1)]	10,357	(8,656)
Fair value of debt	(13,018)	1,422
CHANGE IN THE NET FINANCIAL DEBT	**105,005**	**(51,158)**

(1) Costs linked to the implementation of the new bond amounting to Euro 1,534,000 in 2018.

4.2 Reconciliation of fixed asset acquisitions

(in thousands of euros)	12/2019	12/2018
Increase and other acquisitions of intangible assets	(1,998)	(1,140)
Increase and other acquisitions of property, plant and equipment	(904)	-
Increase and other acquisitions of investment property	(21,695)	(77,096)
Change in liabilities on fixed assets	(1,814)	(1,058)
CASH OUTFLOWS LINKED TO ACQUISITIONS OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**(26,412)**	**(79,294)**

4.3 Reconciliation of fixed asset disposals

(in thousands of euros)	12/2019	12/2018
Disposals of property, plant and equipment for the fiscal year	5,088	1,968
Disposals of assets classified in IFRS 5 (note 8.2, p. 145)	74,407	16,995
Income from asset disposals	17,443	8,119
Change in trade receivables	(654)	807
CASH INFLOWS LINKED TO DISPOSALS OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**96,285**	**27,890**

4.4 Reconciliation of net interest paid

(in thousands of euros)	12/2019	12/2018
Net finance costs presented in the income statement	**(21,990)**	**(31,267)**
Neutralization of depreciation of costs and issue/redemption premiums	4,792	5,034
Change in incurred interests and fair value hedge derivatives of financial liabilities	(2,456)	658
Interest paid on lease liabilities	(328)	-
Net Interest	**(19,983)**	**(25,575)**
of which received	33,349	31,140
of which paid	(53,332)	(56,715)

Note 5 Segment reporting

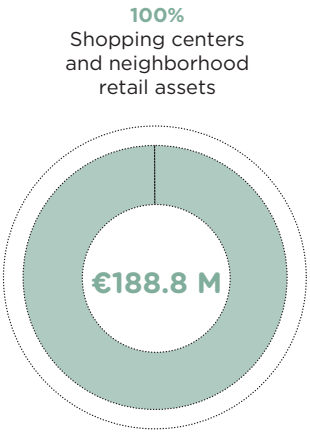
ACCOUNTING PRINCIPLE

Segment reporting reflects Management's view and is established on the basis of internal reporting used by the chief operating decision maker (the Chief Executive Officer) to make decisions about resources to be allocated and to assess the Group's performance.

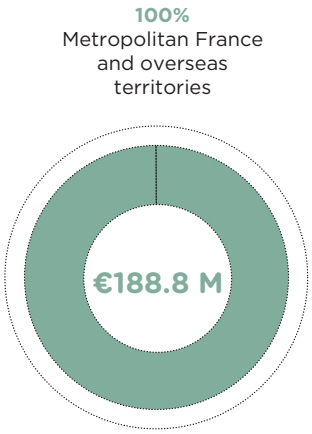
As the Group's Senior Management does not use a breakdown of operations to review operating matters, no segment reporting is provided in the financial statements.

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

BREAKDOWN OF RENTS BY ACTIVITY



BREAKDOWN OF RENTS BY REGION



Note 6 Information concerning operating income

6.1 Net rental income

ACCOUNTING PRINCIPLE

Rental revenues

The leasing of properties by the Group to its tenants generates rental revenues. The amounts invoiced are recognized as revenues for the applicable period. In the case of construction leases, the value of the asset built by the tenant and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Leases for shopping centers often include a variable portion of rents based on the tenant's sales, with a guaranteed minimum rent in order to limit risk for the Company in periods of economic recession.

Stepped rents, rent holidays and other benefits granted to tenants are accounted for by spreading an amount on a straight-line basis as a decrease or increase to rental revenues for the period. The spreading is done over the committed term of the lease.

Rental revenues also include upfront payments made by tenants upon signing the lease; if such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include property taxes and service charges not billed to and recovered from tenants as well as other property operating expenses. These expenses do not include costs classified as "Other expenses" or "Personnel expenses."

French regulations mandate a minimum duration of nine years for commercial leases. The tenant is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. However, if the parties agree, it is possible to enter into "firm" leases for leases concluded for a duration exceeding nine years such as those entered into by Mercialys.

Re-invoiced service charges are recognized as income for the year in which they are recovered. They consist of the charges re-invoiced to tenants. Since January 1, 2019, these charges are presented separately from re-invoiced items. To provide comparable data, the fiscal year 2018 data was restated in accordance with this presentation.

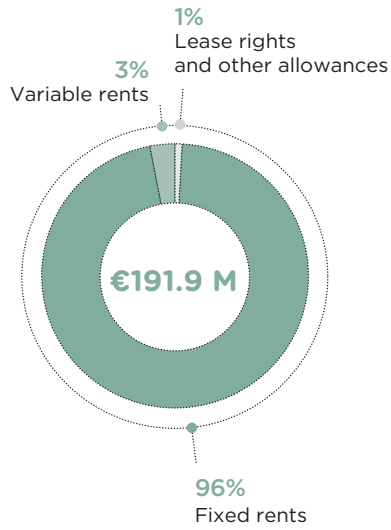
Breakdown of net rental income

(in thousands of euros)	12/2019	12/2018
Rental income[1]	188,849	185,213
Lease rights and other allowances	3,003	2,074
Rental revenues	**191,853**	**187,287**
Property tax	(14,608)	(14,339)
Rebilling to tenants	13,325	13,480
Non-recovered property taxes	**(1,283)**	**(860)**
Service charges	(33,202)	(31,329)
Rebilling to tenants	28,911	27,188
Non-recovered service charges	**(4,291)**	**(4,141)**
Management fees	(6,888)	(6,688)
Rebilling to tenants	4,530	3,921
Losses on and impairment of receivables	(3,342)	(2,586)
Other expenses[2]	(1,376)	(1,567)
Property operating expenses	**(7,076)**	**(6,920)**
NET RENTAL INCOME	**179,202**	**175,367**

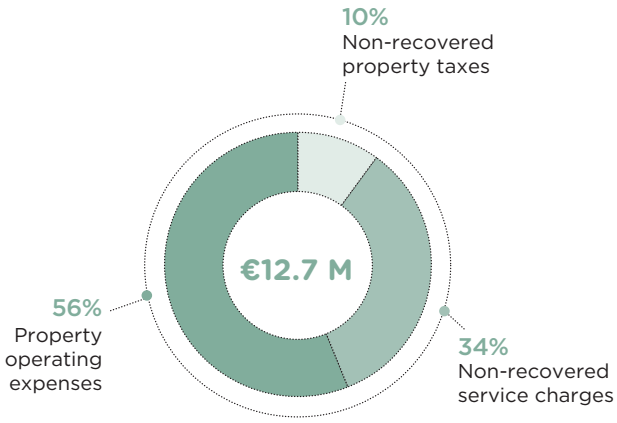
(1) Of which the variable component based on revenues: Euro 5,477,000 in 2019 compared with Euro 5,184,000 in 2018.

(2) Other expenses include rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

BREAKDOWN OF RENTAL REVENUES



BREAKDOWN OF NON-RECOVERABLE EXPENSES



6.2 Management, administrative and other activities income

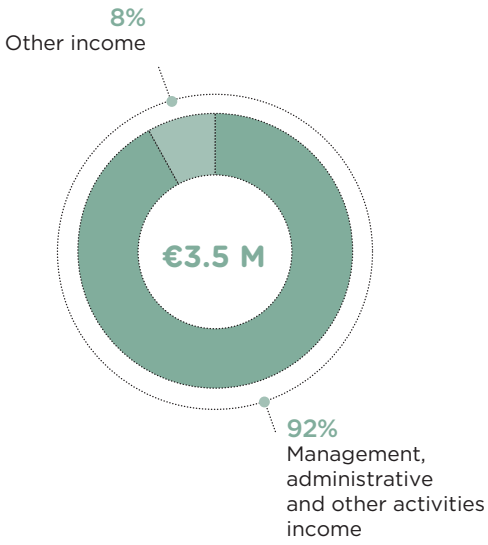
Management, administrative and other activities income primarily comprises fees charged in respect of services provided by certain Mercialys staff (whether within the framework of advisory services provided by the asset management team or within the framework of shopping center management services provided by the teams), as well as letting fees, asset management fees and advisory fees relating to the partnerships formed. Fees charged in 2019 came to Euro 3.2 million versus Euro 3.1 million in 2018.

6.3 Other income

Other recurring income recognized at the end of December 2019 corresponds mainly to dividends received from the OPCI fund created in partnership with Union Investment: UIR II. These dividends correspond to the management of the OPCI's retail property assets, similar to the business activity pursued by Mercialys. They are therefore presented as operating income.

In 2019, these dividends amounted to Euro 276,000 compared to Euro 285,000 in 2018.

BREAKDOWN OF OTHER REVENUES
AND OPERATING INCOME



6.4 Other expenses

Other expenses mainly comprise structural costs. Operating expenses include primarily investor relations costs, directors' fees, communication expenses, marketing studies costs, fees paid to the Casino group for services covered by the Services Agreement (note 24.5, p. 168) (accounting, financial management, human resources, management, IT) and real-estate asset appraisal fees.

In fiscal year 2019, these expenses amounted to Euro (7.3) million versus Euro (8.3) million in fiscal year 2018.

6.5 Personnel expenses

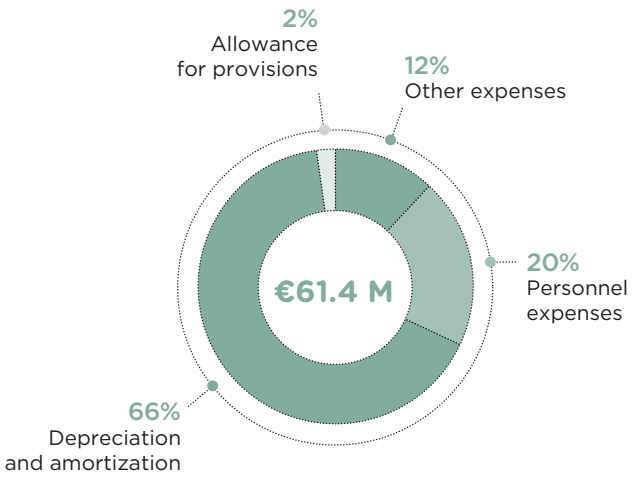
Personnel expenses amounted to Euro (12.4) million at the end of December 2019 compared with Euro (12.6) million at the end of December 2018.

A portion of personnel expenses are charged back as part of the advisory services provided by the asset management team or as part of the shopping center management services provided by Mercialys's dedicated teams.

6.6 Depreciation, amortization, provisions and impairments

(in thousands of euros)		12/2019	12/2018
Allowance for depreciation of investment properties and other property, plant and equipment		(39,179)	(36,298)
Allowance for depreciation of PPE held on finance leases		-	(718)
Depreciation and amortization of right-of-use assets		(1,262)	-
Depreciation and amortization		**(40,440)**	**(37,016)**
Reversals of/(Allowances for) impairment of investment property	6.7	(10,403)	(3,158)
Reversals of/(Allowances for) provisions		(3,382)	(1,335)
Reversals of/(Allowances for) impairment on current assets		(1,200)	(1,514)
TOTAL ALLOWANCES FOR DEPRECIATION AND AMORTIZATION, PROVISIONS AND IMPAIRMENT		**(55,426)**	**(43,022)**

BREAKDOWN OF OTHER EXPENSES, PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION, PROVISIONS AND IMPAIRMENT



6.7 Other operating income and expenses

ACCOUNTING PRINCIPLE

This line item records items which by definition are not considered in the appraisal of current operational performance such as non-current asset impairments, disposals of non-current assets and effects of the application of IFRS 3 if applicable.

Other operating income came to Euro 101.4 million at December 31, 2019, versus Euro 30.5 million at December 31, 2018. It originates from:

- income from asset disposals completed in 2019 for Euro 101.4 million mainly from the sites of La Garenne-Colombes and Saint-Germain-en-Laye, for which the income recognized in Mercialys's consolidated financial statements stands at Euro 90.1 million (compared to Euro 27.2 million in disposals and Euro 1.5 million in earn-out payment on prior disposals at December 31, 2018).

Other operating expenses came to Euro (93.7) million at December 31, 2019, compared with Euro (25.6) million at December 31, 2018. This corresponds primarily to:

- the net book value of assets sold in 2019 and costs related to these asset disposals, for Euro (84.0) million, mainly for the sites of La Garenne-Colombes and Saint-Germain-en-Laye for Euro (73.0) million (of which Euro (2.8) million in costs) versus Euro (21.2) million (of which Euro (1.8) million in costs) at December 31, 2018 (note 8.2, p. 145);
- impairment losses on investment property amounting to Euro (9.7) million (versus Euro (3.2) million at December 31, 2018).

On this basis, the net capital gain on the disposal of fixed assets recognized in the consolidated financial statements at December 31, 2019, came to Euro 17.4 million, of which Euro 17.1 million for the sites of La Garenne-Colombes and Saint-Germain-en-Laye, compared with a net capital gain of Euro 6.3 million recognized in 2018, of which Euro 6.4 million for the Saint-Paul and Lannion sites (net of fees).

At December 31, 2019, other operating income and expenses were recognized for a total of Euro (4.0) million, mainly consisting of the following: a provision of Euro (2.1) million relative to a road dispute on a site in La Réunion island, and expenses of Euro (1.2) million on fixed assets in progress, linked to projects under study for years and finally not implemented.

Note 7 Tax

ACCOUNTING PRINCIPLE

Current and deferred tax

Mercialys has elected for SIIC tax status effective as of November 1, 2005.

Under this status, its rental revenues and capital gains on the sale of property assets are exempt from tax. In return for this exemption, the Company is required to distribute 95% of its net income from rental activities and 70% of its capital gains on property sales.

Under the SIIC regime, Mercialys may not be more than 60% owned by a single shareholder or group acting in concert, and 15% of shareholders must hold less than 2% of the Company's share capital.

Upon election of SIIC status, Mercialys was required to pay an exit tax of 16.5% on its unrealized capital gains on its properties and its investments in subsidiaries not subject to corporate income tax. As a consequence of this election, the parent company no longer has any unrealized capital gains nor any net income from rental activities that will be subject to tax in the future.

7.1 Tax expense

Reconciliation of the effective tax expense and the theoretical tax expense

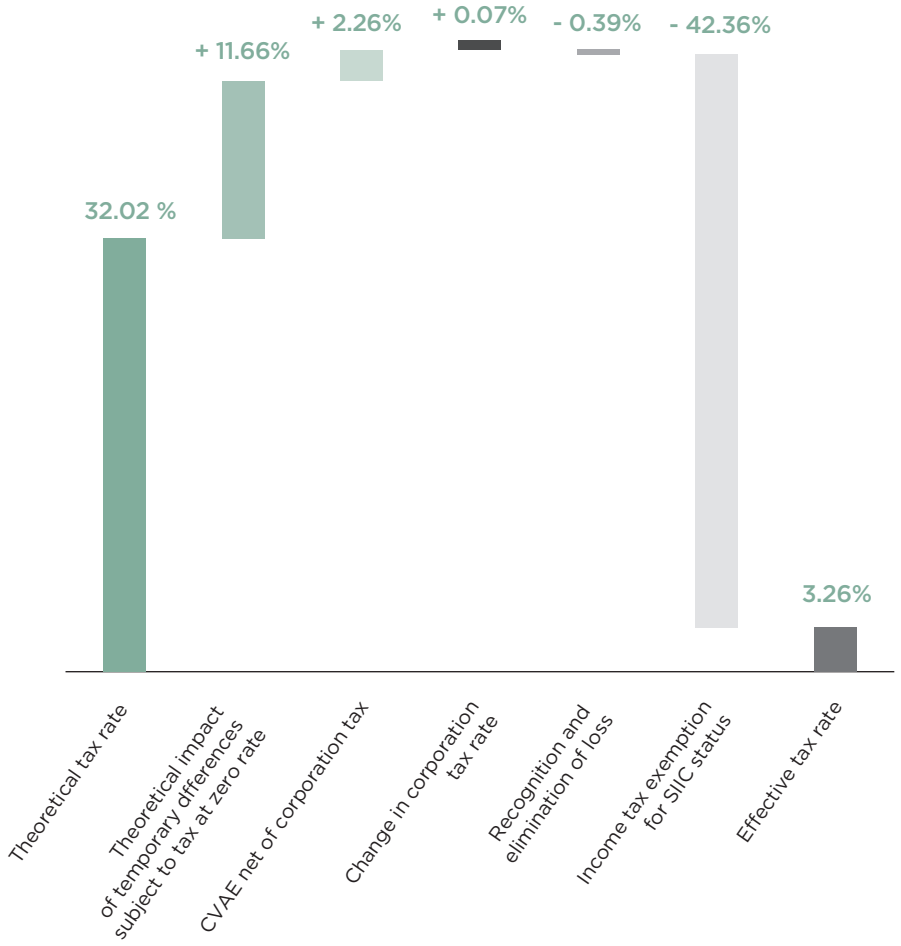
(In thousands of euros)	12/2019	12/2018
Theoretical tax rate	32.02%	34.43%
Pre-tax income and income from equity associates	**100,177**	**91,009**
Theoretical tax expense	(32,077)	(31,334)
Income tax exemption for SIIC status	42,437	48,360
Theoretical impact of temporary differences subject to tax at zero rate[1]	(11,685)	(16,467)
CVAE[2] net of corporation tax	(2,264)	(1,975)
Tax income	-	9
Change in corporation tax rate[3]	(70)	-
Recognition and elimination of loss	389	(995)
Effective tax expense	**(3,270)**	**(2,402)**
Effective tax rate	3.26%	2.64%

(1) In 2019, as in 2018, temporary differences subject to tax at zero rate primarily comprised provisions for liabilities, asset impairments and consolidation restatements not subject to deferred tax, in particular the cancellation of the capital gain on the internal disposal of fixed assets and securities.

(2) CVAE: contribution on added value paid by companies.

(3) In view of the adoption, on December 21, 2017, of the 2018 Finance Act relative to the progressive change in the corporation tax rate, deferred tax was measured at the tax rate that will be applicable when the temporary difference reverses, i.e. 25.825% in 2022.

The tax expense for fiscal year 2019 came to Euro (3,270,000) versus Euro (2,402,000) at the end of December 2018. This tax expense consists of the CVAE tax for Euro (2,264,000), corporate income tax for Euro (809,000) and deferred income taxes and timing differences for Euro (196,000).



7.2 Deferred tax

ACCOUNTING PRINCIPLE

In accordance with IAS 12, deferred taxes are recognized. They correspond to tax calculated and that is likely to be recoverable since they consist of assets, on timing tax differences, tax loss carryforwards and certain consolidation restatements.

Deferred tax assets and liabilities are calculated according to the liability method on the basis of the tax rate expected for the fiscal year in which the asset will be realized or the liability settled.

Deferred taxes are recognized as income except if they are attached to business combinations or to items recognized under comprehensive income or directly as equity.

Deferred taxes are always presented as non-current assets or liabilities.

7.2.1 Change in deferred tax assets

(In thousands of euros)	12/2019	12/2018
Beginning of period	**1,727**	**319**
IFRS 9 restatement	-	84
Expense/(income) for the fiscal year	(126)	(372)
Effect of changes in the scope of consolidation and reclassifications	(102)	(578)
Changes recognized under other comprehensive income	(299)	2,275
END OF PERIOD	**1,200**	**1,727**

7.2.2 Change in deferred tax liabilities

(In thousands of euros)	12/2019	12/2018
Beginning of period	**-**	**578**
Income/(expense) for the fiscal year	70	-
Effect of changes in the scope of consolidation and reclassifications	(102)	(578)
Changes recognized under other comprehensive income	32	-
END OF PERIOD	**-**	**-**

At December 31, 2019, the deferred tax assets recognized related primarily to the revaluation at fair value of assets available for sale at fair value through other comprehensive income (note 1.2.3, p. 126).

Note 8 Intangible assets, property, plant & equipment and investment property

ACCOUNTING PRINCIPLE

Intangible assets, property, plant and equipment as well as investment property are recognized according to the cost method (acquisition cost less accumulated depreciation and any impairment losses).

An investment property is a property held by the Group for rental revenue or capital appreciation, or both. Investment properties are recognized and measured in accordance with the provisions of IAS 40.

Within the Group, shopping centers are recognized as investment properties.

Information on the fair value of investment property is provided in note 8.1.3, p. 143. Depreciation methods and periods are the same as those used for property, plant and equipment other than investment property.

Appraisals of shopping centers owned by the Mercialys group are conducted in compliance with the code of conduct for real-estate appraisers issued by the RICS (Royal Institution of Chartered Surveyors). The methods used to appraise the fair value of each asset are those recommended in the June 2006 property valuation charter (third edition) and in the 2000 report on valuation of real-estate assets of publicly traded companies by a working group of the COB (*Commission des opérations de Bourse*, France's securities market regulator at the time) and the CNC (*Conseil national de la comptabilité*, France's National Accounting Board). All of the assets in Mercialys's property portfolio are appraised on a rotating basis, at the rate of one-third every year and by updating the other two thirds. As recommended in the 2000 COB/CNC report, two approaches are used to determine the fair value of each asset:

- the first approach, capitalization of rental income, consists of measuring net rental income from the asset and

applying a yield rate corresponding to the market rate for assets of the same type, based on the retail area, configuration, location, competition, means of ownership, rental and extension potential and comparability with recent transactions, and taking into account the actual level of rent, less non rebillable expenses and works relative to the corresponding market price and the vacancy rate;

- the second approach, discounted cash-flow (DCF), which consists of discounting future flows of income and expenses, takes into consideration projected rent increases and vacancy rates in future years, as well as other forecast parameters such as the duration of the period during which the property will be in the lease market and the investment outlays borne by the lessor.

The discount rate applied takes account of the market-risk-free rate (TEC 10-year OAT), plus a risk premium and a real-estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

Small assets have been valued by comparison with market transactions in similar assets.

When the difference between the fair value and the net book value amounts to at least Euro 15,000 or exceeds 5% of the value of the asset, a provision is recognized.

Cost price of fixed assets and investment property

The acquisition cost of property assets and investment property includes the acquisition expenses of these assets and investment property gross of tax.

Carrying amounts of investment property may include compensation paid to a tenant evicted upon early termination of a lease when:

- the tenant is replaced: if payment of eviction compensation enables the performance of the asset to be enhanced, this expenditure is capitalized as part of the cost of the asset; if not, this expenditure is charged to expense in the year incurred;
- the site is renovated: if payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of that work.

Personnel expenses and borrowing costs directly attributable to the acquisition, construction or production of an asset, for which preparation prior to use or planned sale requires a substantial period of time – generally more than six months – are included in the cost of the asset. In 2019, personnel expenses for Euro 1,285,000 and borrowing costs for Euro 129,000 were incorporated into the asset cost. The capitalization rate used for the recognition of borrowing costs as assets is 1.8%.

All other borrowing costs are recognized as expenses for the fiscal year in which they are incurred. Borrowing costs are interest and other costs borne by a company within the framework of borrowing funds.

Depreciation

Investment properties and other property assets are recognized and depreciated according to the component method. For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures. “Roofing” and “fire protection” are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the structural elements.

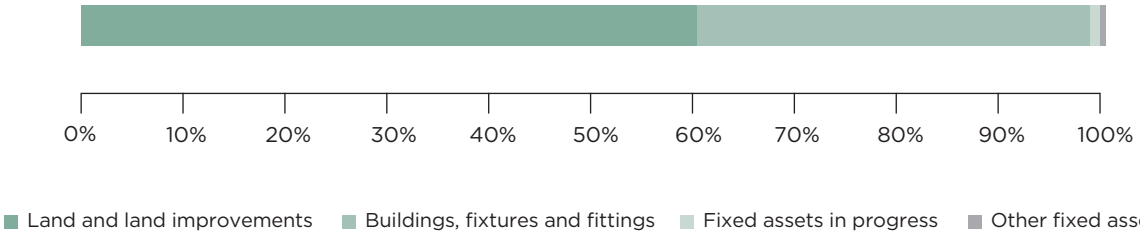
Property, plant and equipment and investment property, with the exception of land (non-depreciable), are depreciated using the straight-line method for each category of asset, with generally zero residual value:

Type of asset	**Depreciation and amortization term** *(in years)*
Land arrangements and improvements	40 years
Buildings (structural elements)	50 years
Roofing	15 years
Fire protection of the building shell	25 years
Fixtures and fittings and renovation of premises	10 – 20 years

8.1 Intangible assets, property, plant and equipment and investment property

8.1.1 Composition

	12/2019			12/2018		
(in thousands of euros)	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Software	7,040	(4,261)	2,779	5,520	(3,141)	2,379
Other intangible assets in progress	809	-	809	330	-	330
Intangible assets	**7,849**	**(4,261)**	**3,588**	**5,851**	**(3,141)**	**2,710**
Other property, plant and equipment	958	(101)	857	54	(45)	8
Property, plant and equipment other than investment property	**958**	**(101)**	**857**	**54**	**(45)**	**8**
Land and land improvements	1,376,391	(28,995)	1,347,396	1,422,645	(21,621)	1,401,024
Buildings, fixtures and fittings	1,114,784	(257,182)	857,602	1,124,486	(219,279)	905,207
Other property, plant and equipment	11,620	(6,181)	5,439	11,606	(5,333)	6,273
Fixed assets in progress	12,017	-	12,017	10,251	-	10,251
Investment property	**2,514,811**	**(292,358)**	**2,222,452**	**2,568,988**	**(246,234)**	**2,322,755**



8.1.2 Change in intangible assets, property, plant & equipment and investment property

8.1.2.1 Change in intangible assets

(in thousands of euros)	Software	Other intangible assets	Total
At January 1, 2018	**2,001**	**485**	**2,486**
Increase and other acquisitions	447	693	1,140
Depreciation and amortization	(917)	-	(917)
Disposals for the fiscal year	848	(848)	-
At December 31, 2018	**2,379**	**330**	**2,710**
Increase and other acquisitions	1,520	478	1,998
Depreciation and amortization	(1,120)	-	(1,120)
Disposals for the fiscal year	-	-	-
AT DECEMBER 31, 2019	**2,779**	**809**	**3,588**

8.1.2.2 Change in property, plant and equipment

(in thousands of euros)	Buildings	Other property, plant and equipment	Fixed assets in progress	Total
At January 1, 2018	**5**	**6**	**-**	**10**
Depreciation and amortization	-	(2)	-	(2)
At December 31, 2018	**5**	**4**	**-**	**8**
Increase and other acquisitions	541	363	-	904
Depreciation and amortization	(21)	(34)	-	(55)
AT DECEMBER 31, 2019	**524**	**333**	**-**	**857**

This line item consists of property, plant and equipment used by the Group's central departments.

8.1.2.3 Change in investment property

(in thousands of euros)	Land and land improvements	Buildings, fixtures and fittings	Other property, plant and equipment	Property, plant and equipment in progress	Total
At January 1, 2018	**1,381,413**	**879,267**	**5,901**	**38,833**	**2,305,414**
Increase and other acquisitions	4,362	43,604	331	28,799	77,096
Depreciation and amortization	(4,163)	(34,138)	(957)	-	(39,258)
Disposals for the fiscal year	(1,266)	(491)	(8)	(202)	(1,968)
Reclassification as assets held for sale	(8,899)	(11,721)	(3)	(13)	(20,635)
Reclassification and other movements[(1)]	29,577	28,686	1,009	(57,166)	2,106
At December 31, 2018	**1,401,024**	**905,207**	**6,273**	**10,251**	**2,322,755**
Increase and other acquisitions	6,367	7,436	1	7,891	21,695
Depreciation and amortization	(7,380)	(40,169)	(858)	-	(48,407)
Disposals for the fiscal year	(2,111)	(1,933)	(28)	(1,016)	(5,088)
Reclassification as assets held for sale (note 8.2, p. 145)	(50,532)	(18,345)	-	(1,889)	(70,766)
Reclassification and other movements[(1)]	28	5,404	51	(3,221)	2,262
AT DECEMBER 31, 2019	**1,347,396**	**857,602**	**5,439**	**12,017**	**2,222,452**

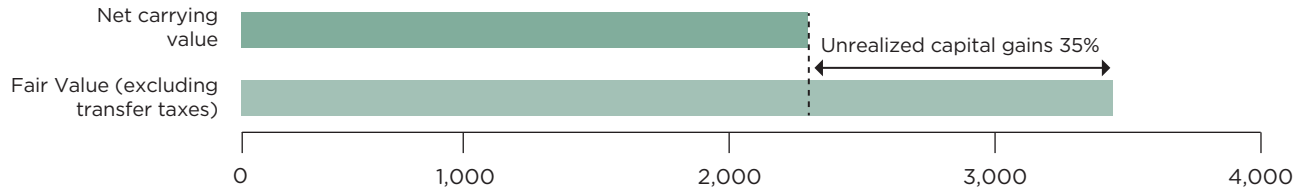
(1) The line "Reclassification and Other Movements" corresponds primarily to the commissioning of buildings already recognized in the previous fiscal year under fixed assets in progress and to reclassifications of buildings held for sale.

In 2019, Mercialys carried out construction work, mainly on the sites of Jumbo Sacré-Cœur for Euro 5.9 million, Besançon for Euro 2 million, Nîmes for Euro 1.6 million and Saint-Germain-en-Laye for Euro 1 million.

In 2018, Mercialys had carried out construction work mainly on the sites at Jumbo Sacré-Cœur for Euro 48.2 million, Rennes Saint-Grégoire for Euro 5.1 million and Saint-Étienne Monthieu for Euro 4.1 million.

8.1.3 Fair value of investment properties

	2019		2018	
(in thousands of euros)	Net carrying cost	Fair value (excluding transfer taxes)	Net carrying cost	Fair value (excluding transfer taxes)
Investment property	2,222,452	3,419,534	2,322,755	3,550,172
Investment property held for sale	111	111	3,753	6,680
TOTAL	**2,222,563**	**3,419,645**	**2,326,508**	**3,556,852**



At December 31, 2019, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNPP Real Estate Valuation conducted appraisals of 38 sites as at December 31, 2019, on the basis of a visit to five sites during the second half of 2019, and on the basis of an update of the appraisals conducted at June 30, 2019, for the other sites. An on-site inspection had been carried out in six sites during the first half of 2019. The appraisals performed by BNPP Real Estate Valuation represent Euro 2,808.8 million including transfer taxes (Euro 2,647.6 million excluding transfer taxes) or 77.4% of the property portfolio;
- Catella Valuation conducted the appraisal of 17 sites as at December 31, 2019, on the basis of on-site visits to five sites and an update of the appraisals conducted as at June 30, 2019. The appraisals performed by Catella represent Euro 389.1 million including transfer taxes (Euro 363.7 million excluding transfer taxes) or 10.6% of the property portfolio;
- Cushman & Wakefield conducted the appraisal of nine sites as at December 31, 2019, on the basis of an update of the appraisals conducted as at June 30, 2019. The appraisals performed by Cushman & Wakefield represent Euro 269.5 million including transfer taxes (Euro 252.1 million excluding transfer taxes) or 7.4% of the property portfolio;
- CBRE conducted the appraisal of one site as at December 31, 2019, on the basis of an update of the appraisal conducted as at June 30, 2019. The appraisal performed by CBRE represents Euro 156.0 million including transfer taxes (Euro 146.0 million excluding transfer taxes) or 4.3% of the property portfolio;

- Galtier performed the appraisal for the rest of Mercialys's assets, *i.e.* two sites, as at December 31, 2019 based on inspections of the sites. The appraisals performed by Galtier represent Euro 11.0 million including transfer taxes (Euro 10.3 million excluding transfer taxes) or 0.3% of the property portfolio.

Fees correspond to registration fees payable on the sale of property upon signing of the deed of sale before a notary.

The valuation of investment property requires some judgment and estimates. The valuations determined by independent appraisers are based on level 3 non-observable data as defined by IFRS 13.

On this basis, the portfolio was valued at Euro 3,634.4 million including transfer taxes (Euro 3,419.5 million excluding transfer taxes) at December 31, 2019, versus Euro 3,780.2 million including transfer taxes (Euro 3,556.9 million excluding transfer taxes) at December 31, 2018.

The value of the portfolio including transfer taxes therefore dropped by -3.9% over 12 months (a drop of -1.4% on a like-for-like basis[1]). The average appraisal yield was 5.26% as at December 31, 2019. The average appraisal yield was 5.10% as at December 31, 2018.

The change in the fair value of assets excluding transfer taxes for the fiscal year 2019 stemmed chiefly from:

- the effect of rental income on a like-for-like basis amounted to Euro 51 million;
- a change in the average capitalization rate (reflecting the appreciation of appraisers as to the sustainability and recurrence of income generated by property assets) which had an impact of Euro (108) million;
- changes in the scope of consolidation (acquisitions net of asset sales) amounting to Euro (89) million for the fiscal year.

Type of property	Average yield rate Dec 31, 2019	Average yield rate June 30, 2019	Average yield rate Dec 31, 2018
Regional and large shopping centers	5.07%	5.04%	4.93%
Neighborhood shopping centers and city-center assets	6.12%	5.84%	5.78%
Total portfolio[1]	5.26%	5.20%	5.10%

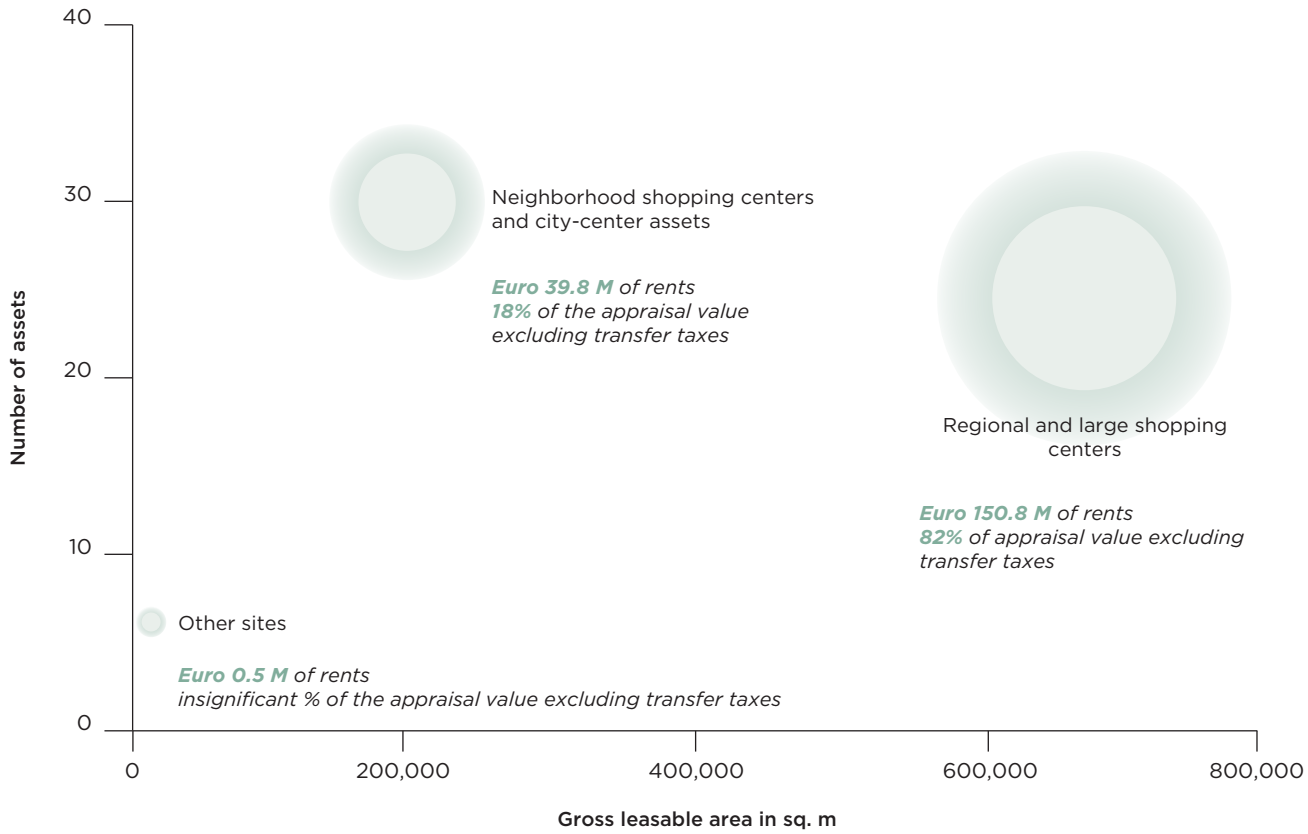
(1) Including other assets (independent cafeterias and other standalone sites).

The following table gives the breakdown of fair value and gross leasable area (GLA) of Mercialys's real-estate portfolio by type of property at December 31, 2019, as well as the corresponding appraised rental income:

Type of property	Number of assets at Dec 31, 2019	Appraisal value (excluding transfer taxes) at Dec 31, 2019		Gross leasable area at Dec 31, 2019		Appraised net rental income	
		(in millions of euros)	*(%)*	*(sq.m)*	*(%)*	*(in millions of euros)*	*(%)*
Regional and large shopping centers	25	2,798.5	81.8%	654,852	77.6%	150.8	78.9%
Neighborhood shopping centers and city-center assets	28	609.5	17.8%	186,637	22.1%	39.8	20.9%
Sub-total	**53**	**3,408.0**	**99.7%**	**841,489**	**99.7%**	**190.6**	**99.8%**
Other sites[1]	5	11.5	0.3%	2,359	0.3%	0.5	0.2%
TOTAL	**58**	**3,419.5**	**100.0%**	**843,848**	**100.0%**	**191.1**	**100.0%**

(1) Including other assets (independent cafeterias and other standalone sites)

(1) Sites on a like-for-like GLA basis.



Because of the high correlation between the capitalization rate and the discount rate in our experts' model, the sensitivity test to changes in capitalization rate also shows the sensitivity to changes in the discount rate.

Thus, based on an assumption of annual appraised net rental income of Euro 191.1 million and a capitalization rate of 5.59%:

Sensitivity criteria	Impact on appraisal value (excluding transfer taxes) *(in millions of euros)*
Decrease of 0.5% in capitalization rate	+336.1
Increase of 10% in rents	+342.0
Increase of 0.5% in capitalization rate	(280.9)
Decrease of 10% in rents	(342.0)

Fees charged to Mercialys for the appraisals detailed above amounted to Euro 206,000 for the financial year ended December 31, 2019, versus Euro 188,000 at December 31, 2018.

8.2 Investment property held for sale

ACCOUNTING PRINCIPLE

Investment property held for sale is stated at the lower of their carrying cost and their fair value, less the costs of sale.

They are classified as assets held for sale if their carrying cost is recovered primarily by means of a sale rather than continuing use.

This condition is deemed to have been met only if the sale is highly probable and the asset held for sale is available with a view to being sold immediately in its current state. Executive Management must have planned to sell the asset, which in accounting terms should result in the conclusion of a sale within one year of the date of this classification.

Once classified as held for sale, intangible assets, property, plant and equipment and investment property are no longer depreciated.

Change in investment property held for sale

(in thousands of euros)	Land and land improvements	Buildings, fixtures and fittings	Other property, plant and equipment	Property, plant and equipment in progress	Total
At January 1, 2018	**113**	**-**	**-**	**-**	**113**
Reclassification as assets held for sale[1]	8,899	11,721	3	13	20,635
Disposals for the fiscal year	(6,560)	(10,419)	(3)	(13)	(16,995)
At December 31, 2018	**2,451**	**1,302**	**-**	**-**	**3,753**
Reclassification as assets held for sale[1] (note 8.1.2.3, p. 143)	50,532	18,345	-	1,889	70,766
Disposals for the fiscal year (note 6.7, p. 138)	(52,871)	(19,647)	-	(1,889)	(74,407)
AT DECEMBER 31, 2019	**111**	**-**	**-**	**-**	**111**

(1) In 2019, the reclassifications made during the fiscal year consisted of the sites at Saint-Germain-en-Laye for Euro 36.8 million, La Garenne-Colombes for Euro 32.4 million and Gap for Euro 5.2 million. These sites were identified as assets held for sale during the fiscal year, except for the Gap site which had already been identified as such in 2018. The three sites were sold during the fiscal year. In 2018, the reclassifications made during the fiscal year consisted of the sites at Gap for Euro 3.6 million, Lannion for Euro 7.5 million and Saint-Paul for Euro 9.5 million. These sites had been identified as assets held for sale and the sites of Lannion and Saint-Paul were sold during the fiscal year. (note 6.7, p. 138).

Note 9 Leases

PRINCIPLE

As lessee

The Group is a lessee in certain property leases which mainly consist of:

- leases on parcels of land related to investment properties (mainly construction leases and long-term ground leases);
- commercial leases for offices.

The Group's leases are recognized in accordance with IFRS 16 – "Leases", by taking into account the terms and conditions of the leases and all relevant facts and circumstances.

On the contract signing date, the Group determines whether the contract is (or contains) a lease, *i.e.* whether it conveys the right to control the use of a particular asset for a certain period of time in exchange for a consideration.

Leases are recorded on the lessee's balance sheet and entail the recognition of:

- an asset representing the right to use the rented asset throughout the lease period. This asset is reported in the "Right-of-use assets" line of the consolidated statement of financial position;
- a liability representing the bond to make lease payments over the same period, reported in the "Current lease liabilities" and "Non-current lease liabilities" lines of the consolidated statement of financial position. Lease liabilities are not included in the Group's net financial debt.

Initial measurement

On the date on which the contract takes effect:

The lease liability is recognized for an amount equal to the present value of fixed future lease payments in relation to the estimated duration of lease, as determined by the Group. The discount rate used to measure lease liabilities on a present value basis is presented in note 1.2.3.

Fixed future lease payments include the possible re-measurement of lease payments in relation to an index or growth rate laid down in the contract. They may also include the value of a purchase option or early termination penalties, if there is reasonable certainty that Mercialys will exercise such options. In addition, fixed payments include a deduction for any lease incentives to be received on the effective date of the lease.

The right-of-use asset corresponds to the value of the lease liability (after deduction of any lease incentives received from the lessor) plus advance lease payments, initial indirect costs, as well as the estimated cost of rehabilitation if this is obligation is provided for in the contract.

Subsequent measurement

The lease liability is measured at amortized cost, using the effective interest rate method.

The changes recorded in the lease-related debt are the following:

- an increase equivalent to the interest expense, determined by applying the discount rate to the debt at the beginning of the period. This interest expense is recognized in the income statement under "Other financial expenses;"
- and decreased by the amount of the lease payments made.

The cash flows relating to the payment of the principal of lease-related debt and the associated interest are presented in the consolidated cash flow statement under cash flows from financing activities.

Besides the re-measurement of the liabilities in the event of contract amendments, liabilities relating to right-of-use assets are re-measured in the following cases:

- in the event of the revision of the contract duration;
- in the event of a change in the assessment of whether the exercise of a call option is reasonably certain (or not);
- in the event of a change in the amount of the payment expected under the residual value guarantee granted to the lessor;
- in the event of a change in variable rents based on a rate or an index, when the adjustment of the rate or index comes into effect (*i.e.* when the rents are actually modified).

In the first two cases, the debt is re-measured using a discount rate which is revised on the re-measurement date. In the last two cases, the discount rate used for the initial measurement remains unchanged.

The right-of-use is measured using the cost method and is amortized over the estimated duration of the lease, starting on the date on which the contract takes effect. This generates a straight-line amortization expense in the income statement. Moreover, in the event of a loss in value, the right-of-use asset is impaired in accordance with IAS 36 and it is re-adjusted in the event of the re-measurement of lease liabilities.

In the event of early termination of a contract, any difference arising from the derecognition of the lease liabilities and the right-of-use is booked to the income statement under other operating income or other operating expenses.

Estimation of the term of the leases

The term of the lease corresponds to the period of execution of the contract (*i.e.* the period during which the contract cannot be terminated by the lessor, along with all renewal options provided for in the contract and available solely to the lessee). This term takes into account the termination and renewal options whose use by the Group is reasonably certain.

When estimating this reasonably certain duration, the Group takes into account all of the characteristics linked to the leased assets (location, offices, movable or immovable nature, economic horizon in terms of use, etc.). In general, the lease term starts on the initial contract date.

For commercial leases (three, six or nine years) in particular, in accordance with the position paper published by the ANC on February 16, 2018, the Group recognizes the duration of execution as being nine years from the lease start date.

Moreover, certain leases include tacit renewal clauses. For these leases, the Group is unable to reliably determine the estimated rental period beyond its strict contractual commitment, which is generally limited to a few months.

Determining the discount rate

In general, for each asset, the discount rate used for the calculation of the lease liability is determined on the basis of the incremental borrowing rate on the contract start date. This rate corresponds to the rate of interest that a lessee would have to pay, at the start of the lease, to borrow over a similar term and with a similar security, the funds necessary to acquire the asset in a similar economic environment.

Short-term low-value property leases

The Group has elected to apply one of the exemptions provided by the standard for short-term property leases (up to or equal to 12 months as from the initial lease start date).

The rents associated with these contracts are recognized in the consolidated income statement under operating expenses, just like the variable rents that are not included in the initial measurement of the lease liability. The cash flows associated with the payments made under these contracts are recognized in the consolidated cash flow statement under cash flows from operating activities.

As lessor

When the Group acts as the lessor, it determines at the beginning of each lease whether that lease is a finance lease or a simple operating lease.

Finance leases are recognized in the same way as a property sale to the tenant, financed by a loan granted by the lessor. The Group thus:

- derecognizes the leased asset in the balance sheet;
- recognizes a financial receivable classed under “Financial assets at amortized cost”, presented in the consolidated statement of financial position under “Other current assets” and “Other non-current assets," in an amount equal to the present value of the lease payments to be received (discounted using the interest rate implicit in the contract), to which is added any non-guaranteed residual value payable to the Group;
- breaks down the rental income between interest, which is recognized in the consolidated income statement under other financial income, and a capital amortization charge that reduces the amount of the receivable.

For operating leases, the lessor recognizes the leased assets under “property, plant and equipment” in its balance sheet and recognizes the lease payments received as income, in a linear fashion over the duration of the lease, under “rental revenues” in the consolidated income statement.

9.1 Lessee

The information relating to such leases is presented hereunder.

9.1.1 Information relating to the balance sheet

Composition and variation of right-of-use assets

(in thousands of euros)	Land and land improvements	Buildings, fixtures and fittings	Total
At January 1, 2019	**-**	**-**	**-**
Restatements linked to IFRS 16	4,129	7,114	11,243
Depreciation and amortization	(236)	(1,025)	(1,262)
AT DECEMBER 31, 2019	**3,892**	**6,089**	**9,981**

9.1.2 Information relating to the income statement

The amounts recognized in the fiscal year's income statement in respect of leases excluded from lease liabilities come to Euro 424,000 and mainly concern low-value and short-term leases.

As at December 31, 2019, the Group's short-term lease commitments amounted to Euro 959,000.

The depreciation charge in respect of right-of-use assets is presented in note 6.6, p. 137, while the interest on lease liabilities is presented in note 4.4, p. 134.

9.1.3 Information concerning the cash-flow statement

The total amount paid during the fiscal year in respect of leases amounted to Euro 644,000.

Note 10 Other non-current assets

ACCOUNTING PRINCIPLE

Non-current assets consist essentially of financial assets available at fair value through other comprehensive income and amounts receivable from tenants under construction leases; in substance, the return of the construction by the tenant to the lessor at the end of the lease is considered to be an additional rent payable in kind and is spread over the term of the lease. At the end of the lease, when the asset is returned by the tenant, the accrued revenue is cancelled by recognizing an equivalent amount as a long-term asset. Because the maturity of these financial assets is greater than one year at the outset, the amounts are discounted to present value.

(in thousands of euros)	Total	Financial assets at fair value through other comprehensive income[1]	Construction leases	Real estate guarantees	Non-current hedging assets[2]	Loans and interest	Prepaid expenses
At January 1, 2018	**36,258**	**10,855**	**6,514**	**22**	**12,985**	**5,882**	**-**
Increase	8,098	-	-	222	-	7,876[3]	-
Change in fair value	3,134	(4,552)	-	-	7,686	-	-
Decrease	(2)	(2)	-	-	-	-	-
Discounting/Accretion	(716)	-	(696)	-	-	(20)	-
At December 31, 2018	**46,773**	**6,302**	**5,819**	**243**	**20,670**	**13,738**	**-**
Increase	27	-	-	1	-	27	-
Change in fair value	17,354	(3,326)	-	-	20,680	-	-
Decrease	(13,231)	-	(2,265)	-		(10,966)	-
Discounting/Accretion	311	-	331	-	-	(20)	-
Other reclassifications and other movements	635	-	-	-	-	-	635
AT DECEMBER 31, 2019	**51,867**	**2,976**	**3,885**	**244**	**41,350**	**2,778**	**635**

(1) Financial assets valued at fair value through other comprehensive income are primarily made up of shares in OPCI UIR II. This mutual fund is owned 80.01% by Union Investment and 19.99% by Mercialys. It operates a property in Pessac which provides it with rental income. UIR II also paid out a dividend of Euro 276,000 at the end of December 2019 (note 6.3, p. 136).

(2) The fair value hedging derivatives (hedge for interest rate risk) mature on March 31, 2023, February 27, 2026, and November 3, 2027 (note 14.2.3, p. 153).

(3) In 2018, the increase of Euro 7.9 million corresponded mainly to the additional loan granted by Mercialys to SCI Rennes-Anglet. In 2019, the decrease of Euro 11 million corresponded to the repayment of that loan. (note 24.11, p. 169).

Note 11 Impairment of non-current assets

ACCOUNTING PRINCIPLE

IAS 36 sets out the procedures that a business entity must follow to ensure that the net book value of its assets (intangible assets, property, plant and equipment and investment property) does not exceed the recoverable amount, *i.e.* the amount that will be recovered by their use or sale.

The recoverable amount of an asset is estimated each time there is evidence that this asset may have lost its value.

Cash generating unit (CGU)

A Cash Generating Unit is the smallest group of assets that includes an asset the continuing use of which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group defines CGU as a center (Large regional centers of neighborhood shopping centers).

Evidence of impairment

Assets are tested for impairment every six months. An impairment provision for investment property is recognized when an appraisal indicates a fair value, excluding transfer taxes, which has fallen below the net book value of the assets by more than 5% and when this difference in net book value can be considered as significant.

Measuring the recoverable amount

The recoverable amount of an asset is the value which is the higher of:

- the fair value less costs, corresponding to the price that would be received for the sale of an asset, or paid for the transfer of a liability, during a normal transaction between market operators on the date of the valuation;
- and the fair value excluding transfer taxes, measured by independent appraisers, corresponding to the future cash-flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. It is determined in accordance with the two approaches described in note 10.

Loss of value

A loss of value is recognized as soon as the carrying cost of an asset is higher than its recoverable amount. Losses of value are recognized under "Other operating expenses."

In some cases, the Group may have to recognize all or part of the loss of value recognized in previous years.

Impairment of investment property

On the basis of the appraisals described in note 8, p. 140, an impairment loss on investment property concerning the Arles, Tours la Riche and Narbonne sites was recognized at end December 2019, for an amount of Euro 9.7 million in other operating expenses.

Note 12 Trade accounts and other receivables

(in thousands of euros)	12/2019	12/2018
Trade accounts and other receivables	29,768	30,333
Impairment	(9,236)	(7,992)
TRADE ACCOUNTS AND OTHER RECEIVABLES, NET	**20,532**	**22,341**

Trade receivables as at December 31, 2019, comprise primarily rents, lease rights and advisory services invoiced at the end of the fiscal year.

Trade receivables are examined on a case-by-case basis and are impaired if necessary to take account of any collection difficulties to which they may give rise.

The aging of trade receivables breaks down as follows:

	Assets not due and not impaired	Assets due and not impaired at closing date					Impaired assets	
Trade accounts and other receivables *(in thousands of euros)*	**Total**	**In arrears for less than 3 months**	**In arrears for 3 to 6 months**	**In arrears for 6 to 12 months**	**In arrears for more than 12 months**	**Total**	**Total**	**Total**
At December 31, 2018	6,313	1,221	5,204	1,001	(169)	7,257	16,763	30,333
At December 31, 2019 (note 1.2.3)	**7,078**	**2,944**	**448**	**200**	**1,509**	**5,101**	**17,590**	**29,768**

Note 13 Other current assets

ACCOUNTING PRINCIPLE

Assets to be realized, consumed or sold in the course of the normal operating cycle or within twelve months of the reporting date are classified as "current assets," as are assets held for sale, cash and cash equivalents. All other assets are classified as "non-current assets."

(in thousands of euros)	Note	12/2019	12/2018
Advances and down payments paid on orders		2,807	1,222
Receivables on assets		2,110	1,253
VAT credit		2,636	1,848
Other operating receivables[1]		15,628	16,522
Prepaid expenses		3,262	4,610
Current hedging instruments	14.2.4	10,149	23,992
OTHER RECEIVABLES		**36,594**	**49,448**

(1) Other operating receivables primarily include VAT credits, mainly relating to calls for funds issued by the Sudeco property manager.

Note 14 Financial structure

14.1 Net financial income (expense)

14.1.1 Net finance costs

ACCOUNTING PRINCIPLE

The net finance costs consist of all income and expenses arising on components of net financial debt during the reporting period, including the income and profit on the sale of cash equivalents, as well as interest charges relating to finance leases.

Net financial debt comprises all borrowings and financial debt including derivatives recognized using hedge accounting, less (i) cash and cash equivalents, (ii) derivatives with a positive fair value recognized using hedge accounting concerning borrowings and financial liabilities.

(in thousands of euros)	12/2019	12/2018
Cost of the debt put in place	(30,887)	(43,937)
Impact of hedging instruments	8,706	12,239
Gross finance costs	**(22,180)**	**(31,697)**
Net proceeds of sales of investment securities	190	430
(NET FINANCE COSTS)/INCOME FROM NET CASH	**(21,990)**	**(31,267)**

The net finance costs incurred include, in particular, the interest expense on bonds for Euro (26.2) million in 2019, compared with Euro (40.6) million in fiscal year 2018.

14.1.2 Other financial income and expense

ACCOUNTING PRINCIPLE

This concerns financial income and expenses that do not form part of the net finance costs. In particular, this includes commitment fees, the costs relating to undrawn bank loans, dividends received, interest on current accounts with companies not in the Mercialys group, and discounting adjustments.

(in thousands of euros)	12/2019	12/2018
Other financial income	255	285
Interest income	**255**	**285**
Other financial expenses	(3,111)	(2,195)
Interest expense	**(3,111)**	**(2,195)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(2,856)**	**(1,910)**

In 2019, as in 2018, other financial income and expenses include commitment fees and the deferral of costs relating to undrawn bank loans (RCF) in the amount of Euro (2.7) million, and interests on current accounts of affiliated companies.

14.2 Financial assets and liabilities

Following the entry into force of IFRS 9 as at January 1, 2018, the Group has reviewed its accounting principle for financial instruments.

ACCOUNTING PRINCIPLE

Financial assets

Financial assets are initially recognized at fair value increased by transaction costs directly linked to their acquisition for the instruments which are not measured at fair value through profit or loss. The costs of acquiring financial assets measured at fair value through profit or loss are recorded in the income statement.

The breakdown of financial assets between current and non-current is determined according to their maturity at the reporting date: less or more than one year.

The Group classifies its assets into three categories:

- amortized cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss.

Financial assets at amortized cost

Financial assets are measured at amortized cost when they are not designated at fair value through the income statement, when they are held for the purpose of collecting the contractual cash-flows, and when they give rise to cash-flows which exclusively correspond to the reimbursement of the principal sum and interest payments "SPPI" criterion.

These assets are measured at amortized cost, using the effective interest rate method, less loss of value. Interest income, impairment and profit and loss from derecognition are recorded in the profit or loss statement.

This category mainly includes trade receivables, cash and other loans and receivables.

Financial assets at fair value through other comprehensive income (OCI)

This category comprises mainly debt instruments, equity instruments and non-consolidated interests.

- Debt instruments are measured at fair value through OCI if they are not designated at fair value through profit or loss, if they are held for the purpose of receiving contractual cash-flows and being sold and if they give rise to cash-flows that correspond solely to payments of principal and interest ("SPPI" criterion). Interest income and impairments are recognized as profit or loss. Other net profits and losses are recognized as OCI. Upon derecognition, accumulated gains and losses in OCI are reclassified as income.
- Equity instruments that are not held for trading may be measured at fair value through OCI. The Group can make the choice irrevocable on an investment-by-investment basis. Dividends are then recognized in the income statement unless they clearly represent the recovery of a portion of the cost of the investment. Other gains and losses are recognized as OCI and are never reclassified as profit or loss. The Group recognizes the non-consolidated equity interests of OPCI UIR II in this category.

Financial assets at fair value through profit or loss

All other assets that are not classified as either at amortized cost or at fair value through OCI are measured at fair value through profit or loss. Net gains and losses, including interest and dividends received, are recognized as profit or loss.

This category mainly includes derivatives not qualified as hedging instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments.

To be eligible for classification as a cash equivalent in accordance with IAS 7, investments must meet four criteria:

- short term investments;
- highly liquid investments;
- investments that are readily convertible to a known amount of cash;
- insignificant risk of changes in value.

Derecognition of financial assets

A financial asset is derecognized in the following two cases:

- the contractual rights to the cash-flows from the asset have expired, or
- those contractual rights have been transferred to a third party and the transfer meets certain conditions:
- if the transferor has transferred practically all of the risks and rewards, the asset is derecognized in its entirety;
- or if the transferor has retained practically all of the risks and rewards, the assets remain on the balance sheet in their entirety.

Financial liabilities

Definition

The breakdown of financial liabilities between current and non-current is determined according to their maturity at the reporting date: less than or more than one year.

Financial liabilities measured at amortized cost

Borrowings and other financial liabilities at amortized cost are measured on issuance at fair value of the consideration received, then at amortized cost, calculated using the effective interest rate method. Transaction costs, issue premiums and redemption premiums directly related to the acquisition or issue of a financial liability are deducted from value of this financial liability. Costs are then amortized according to the lifetime of the liability, based on the effective interest rate method.

Within the Group, certain liabilities are amortized and particular borrowings are hedged.

Financial liabilities at fair value through the profit or loss statement

These represent derivatives (see below). They are measured at fair value and changes in fair value are recognized in the profit or loss statement.

Derivatives

Derivatives are stated in the balance sheet at fair value.

Derivatives qualifying as hedges: recognition and presentation

The Group uses the possibility offered by IFRS 9 of applying hedge accounting:

- in the case of fair value hedges (e.g. fixed-rate bond swapped to variable rate), the debt is recognized at its fair value proportional to the risk hedged and any changes in fair value are recorded in income. The change in fair value of the derivative is recognized in the income statement. If the hedge is completely effective, the two effects cancel each other out completely;
- in the case of cash-flow hedges (e.g. floating-rate bond swapped to fixed-rate), the effective portion of the change in fair value of the hedging instrument is recorded under other items of comprehensive income. The ineffective portion of the change in fair value of the derivative is entered in the comprehensive income and the effective portion within other comprehensive income and recognized in income when the hedged flows are recognized and in the same section and the hedged item: net financial income.

Hedge accounting is applicable if:

- the hedging relationship is clearly defined and documented as at the date of inception; and
- the effectiveness of the hedge is demonstrated at inception for as long as it lasts.

14.2.1 Net cash

(in thousands of euros)	12/2019	12/2018
Cash	21,924	277,005
Cash equivalents	50,101	100,101
Cash and cash equivalents	**72,024**	**377,106**
Bank overdrafts	(12)	(60)
CASH NET OF BANK OVERDRAFTS	**72,012**	**377,046**

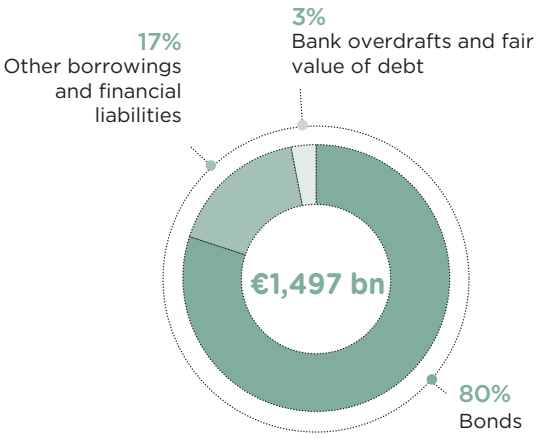
14.2.2 Financial liabilities

Net financial liabilities comprise borrowings and financial debt, including the fair value of the debt less cash and cash equivalents and fair value hedging derivatives.

Financial liabilities amounted to Euro (1,373.2) million as at December 31, 2019 compared with Euro (1,478.2) million as at December 31, 2018. These liabilities comprise the following:

	12/2019			12/2018		
(in thousands of euros)	**Non-current portion**	**Current portion**	**Total**	**Non-current portion**	**Current portion**	**Total**
Bonds	(1,189,037)	(11,389)	(1,200,425)	(1,184,719)	(506,428)	(1,691,146)
Other borrowings and financial liabilities	-	(250,000)	(250,000)	-	(183,000)	(183,000)
Bank overdrafts	-	(12)	(12)	-	(60)	(60)
Fair value of debt	(45,908)	(242)	(46,150)	(24,280)	(1,451)	(25,731)
Gross financial liabilities	**(1,234,944)**	**(261,643)**	**(1,496,588)**	**(1,208,999)**	**(690,939)**	**(1,899,938)**
Fair value hedging derivatives – assets	41,350	10,043	51,393	20,670	23,985	44,656
Cash and cash equivalents	-	72,024	72,024	-	377,106	377,106
Cash and cash equivalents and other financial assets	**41,350**	**82,067**	**123,417**	**20,670**	**401,091**	**421,762**
NET FINANCIAL DEBT	**(1,193,594)**	**(179,577)**	**(1,373,171)**	**(1,188,329)**	**(289,847)**	**(1,478,176)**

BREAKDOWN OF GROSS FINANCIAL LIABILITIES



The main flows which have affected the change in financial liabilities comprise the issuance of commercial paper net of repayments for Euro (67.0) million (note 14.2.6, p. 154) and the redemption of a Euro 479.7 million bond issue at maturity.

14.2.3 Bonds

In March 2019, Mercialys redeemed a Euro 479.5 million bond issue at maturity.

In February 2018, Mercialys had made a new bond issue of Euro 300 million, offering a fixed yield of 1.80% and maturing in February 2026.

As at December 31, 2019, the amount of bond financing was Euro 1,200 million, divided into 3 issues:

- a Euro 300 million bond issue, offering a fixed yield of 1.80% and maturing in February 2026;
- a Euro 750 million bond issue yielding a fixed rate of 1.787%, with a maturity of eight years and four months (maturing in March 2023);
- a Euro 150 million bond issue yielding a fixed rate of 2%, with a maturity of 10 years (maturing in November 2027);

These bonds are subject to the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. Furthermore, if the rating is downgraded following a change of ownership (see definition below), Mercialys bondholders may request redemption of their share.

A rating downgrade is defined as a lowering of the rating by a ratings agency, a downgrade of the rating to non-investment grade (*i.e.* a downgrade of at least two notches relative to the current rating) or, if the rating is already non-investment grade, a downgrade of at least one notch. The rating downgrade must be explicitly linked to the change in control of the Company.

14.2.4 Hedging

In addition, Mercialys introduced an interest rate hedging policy in October 2012 by means of a swap agreement, in order to hedge its interest rate risk.

Mercialys' debt structure after hedging broke down as follows at the end of December 2019: 86% fixed-rate debt and 14% floating-rate debt after hedging.

These hedging instruments are recognized in accordance with the fair value hedging method.

14.2.5 Confirmed credit lines

At the end of December 2019, the Mercialys group's confirmed credit facilities therefore amounted to Euro 410 million, including:

- a revolving credit facility of Euro 225 million maturing in December 2022;
- five confirmed bank facilities for a total amount of Euro 150 million, maturing between July 2021 and December 2022;
- a Casino current account advance of up to Euro 35 million maturing in December 2021.

14.2.6 Commercial paper

A Euro 500 million commercial papers program was also set up in the second half of 2012. It has been used since 2014. The outstanding commercial paper amounted to Euro 250 million as at December 31, 2019. It stood at Euro 183.0 million at end December 2018.

14.2.7 Financial covenants

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

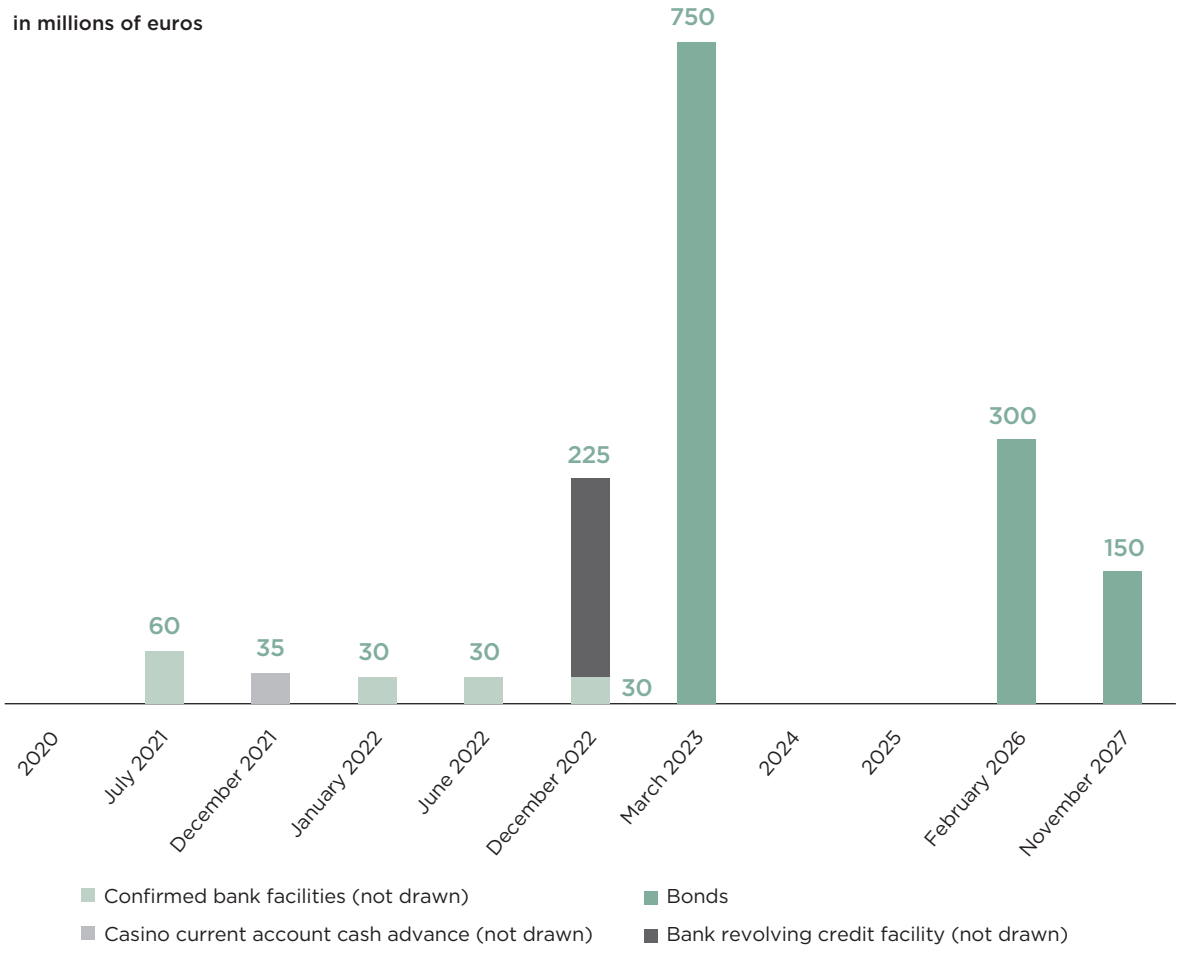
- LTV (Loan To Value): Net financial debt/(market value excluding the portfolio transfer taxes + market value of investments in consolidated companies) <50% at each reporting date;

  A covenant of less than 55% applies to 60% of confirmedbank facilities. The balance of these lines involves an LTV covenant of less than 50%.
- Interest Coverage Ratio (ICR): Consolidated EBITDA[(1)]/Net finance costs >2, at each reporting date;
- Secured debt/consolidated fair value of investment property excluding transfer tax <20% at any time;
- Consolidated fair value of investment properties excluding transfer taxes >Euro 1 billion at any time;
- Change of ownership clauses also apply.

	Covenants	12/2019	12/2018
Loan To Value (LTV)	<50%	39.5%	40.8%
Interest Coverage Ratio (ICR)	>2	7.4x	5.0x

As at December 31, 2019, the two other contractual covenants (Secured debt to Consolidated fair value of investment properties excluding transfer taxes; and Consolidated fair value of investment property excluding transfer taxes) as well as the commitment and default clauses, were also respected.

BOND ISSUE AND UNDRAWN FINANCIAL RESOURCES MATURITY AS OF DECEMBER 31, 2019



(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

Note 15 Trade payables

As at December 31, 2019 and 2018, trade payables comprised primarily invoices not yet received and outstandings relating to supplier Sudeco – a Casino group subsidiary which manages buildings on behalf of Mercialys.

Note 16 Other current liabilities and tax liability

ACCOUNTING PRINCIPLE

Liabilities to be settled during the course of the normal operating cycle or within twelve months of the reporting date are classified as "current liabilities." The Group's normal operating cycle is twelve months.

(in thousands of euros)	12/2019	12/2018
Amounts payable on fixed assets and related accounts	10,357	12,456
Advances and down payments received on orders	1,379	2,297
Tax and social security liabilities	7,931	8,601
Other liabilities	2,476	2,479
Prepaid income	5,400	7,386
Other current liabilities	**27,542**	**33,218**
Current tax liabilities	474	49
Current tax liabilities	**474**	**49**

As at December 31, 2019 and December 31, 2018, the amounts payable in respect of non-current assets concerned invoices not yet received at the end of the fiscal year. Prepaid income relates to the deferring of lease rights.

Note 17 Breakdown of financial assets and liabilities, per instrument category

17.1 Financial assets

At December 31, 2019

				Balance sheet value under IFRS 9			
(in thousands of euros)	Carrying cost on the balance sheet (A)	Non-financial assets (B)	Values of financial assets (A) - (B)	Hedging instruments	Loans and receivables	Financial assets measured at fair value through the other items of comprehensive income	Fair value
Other non-current assets	51,867	4,129	47,738	41,350	3,413	2,976	51,867
Trade receivables	20,532	-	20,532	-	20,532	-	20,532
Other current assets	36,594	13,937	22,657	10,149	12,506	-	36,594
Cash and cash equivalents	72,024	-	72,024	-	72,024	-	72,024

The main measurements used are: the fair value of cash, of trade receivables and of other current financial assets is the same as their carrying cost on the balance sheet, given the short maturities of these receivables.

The fair value measurement methods used with relation to assets available for sale, derivatives and cash and cash equivalents are described in note 18, p. 157.

At December 31, 2018

				Balance sheet value under IFRS 9			
(in thousands of euros)	Carrying cost on the balance sheet (A)	Non-financial assets (B)	Values of financial assets (A) - (B)	Hedging instruments	Loans and receivables	Financial assets measured at fair value through the other items of comprehensive income	Fair value
Other non-current assets	46,773	6,062	40,711	20,670	13,738	6,302	46,773
Trade receivables	22,341	-	22,341	-	22,341	-	22,341
Other current assets	49,448	16,612	32,835	23,992	8,842	-	49,448
Cash and cash equivalents	377,106	-	377,106	-	377,106	-	377,106

17.2 Financial liabilities

At December 31, 2019

				Balance sheet value under IFRS 9			
(in thousands of euros)	Carrying cost on the balance sheet (A)	Non-financial liabilities (B)	Values of financial liabilities (A) - (B)	Liabilities measured at fair value in profit or loss	Hedging instruments	Financial liabilities measured at amortized cost	Fair value
Bonds	1,200,425	-	1,200,425	-	-	1,200,425	1,220,425
Other borrowings and financial liabilities[1]	250,000	-	250,000	-	-	250,000	250,000
Lease liabilities	10,599	-	10,599	-	-	10,599	10,599
Fair value hedging derivatives – liabilities	46,150	-	46,150	-	46,150	-	46,150
Deposits and guarantees	21,502	-	21,502	-	-	21,502	21,502
Trade payables	13,839	-	13,839	-	-	13,839	13,839
Other non-current liabilities	12,939		12,939		12,939	-	12,939
Other current liabilities	27,542	8,145	19,397	-	-	19,397	27,542
Bank overdrafts	12	-	12	-	-	12	12

(1) Other borrowings and financial debt relate to commercial paper (note 14.2.6, p. 154).

At December 31, 2018

				Balance sheet value under IFRS 9			
(in thousands of euros)	Carrying cost on the balance sheet (A)	Non-financial liabilities (B)	Values of financial liabilities (A) - (B)	Liabilities measured at fair value in profit or loss	Hedging instruments	Financial liabilities measured at amortized cost	Fair value
Bonds	1,691,146	-	1,691,146	-	-	1,691,146	1,640,146
Other borrowings and financial liabilities	183,000	-	183,000	-	-	183,000	183,000
Fair value hedging derivatives – liabilities	25,731	-	25,731	-	25,731	-	25,731
Deposits and guarantees	22,081	-	22,081	-	-	22,081	22,081
Trade payables	14,769	-	14,769	-	-	14,769	14,769
Other non-current liabilities	3,580	-	3,580	-	3,580	-	3,580
Other current liabilities	33,218	9,975	23,243	-	-	23,243	33,218
Bank overdrafts	60	-	60	-	-	60	60

Note 18 Fair value hierarchy

The Group has identified three categories of financial instrument based on the two valuation methods used (quoted prices and valuation techniques). In accordance with international accounting standards, this classification is used as the basis for presenting the characteristics of financial instruments recognized in the balance sheet at fair value at the end of the reporting period:

- level 1: financial instruments traded in an active market;
- level 2: financial instruments the fair value of which is determined using valuation techniques drawing on observable market inputs;
- level 3: financial instruments the fair value of which is determined using valuation techniques based on non-observable inputs.

The tables below show financial assets and liabilities stated at fair value according to the following three categories:

At December 31, 2019

(in thousands of euros)	Carrying cost	Fair value	Market price = level 1	Models with observable inputs = level 2	Models with non-observable inputs = level 3
Assets					
Financial assets at fair value through other comprehensive income	2,976	2,976	-	-	2,976
Fair value hedging derivatives – assets (current and non-current)	51,393	51,393	-	51,393	-
Other derivative assets (current and non-current)	107	107	-	107	-
Cash equivalents	72,024	72,024	72,024	-	-
Liabilities					
Bonds	1,200,425	1,220,425	1,220,425	-	-
Other derivative liabilities (current and non-current)	13,096	13,096	-	13,096	-
Fair value hedging derivatives – liabilities (current and non-current)	46,150	46,150	-	46,150	-

At December 31, 2018

(in thousands of euros)	Carrying cost	Fair value	Market price = level 1	Models with observable inputs = level 2	Models with non-observable inputs = level 3
Assets					
Financial assets at fair value through other comprehensive income	6,302	6,302	-	-	6,302
Fair value hedging derivatives – assets (current and non-current)	44,656	44,656	-	44,656	-
Other derivative assets (current and non-current)	7	7	-	7	-
Cash equivalents	377,106	377,106	377,106	-	-
Liabilities					
Bonds	1,691,146	1,640,146	1,640,146	-	-
Other derivative liabilities (current and non-current)	3,596	3,596	-	3,596	-
Fair value hedging derivatives – liabilities (current and non-current)	25,731	25,731	-	25,731	-

18.1 Financial assets at fair value through other comprehensive income

Assets stated at fair value through comprehensive income comprise primarily shares in OPCI funds, the fair value of which has been determined on the basis of their net asset value. This is a level 3 valuation.

18.2 Derivative financial instruments

Derivative instruments are valued externally using the usual valuation techniques for financial instruments of this kind. Valuation models include observable market inputs – in particular the yield curve – and the quality of the counterparty. These fair value measurements are generally category 2.

18.3 Bond issues

Fair value has been determined for listed bonds on the basis of the last quoted price as at the balance sheet closing date. This is a level 1 valuation.

Note 19 Financial risk management:

19.1 Credit risk

The Group's exposure to credit risk is the risk of financial loss in the event that a customer (the tenants) or the counterparty to a financial instrument fails to fulfill its contractual obligations.

The Mercialys group's exposure to credit risk is affected by the statistical profile of its tenants. On signing lease contracts, tenants provide financial securities in the form of guarantee or surety deposits, generally representing three months' rent.

As at December 31, 2019, trade receivables amounted to Euro 22.0 million (note 12, p. 149). The Group's main client, Distribution Casino France, which is an affiliate accounted for 18.3% of invoiced rents as at December 31, 2019. The structure of other clients is highly fragmented.

19.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in paying its debts when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquid assets to honor its liabilities when they fall due without incurring unacceptable losses or causing damage to the Group's reputation.

Mercialys has no short-term liquidity risk. As at December 31, 2019, it had a net cash position of Euro 72,012,000.

The Group has available credit facilities of Euro 375 million (undrawn as at December 31, 2019) and a Casino cash advance of up to Euro 35 million (undrawn as at December 31, 2019).

The following table shows the repayment schedule for financial liabilities as at December 31, 2019, for the nominal amount plus interest and excluding discounting.

At December 31, 2019

	Expiry of contracts						
(in thousands of euros)	**Due in less than 1 year**	**Due between 1 and 2 years**	**Due between 2 and 3 years**	**Due between 3 and 5 years**	**Due in 5 or more years**	**Total**	**Amount recognized in the balance sheet**
Bonds and other borrowings excluding derivatives and finance leases	271,803	21,803	21,803	780,203	469,800	1,565,410	1,450,425
Trade payables and other financial liabilities	34,681	-	-	21,502	-	56,183	56,183
Lease liabilities	959	985	1,013	980	6,662	10,599	10,599
Non-derivate financial instruments – liabilities:							
Interest rate derivatives							
Derivative contracts – received	16,140	15,489	14,629	16,580	7,214	70,052	-
Derivative contracts – paid	(7,909)	(8,468)	(8,245)	(3,750)	(3,338)	(31,710)	-
Derivate financial instruments assets/(liabilities)	**8,231**	**7,021**	**6,384**	**12,830**	**3,876**	**38,342**	**-**

At December 31, 2018

	Expiry of contracts						
(in thousands of euros)	Due in less than 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due in 5 or more years	Total	Amount recognized in the balance sheet
Bonds and other borrowings excluding derivatives and finance leases	704,290	21,803	21,803	793,605	478,200	2,019,700	1,874,146
Trade payables and other financial liabilities	38,072	-	-	22,081	-	60,153	60,153
Non-derivate financial instruments – liabilities:							
Interest rate derivatives							
Derivative contracts – received	29,451	14,102	12,362	23,938	8,261	88,116	-
Derivative contracts – paid	(8,287)	(6,426)	(6,354)	(13,345)	(12,360)	(46,772)	-
Derivate financial instruments assets/(liabilities)	**21,164**	**7,676**	**6,008**	**10,593**	**(4,099)**	**41,344**	**-**

19.3 Market risk

Market risk is the risk that changes in market prices – such as exchange rates, interest rates and the prices of equity instruments – will adversely affect the Group's net income or the value of the financial instruments that it holds.

The Group's exposure to interest rate risk relates to the borrowings described in note 14, p. 150. To manage its exposure to the risk of changes in interest rates, the Group uses derivative financial instruments (interest rate swaps).

The risk of a rise in interest rates must thus be analyzed considering the hedging policy put in place by Mercialys using financial instruments. A sensitivity analysis is provided hereafter.

Mercialys operates solely in France (mainland and La Réunion) and therefore is not exposed to currency risk.

In the first half of 2006, Mercialys entered into a liquidity agreement with Oddo & Cie, with an initial deposit of Euro 1.6 million in accordance with EU regulation no. 2273/2003. Under this contract, the cash funds under management are invested in money-market funds. These cash funds are classified as cash equivalents. No losses were incurred on these funds in 2019 and 2018.

To manage its exposure to the risk of changes in interest rates, the Group uses derivative financial instruments (interest rate swaps).

ASSESSMENT OF SENSITIVITY TO INTEREST RATE RISK:

(in thousands of euros)	12/2019	12/2018
Bank overdrafts	12	60
Total floating-rate debt (excluding accrued interest)[1]	**12**	**60**
Cash equivalents	50,101	100,101
Cash	21,924	277,005
Total Assets	**72,024**	**377,106**
Net position before management	**(72,024)**	**(377,106)**
Derivatives	210,000	685,000
Net position after management	**137,975**	**307,894**
Net position to be renewed	137,975	307,894
1% change	1,380	3,079
Average maturity remaining until end of the fiscal year	1	1
Change in interest expenses	1,380	3,079
Cost of debt	21,991	31,267
Impact of changes in financial expenses/financial costs	**6.27%**	**9.85%**

(1) The maturity of assets and liabilities at revisable rates is that of the revised rate. Debt not exposed to interest rate risk – primarily accrued interest not yet due – is not included in this calculation.

ASSESSMENT OF SENSITIVITY TO INTEREST RATE RISK ON DERIVATIVE INSTRUMENTS:

Sensitivity criteria	Impact on income before tax *(in thousands of euros)*
Impact of +1% change in interest rates	(4,478)
Impact of -1% change in interest rates	4,167

Note 20 Equity and earnings per share

ACCOUNTING PRINCIPLE

How a financial instrument issued by the Group is classified in equity depends on the characteristics of that instrument.

Costs attributable to equity transactions or transactions in own equity instruments are recorded as a deduction from equity, net of tax. Other transaction costs are recognized as expenses of the fiscal year.

Treasury shares are deducted from equity at cost. The proceeds from sales of treasury shares are credited to equity, with the result that any gains or losses on disposal, net of the related tax effect, have no impact on the net income for the period.

20.1 Share capital

On December 31, 2019, the share capital stood at Euro 92,049,169. It consists of 92,049,169 fully paid shares with a par value of Euro 1.00.

(number of shares)	12/2019	12/2018
Beginning of the fiscal year	92,049,169	92,049,169
End of the fiscal year	**92,049,169**	**92,049,169**

(in thousands of euros)	12/2019	12/2018
Beginning of the fiscal year	92,049	92,049
End of the fiscal year	**92,049**	**92,049**

As at December 31, 2019, the number of treasury shares stood at 296,302, representing Euro 3,601,000. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (281,000) net of tax for the fiscal year ended December 31, 2019, and was recognized directly in Group equity.

As at December 31, 2018, the number of treasury shares stood at 381,424, representing Euro 4,975,000. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro 598,000 net of tax for the fiscal year ended December 31, 2018, and was recognized directly in equity.

20.2 Capital management

The Group's policy is to maintain a solid base of equity capital in order to retain the confidence of investors, creditors and the market, and to support the future growth of the business. The Group pays close attention to the number and diversity of shareholders, the yield rate on equity, the level of dividend paid to shareholders and the liquidity of its shares.

Occasionally the Group makes open market purchases of its own shares. These purchases are made for the purposes of ensuring liquidity in the market for Mercialys shares, holding its own shares for later use in payment or exchange for business acquisitions, and covering the need to provide shares for share purchase or subscription options awarded to employees and corporate officers and for bonus shares awarded to employees and executives.

Neither the Company nor its subsidiaries are subject to any specific capital adequacy requirements imposed by law or regulation.

20.3 Earnings per share

ACCOUNTING PRINCIPLE

Basic earnings per share is calculated on the basis of the weighted average number of shares in circulation during the period, less any treasury shares.

Diluted earnings per share are calculated using the treasury stock method. Under this method, the denominator also includes the number of potential shares arising from conversion or exercise of any dilutive instruments (warrants, options, etc.), less the number of shares that could be repurchased at market price with the proceeds received upon exercise of the instruments concerned. Market price means the average price of the share during the fiscal year.

Own equity instruments are included only if they would have a dilutive effect on earnings per share.

20.3.1 Basic earnings, attributable to owners of the parent

(in thousands of euros)	12/2019	12/2018
Net income, attributable to owners of the parent	90,340	80,851
Weighted average number of:		
• outstanding shares during the period	92,049,169	92,049,169
• treasury shares	(259,559)	(315,303)
Total number of shares before dilution	**91,789,610**	**91,733,866**
BASIC NET INCOME PER SHARE, ATTRIBUTABLE TO OWNERS OF THE PARENT *(in euro)*	**0.98**	**0.88**

20.3.2 Diluted net income, attributable to owners of the parent

(in thousands of euros)	12/2019	12/2018
Net income, attributable to owners of the parent	90,340	80,851
Weighted number of shares before dilution	91,789,610	91,733,866
Number of shares after dilution(1)	**91,789,610**	**91,733,866**
DILUTED NET INCOME PER SHARE, ATTRIBUTABLE TO OWNERS OF PARENT *(in euro)*	**0.98**	**0.88**

(1) The bonus shares awarded were part of the stock of existing bonus shares. Consequently, this award did not have a dilutive effect.

20.4 Payment in shares

ACCOUNTING PRINCIPLE

The fair value determined on the date when the rights to payment – based on shares paid in equity instruments awarded to employees – are expensed, as an increase in equity, over the vesting period of the rights. The amount recognized as expenses is adjusted to reflect the number of rights for which it is considered that the non-market related conditions of service and performance are met, such that the amount ultimately recognized is based on the actual number of rights that meet the non-market related conditions of service and performance on the vesting date. For rights to payment based on shares combined with other conditions, the measurement of fair value on the grant date reflects these conditions, and the differences between the estimate and the actual payment will not result in a subsequent adjustment.

The fair value of bonus shares is likewise determined as a function of plan characteristics and market data at the award date and assuming employment throughout the vesting period. If the plan specifies no vesting conditions, the expense is recognized in full when the grant is awarded. Otherwise, the expense is spread over the vesting period as the conditions are fulfilled.

Since December 1, 2005, the Mercialys group has set up bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of bonus share plans is subject to the beneficiary being present at the end of the allocation period.

Allocation dates	Mar 20, 2017	Apr 27, 2017	Apr 27, 2017	Apr 26, 2018	Apr 26, 2018	Apr 26, 2018	Apr 25, 2019	Apr 25, 2019	Apr 25, 2019
End of allocation period	Mar 20, 2020	Apr 27, 2020	Apr 27, 2020	Apr 26, 2021	Apr 26, 2021	Apr 26, 2020	Apr 25, 2022	Apr 25, 2022	Apr 25, 2021
End of holding period	Mar 20, 2022	Apr 27, 2022	Apr 27, 2022	Apr 26, 2023	Apr 26, 2023	Apr 26, 2020	Apr 25, 2024	Apr 25, 2024	Apr 25, 2021
Share price at the allocation date (€)	16.75	17.93	17.93	16.08	16.08	16.08	12.50	12.50	12.50
Number of beneficiaries	11	2	3	2	7	112	2	7	104
Number of bonus shares awarded at inception	12,283	41,750	14,562	46,959	26,496	9,744	45,621	23,109	4,160
Fair value of bonus share (€)	9.64	5.04	5.04	7.91	7.91	13.89	6.57	6.21	10.29
Selected performance rate	83%	67%	67%	88%	88%	100%	133%	133%	100%
NUMBER OF SHARES OUTSTANDING BEFORE APPLICATION OF THE PERFORMANCE CRITERIA AT DECEMBER 31, 2019	**6,945**	**41,750**	**10,279**	**46,959**	**26,496**	**6,090**	**45,621**	**20,739**	**3,320**

Bonus shares only vest when the Company's performance criteria have been met, assessed over a defined period that results in the determination of the percentage of shares vested.

The following performance criteria are applied:

- absolute and relative performance of the TSR of Mercialys shares;
- average organic growth over three years and average TSR over three years;
- organic growth in rental revenues and in FFO.

20.4.1 Bonus share plans

Bonus shares currently vesting	Number of shares, current
Outstanding shares at January 1, 2018	**135,413**
Shares awarded	83,199
Shares cancelled	(27,429)
Shares issued	(8,933)
Outstanding shares at December 31, 2018	**182,250**
Shares awarded	72,890
Shares cancelled	(27,871)
Shares issued	(19,070)
OUTSTANDING SHARES AT DECEMBER 31, 2019	**208,199**

20.4.2 Impact on earnings and equity of share-based compensation

For the year ended December 31, 2019, these share-based payments generated an expense of Euro (205,000) charged to "personnel expenses." In 2018, the share plans generated an expense of Euro (235,000), which were charged to "personnel expenses."

20.5 Non-controlling interests

Condensed financial information about the main subsidiaries with insignificant non-controlling interests

The information presented in the table below complies with IFRS and is adjusted, if necessary, to reflect: fair value revaluations on the date when control is lost or gained; and restatements to bring the accounting principles in line with those of the Group. The amounts are presented before eliminations of reciprocal accounts and transactions.

	2019		2018	
(in thousands of euros)	SAS Hyperthetis Participations	SAS Immosiris	SAS Hyperthetis Participations	SAS Immosiris
% Interest	51%	51%	51%	51%
Net rental income	16,475	8,510	16,473	8,057
Operating income	11,984	6,334	11,774	6,362
Tax expense	(180)	(66)	(180)	(67)
Net income	**11,805**	**6,268**	**11,594**	**6,296**
Investment property	263,224	138,063	265,788	137,826
Non-current assets	263,224	138,063	265,788	137,826
Trade receivables	839	1,100	803	203
Other current assets	1,650	380	523	888
Cash and cash equivalents	6,888	1,972	1,088	2,446
Current assets	9,377	3,453	2,414	3,537
TOTAL ASSETS	**272,601**	**141,516**	**268,203**	**141,363**
Equity	**272,069**	**140,323**	**267,877**	**140,174**
Attributable to non-controlling interests (note 3.1.1.3)	133,314	68,758	131,260	68,685
Other non-current liabilities	-	857	-	845
Non-current liabilities	**-**	**857**	**-**	**845**
Trade payables	267	257	163	177
Other current liabilities	266	78	163	167
Current liabilities	**533**	**336**	**326**	**344**
TOTAL EQUITY AND LIABILITIES	**272,603**	**141,516**	**268,203**	**141,363**

Note 21 Dividend

As at December 31, 2018, out of the 92,049,169 shares, 91,714,589 benefited from the dividend in respect of 2018 earnings (334,580 treasury shares are exempt from dividend payment).

The Company paid its shareholders a gross dividend of Euro 1.12 per share in respect of the fiscal year ended December 31, 2018. An interim dividend of Euro 0.50 per share was paid in 2018, and the final dividend of Euro 0.62 per share was paid on May 2, 2019.

Payment of the final dividend represented a total of Euro 56,863,000.

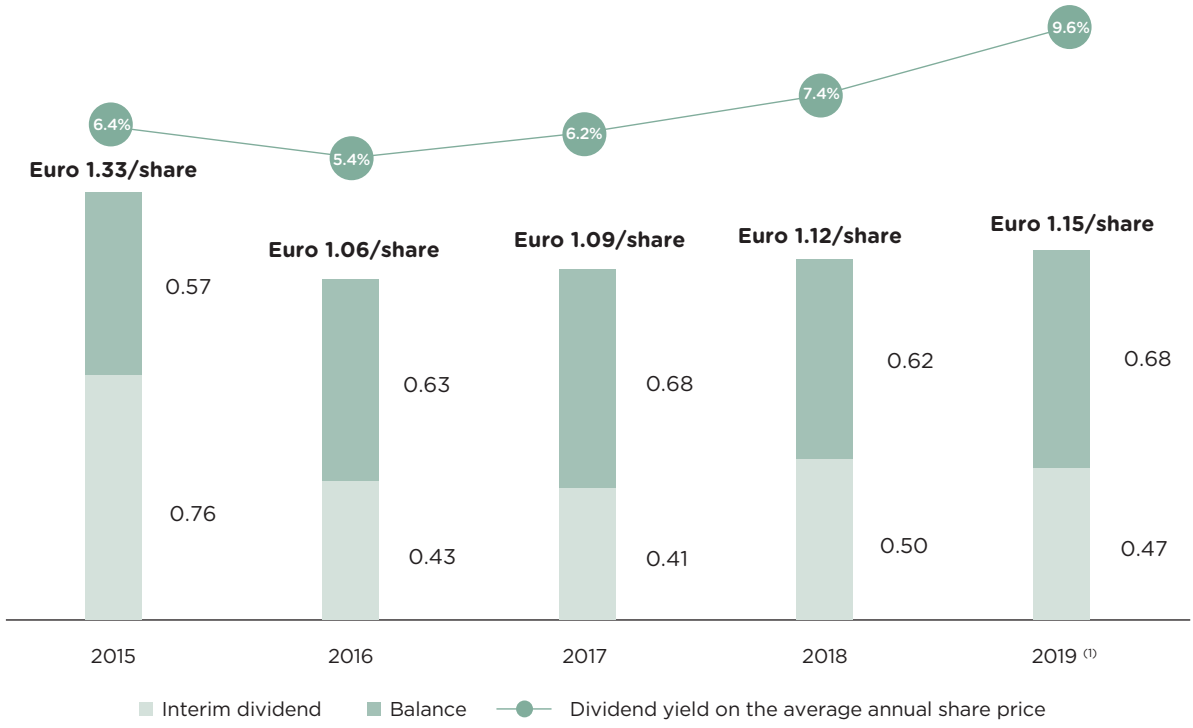
The total dividend for the 2018 fiscal year therefore came to Euro 102,668,000.

On October 23, 2019, Mercialys also paid an interim dividend of Euro 0.47 per share, representing an amount of Euro 43,123,000.

Mercialys's Board of Directors will submit a recommendation to the Annual General Meeting on April 23, 2020, for a dividend of Euro 1.15 per share (including the Euro 0.47 per share interim dividend already paid in October 2019). The proposed dividend represents an increase of +2.7% versus 2018. The payout corresponds to 85% of 2019 FFO, in line with Mercialys's guidance (dividend at least stable, within a range of 85% to 95% of 2019 FFO). The dividend offers a yield of 5.8% based on the EPRA NNNAV of Euro 20.01 per share at end-2019 and 9.3% based on the year's closing share price.

The ex-dividend date is April 27, 2020, and the dividend will be paid out on April 29, 2020.

This payment corresponds to the distribution of 95% of the recurrent taxable profit excluding capital gains, in accordance with the SIIC rules (representing Euro 0.84 per share), as well as the capital gains available for distribution based on asset sales in 2019 (Euro 0.11 per share), and Euro 0.20 per share from exempt earnings on the Company's balance sheet.



(1) Subject to approval by the Annual General Meeting to be held on April 23, 2020

Note 22 Provisions

ACCOUNTING PRINCIPLE

Post-employment benefits

The companies of the Group participate in the instituting different kinds of benefits for their employees.

In connection with defined contribution plans, the Group is not obliged to make additional payments in addition to the contributions already paid into a fund if the latter does not have sufficient assets to provide the benefits corresponding to the service provided by the employee during current and prior periods. For these plans, contributions are recognized as expenses when they are incurred. Defined contribution plans correspond to general and supplementary schemes of French social security.

The other schemes are defined benefit schemes concerning severance pay. Within the context of these plans, commitments are valued according to the projected unit credit method on the basis of agreements in force within each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. These plans and termination benefits are subject to an actuarial valuation by independent actuaries each year for the largest plans and at regular intervals for other plans. These valuations take account in particular of the level of future compensation, employees' probable length of service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes to assumptions and the differences between estimated earnings based on actuarial assumptions and actual earnings. These differences are recognized as items of other comprehensive income for all actuarial gains or losses relating to defined benefit schemes.

Past service costs, indicating the increase in an obligation following the introduction of a new plan or changes to an existing plan, are recognized immediately as expenses.

Costs relating to plans of this kind are recognized as operating income (cost of service provided, of the period and past, reductions and payments) and as "Other financial income and expenses" (financial expenses).

The provision recognized in the balance sheet corresponds to the discounted value of the commitments thus valued.

Other provisions

A provision is recognized when the Group has a current contractual or implied obligation arising from a past event and it is probable that an outflow of resources representing economic benefits will be necessary to fulfill that obligation, provided that the amount of the liability may reliably be estimated.

When time value is material, the amount of the provision is determined by discounting the future expected cash-flows.

22.1 Breakdown and changes

Movements *(in thousands of euros)*	**Other provisions**	**Pension provisions**	**Provisions for long service awards**	**Total**
At January 1, 2018	**6,265**	**804**	**54**	**7,122**
Additions	3,578	72	2	3,653
Reversals	(2,244)	-	-	(2,244)
Other changes[1]	-	70	-	70
At December 31, 2018	**7,600**	**945**	**56**	**8,601**
Additions	4,701	59	3	4,763
Reversals	(1,319)	-	-	(1,319)
Other changes[1]	-	4	-	4
AT DECEMBER 31, 2019	**10,982**	**1,008**	**59**	**12,048**

(1) Other changes correspond mainly to acquisitions and actuarial gains or losses.

Other provisions include the estimated costs of litigation and other operating risks.

The amount of these provisions is not materially different from the actual expenses incurred, in return.

The reversals of Euro 1,319,000 at the end of December 2019 correspond for Euro 703,000 to provisions that now have no object.

22.2 Main assumptions used to determine the amount of commitments relating to defined benefit pension schemes

Defined benefit plans are exposed to interest rate risks, the rate of pay rises and the mortality rate.

Details of the main actuarial assumptions made in assessing commitments are provided in the table below:

	12/2019	12/2018
Discount rate	0.6%	1.7%
Expected rate of pay rises	1.0%	1.9%
Retirement age	64 years	64 years

The discount rate is determined by reference to the Bloomberg 15-year index for AA composites.

The benchmark mortality tables TGH05 and TGF05 are used for the calculation.

Note 23 Off-balance sheet commitments

The principal commitments are the following:

23.1 Commitments relating to ordinary activities

23.1.1 Commitments received

Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: as at December 31, 2019, these amounted to Euro 9,281,000, versus Euro 6,941,000 as at December 31, 2018;
- within the context of work ordered from suppliers: Euro 26,000 as at December 31, 2019, versus Euro 1,246,000 as at December 31, 2018.

23.1.1.2 Partnership agreements

Mercialys has signed a Partnership Agreement with Casino, Guichard-Perrachon. Details of this commitment are provided in note 24, p. 167.

23.1.2 Commitments given

Poitiers rental guarantee

Mercialys granted a rental guarantee for the Poitiers hypermarket and committed to pay rent for the second three-year period (from June 30, 2020 to June 29, 2023) in the event of the departure of DCF at the end of the first three-year period.

Since DCF did not give any notice of departure before December 12, 2019, the three-year withdrawal option can no longer be exercised, given the expiry of the notice period. The rental guarantee has thus lapsed.

Fontaine-Lès-Dijon rental guarantee

Rental guarantee on the second three-year period of the hypermarket's lease (July 17, 2020 to July 16, 2023) in the event of the departure of DCF at the end of the first three-year period. This rental guarantee granted by Mercialys and Fiso sellers was created in an *ad hoc* agreement between the parties.

Since DCF did not give any notice of departure before January 18, 2020, the three-year withdrawal option can no longer be exercised, given the expiry of the notice period. The rental guarantee has thus lapsed.

Commitment made in connection with the disposal of SAS Hyperthetis Participations

In connection with the disposal of the 49% stake in SAS Hyperthetis Participations, Mercialys has a call option to purchase the company's securities or the real-estate assets held by the minority interests with a guaranteed minimum price, exercisable on its initiative in 2022.

This guaranteed minimum price will be equal to the higher of the NAV and an IRR for all the company shares under option, and to the higher of the appraised fair value and an IRR for all the real-estate assets held by the minorities.

At the end of December 2019, this option was valued at Euro 134.6 million, which corresponds to the company's IRR. The appraisal value amounted to Euro 252.1 million (excluding transfer taxes) at the end of December 2019.

If the options are not exercised, there is an exit clause for disposal of the assets at their fair value.

Saint-Paul rental guarantee

In connection with the transactions in the first half of 2018, Mercialys granted Finamur SA and SA Natixis Lease Immo a rental guarantee on three cells. Mercialys agreed to pay quarterly the difference between the guaranteed income (Euro 169,000) and the income due. The income payable will be equal, for each of the cells in question, to the minimum guaranteed rent excluding taxes payable under the lease plus the provision for expenses payable under the lease.

The rental guarantee will be applicable starting June 28, 2018 and expire on the earlier of the following two dates:

- when the income payable is greater than or equal to the guaranteed income;
- at the end of a two-year period (starting June 28, 2018).

Lannion rental guarantee

In connection with the transactions in the second half of 2018, Mercialys granted SCI Lannion a rental guarantee on two vacant casual leasing cells prior to the promise. Mercialys agreed to pay the amount corresponding to annual rents (Euro 113,000). The rental guarantee will be applicable starting December 21, 2018 for a period of 24 months (until December 21, 2020).

23.2 Commitments relating to exceptional transactions

23.2.1 Commitments with Corin

In connection with its Partnership Agreement with Corin, in 2006 Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

An amendment was made to the *memorandum* of understanding in 2014. This amendment made it possible to extend certain maturities and to modify the contribution mechanism of the undivided rights. The *memorandum* of agreement was created for a new 20-year period as from the signing of the amendment. Today, it is projected that if the agreement to hold the undivided rights in common is not renewed, the party that initiated the end of the undivided rights will be penalized when the undivided rights are shared. The rights may be shared either in kind, with the other party choosing the units (the hypermarket premises will go in priority to Mercialys in any event), or through the transfer of the undivided rights. Mercialys is irrevocably committed to acquire Corin's 40% of undivided rights but has the right to make a counterproposal, and Corin is irrevocably committed to transferring its rights to Mercialys.

A new amendment to the *memorandum* of understanding was signed on April 27, 2018, providing for the purchase of a maximum of 10% of the undivided rights between January 31, 2020 and December 31, 2020, a maximum of 10% of the undivided rights between January, 31, 2023 and December 31, 2023, a maximum of 10% of the undivided rights from January 31, 2024, and a maximum of 10% of the undivided rights from January 31, 2025. That is on the assumption of Corin's exercise of the purchase agreement.

Mercialys has the option to assign its rights and obligations to a third party, or to free itself from its purchase commitment by offering Corin the right to acquire its undivided rights. The *memorandum* of understanding specifies how the assets are valued. A 30% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the *memorandum* of understanding will be representative of market value.

23.2.2 Other commitments

L'Immobilière Groupe Casino, a subsidiary of the Casino group, has granted a guarantee of compensation of Euro 1.3 million on a site.

No pledge, mortgage, or other conveyance of security interest applies to the Group's assets.

The Group has received the customary warranties from the transferor companies in respect of properties transferred to it.

The Group complies with the applicable regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

23.3 Operating lease commitments

Operating leases

Almost all the leases granted by the Mercialys group in connection with its business activity are commercial leases, but a few construction leases have been granted in special cases.

The leases signed include either a fixed rent or a double-component rent ("variable rent"). Variable rents are composed of a fixed component (the guaranteed minimum rent) and a portion pegged to the revenue of the tenant operating the commercial premises. The minimum guaranteed rent is based on the rental value of the premises. The additional variable rent specified at the signing of the lease is due from the tenant whenever there is a positive difference between the percentage of pre-tax revenue earned by the tenant during the calendar year and the base rent.

Unless there is an indexation clause in the lease agreement that provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index or retail rent index published by INSEE in accordance with applicable regulations.

The minimum future rental income receivable under non-cancellable straight lease contracts are as follows:

(in thousands of euros)	12/2019	12/2018
Less than one year	161,928	142,104
Between one and five years	222,064	131,776
More than five years	25,423	11,533
TOTAL	**409,415**	**285,414**

Note 24 Related-party transactions

The Mercialys group maintains contractual relations with various companies of the Casino group. The main agreements are described below:

24.1 Identification of the consolidating company

Since June 21, 2013, Mercialys is consolidated under the equity method in the financial statements of the Casino group.

24.2 Leases granted by the Group to Casino group companies

As at December 31, 2019, the breakdown of operating leases to Casino group companies was as follows:

- Casino Restauration: 10 leases (compared with 10 leases at December 31, 2018);

- Other Casino group entities: 53 leases (compared with 60 leases at December 31, 2018).

Invoiced rents under these leases during the reporting period amounted to:

- Euro 34,615,000 for Distribution Casino France (versus with Euro 34,097,000 at December 31, 2018);
- Euro 9,266,000 for Monoprix (versus Euro 9,493,000 at December 31, 2018);
- Euro 8,621,000 for the other entities (compared to Euro 8,892,000 at December 31, 2018).

24.3 Property Management activities

Mercialys has outsourced Property Management activities for nearly all its sites to Sudeco, a subsidiary of Immobilière Groupe Casino. These activities include rental management, service charge management and the administrative management of tenant associations or Economic Interest Groups (EIGs) which exist at most of its shopping centers. In connection with Property Management activities, fees paid by Mercialys and its subsidiaries to Sudeco as at December 31, 2019, amounted to Euro 6,488,000 versus Euro 6,333,000 as at December 31, 2018.

24.4 Partnership agreement with Casino

The Partnership Agreement was approved by the Board of Directors on June 22, 2012. An amendment to this agreement was signed on November 12, 2014.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been kept in the Partnership Agreement.

The initial Agreement concerned a pipeline of projects offering sufficient visibility. The new agreement enables Mercialys to propose new projects which will be examined by Casino and monitored by the monitoring committees.

- Casino will only begin the works once the order has been confirmed by Mercialys after final approval is obtained and at least 60% of the projects have been pre-let (as a percentage of projected rents – leases signed).
- the acquisition price for the projects developed by Casino, determined only within the framework of the initial agreement on the basis of a capitalization rate defined according to a matrix – updated twice a year depending on changes in appraisal rates for Mercialys' portfolio – and to a projected rental income for the project, may also be also determined based on a projected selling price calculated on the basis of a projected IRR (8 to 10%).
- the principle of upside/downside being split 50/50 is maintained to take account of the actual conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between the real rents resulting from letting and the rents forecast at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed. A "review clause" between the two parties is provided in the contracts under the early acquisition process mentioned earlier.

In return for the exclusivity clause, Mercialys has made a commitment not to invest in any transactions that may have a significant competitive impact within the catchment area of a site with a Casino group food store.

Mercialys extended its Partnership Agreement with the Casino group for a further three years, up to the end of 2020.

In 2019, no project was acquired by the Group under that Partnership Agreement.

24.5 Services agreement with Casino

The Company has entered into an Agreement with the Casino group for the provision of services, the purpose of which is to manage provision of the support services that Mercialys requires for its operation and, in particular, for administrative management, accounting and finance, and real-estate services and information systems. The amount paid by Mercialys to the Casino group under the Services Agreement was Euro 2,011,000 for the year ended December 31, 2019, compared with Euro 2,080,000 to December 31, 2018.

24.6 Consulting agreement between Mercialys group companies and the Casino group

Mercialys Gestion has entered into a consulting agreement with the Mercialys and Casino group companies. The purpose of this agreement is to make Mercialys Gestion's team of specialists in property portfolio valuation available to those companies. The advisory services agreement was signed on July 27, 2007 for an initial term of six years, automatically renewable thereafter for one year at a time, with each party free to terminate the agreement on six months' notice. On June 1, 2011, Mercialys Gestion's teams in charge of asset management, marketing and communication were transferred to Mercialys. As a result, an amendment was drafted, specifying that Mercialys is now the new service provider.

On March 23, 2015, Mercialys, Immobilière Groupe Casino and Plouescadis signed a document amending the advisory services master Agreement (the "Advisory Services Master Agreement").

At end-December 2019, Mercialys had received compensation of Euro 97,000 under this Agreement, compared with Euro 296,000 at December 31, 2018.

The parties decided to end this agreement on December 31, 2018.

A new, fixed-term agreement, of an initial term of six months, running from January 1 to June 30, 2019, was signed between Mercialys and L'Immobilière Groupe Casino for asset management services provided by Mercialys teams for projects managed on behalf of L'Immobilière Groupe Casino and/or its subsidiaries.

This Agreement is renewed automatically for a further six months, unless terminated by either of the parties by registered letter with acknowledgment of receipt, with the understanding that the total duration of the Agreement may not exceed 48 months.

This new Agreement was entered into under normal conditions; it is a standard agreement.

24.7 Current account and cash management agreement with Casino

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Mercialys and Casino thereby set up a shareholders' current account that recorded all payments, withdrawals or advances of sums that may be made reciprocally between the two companies.

After Casino reduced its stake in Mercialys in 2012, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new Current Account Agreement. This Agreement has enabled Mercialys to keep a current account with Casino enabling it to receive cash advances from Casino up to the threshold of Euro 50 million.

The term of the Agreement was extended several times and expired on December 31, 2019.

In December 2019, an amendment to the Agreement was signed, reducing the cash advance to Euro 35 million. This new amendment will expire on December 31, 2021.

As at December 31, 2019, the fees paid by Mercialys for non-utilization of the funds made available by Casino amounted to Euro 192,600.

24.8 Transactions with Casino, Guichard-Perrachon

On December 25, 2019, the Annual General Meeting approved a regulated agreement between Mercialys and Casino, Guichard-Perrachon, under which the latter has undertaken to cover specific costs incurred by Mercialys in connection with the sale by Casino, Guichard-Perrachon of all or part of its stake in the capital of Mercialys.

In this connection, Casino, Guichard-Perrachon paid Euro 303,000 to Mercialys as at December 31, 2019.

24.9 Agreements entered into with the Casino group relating to transactions for the acquisition of property asset portfolios

In connection with the acquisition's transactions and in addition to the business contribution agreements, various contracts and guarantees were signed with the Casino group companies.

Given the nature of the projects undertaken by Mercialys, the contracts and guarantees that may be entered into are as follows:

First, in connection with the projects executed with the Casino group, the acquisition price paid by Mercialys is determined through the Partnership Agreement, and the Casino group provides no guarantees following the transfer of ownership. Second, in connection with acquisitions from the Casino group of redevelopment properties, hypermarket premises, or high street retail assets for development projects to be implemented by the real-estate company (through urban retail projects as well as offices, hotels or housing units).

Mercialys has a non-exclusive framework agreement with the Casino group for delegated project management and property development contracts with the Casino group:

- as at December 31, 2019, orders were placed under this master agreement for projects involving the Besançon, Brest, Clermont-Ferrand and Annecy sites. Mercialys may stop placing orders at each of the stages of the master agreement as compensation for the payment of the service provider's fees and company compensation for contracts already awarded;
- as at December 31, 2019, the Le Port site on Reunion Island had a property development contract.

Residual risks relating to the development are subject to an autonomous completion guarantee from the contributing companies, comprising a guarantee to pay the sums required to complete the development and a financial guarantee if the deadline is not met.

24.10 Agency agreements with IGC Services

In connection with transactions for the sale of its asset portfolios, Mercialys may call upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets. In 2019, the fees paid for this service amounted to Euro 1,324,000.

24.11 Related-party transactions of SCI Rennes-Anglet:

Loan by Mercialys to SCI Rennes-Anglet:

At end December 2018, Mercialys had granted a loan of Euro 10,864,000 to SCI Rennes-Anglet. This cash advance earned interest at the arithmetic mean of EONIA interest rates for the period, plus a margin of 50 bps. This agreement was entered into for the term of the shareholder's agreement, *i.e.* 15 years automatically renewable for successive periods of 5 years.

The loan was fully repaid by SCI Rennes-Anglet on July 31, 2019.

24.12 Transactions with SCI AMR:

Mercialys entered into the following agreements with SCI AMR:

- a real-estate advisory service agreement: under this five-year agreement, SCI AMR entrusts Mercialys with general assistance in managing its real-estate assets; This agreement, which came into effect on April 23, 2013, was extended at an early date to cover the period running from January 1, 2017 to March 15, 2024;
- exclusive letting mandate for a period of five years; This mandate, which came into effect on April 23, 2013, was extended at an early date to cover the period running from January 1, 2017 to March 15, 2024;
- a center management agreement with Mercialys Gestion.

These transactions amounted to Euro 536,000.

AMR also signed a property management agreement with Sudeco, a Casino group company.

24.13 Transactions in connection with the purchase of shares in Sacré-Cœur:

A property development contract has been signed between Sacré-Cœur and Mercialys (project management) and IGC Services (developer), a subsidiary of the Casino group. The latter is responsible for the construction of the project in two phases according to defined terms, timetable and cost:

- phase 1: extension, multi-storey car park (delivered end-2018) and food court (delivered early 2019);
- optional phase 2: retail park for Euro 6.4 million excluding tax, for delivery mid-2020. This option was exercised in 2019 following the acquisition of the Le Port plot by Sacré-Cœur on October 31, 2019, for Euro 1.5 million. As provided in the deed for the acquisition of the shares of SNC Sacré-Cœur, the seller received an earn-out payment of Euro 3.7 million.

24.14 Gross remuneration allocated to the Company's key executives

Mercialys, a *société anonyme* (limited liability company) under French law, has opted for a governance structure with a Board of Directors. As at December 31, 2019, the Board had 11 members, seven of whom are independent directors. The remuneration amounts shown below are total amounts paid to the directors and the key executives.

(in thousands of euros)	**12/2019**	**12/2018**
Short-term benefits[1]	1,712	1,574
TOTAL	**1,712**	**1,574**

(1) Gross salaries (excluding employer contributions), bonuses, incentives, profit-sharing, benefits in kind and directors' fees.

No members of senior management held stock options on Mercialys shares as at the end of December 2019.

24.15 Related-party transactions – summary

(in thousands of euros)	**12/2019**	**12/2018**
Income/(Expenses)		
Invoiced rents		
Distribution Casino France	34,615	34,097
Monoprix	10,859	9,493
Other Casino group entities	7,027	8,892
Advisory Services Agreement received by Mercialys	97	296
Short-term occupancy agreement billed by Mercialys to the Casino group	314	389
Property Management income paid to the Casino group	(6,488)	(6,333)
Services agreement paid to the Casino group	(2,011)	(2,080)
Transactions with SCI AMR	536	534
Agency agreement with IGC Services	(1,324)	(150)
Non-utilization fees paid to Casino Finance	(193)	(193)
Transactions with Casino, Guichard-Perrachon	303	170
Assets/(Liabilities)		
Project management agreements prepaid by Mercialys to the Casino group	-	1,646
Loan to SCI Rennes-Anglet	-	10,864
Call for funds issued for the Sacré-Cœur property development contract with Casino group	39,743	39,771
Earn-out payment on Sacré-Coeur paid to Casino	3,715	386

24.16 Other related party transactions

Excluding the above-stated amounts, related party transactions for the years ended December 31, 2019 and 2018 were as follows:

TRANSACTIONS WITH CASINO GROUP SUBSIDIARIES

	Income	Expenses	Payables	Receivables	Loans
(in thousands of euros)			concerning related parties		
2018	22,180	4,359	1,626	4,737	-
2019	**20,236**	**2,499**	**1,217**	**457**	**-**

TRANSACTIONS WITH EQUITY ASSOCIATES

	Income	Expenses	Payables	Receivables	Loans
(in thousands of euros)			concerning related parties		
2018	113	860	25	794	10,963
2019	**388**	**1,086**	**16**	**1,397**	**-**

Note 25 Statutory Auditors' fees

Recurring fees for Mercialys' Statutory Auditors amounted to Euro 510,000 for the year ended December 31, 2019 (compared with Euro 548,000 as at December 31, 2018).

Fees 12/2019 *(in thousands of euros)*	Ernst & Young	KPMG
Fees for certification of the financial statements	221	188
Fees other than for certification of the financial statements[1]	76	25
TOTAL	**297**	**213**

(1) Fees other than for certification of the financial statements relate to:

- *reports on the planned payment of interim dividends*
- *the CSR report*

Note 26 Workforce

Number of employees	12/2019	12/2018
Workforce at closing date[1]	111	108
Full time equivalent[2]	106	105

(1) Permanent and fixed-term contracts.

(2) Average number of full-time equivalent employees over the year.

Note 27 Subsequent events

No significant event took place after the reporting date.

3.1.3 Statutory Auditors' report on the consolidated financial statements

Fiscal year ended December 31, 2019

To the Annual General Meeting of Mercialys S.A.

Opinion

In accordance with the mission entrusted to us by your Annual general meeting, we have audited the consolidated financial statements of Mercialys S.A. for the fiscal year ended December 31, 2019, as attached to this report.

In our opinion, in accordance with the International Financial Reporting Standards as adopted by the European Union, the consolidated financial statements give a true and fair view of the funds from operations for the fiscal year ended and of the financial position and portfolio of the Group and its consolidated entities, at the end of said year.

The opinion given above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit standards

We conducted our work in accordance with the professional standards applicable in France. We believe that the evidence we have obtained is a sufficient and appropriate basis for our audit opinion.

Our responsibilities under these standards are indicated in the section entitled "Statutory auditors' responsibilities regarding the audit of the consolidated financial statements" of this report.

Independence

We performed our audit in accordance with the rules of independence applicable to us, for the period starting from January 1, 2019 to the date on which we issued our report, and in particular, we provided no services prohibited by Article 5, paragraph 1 of (EU) Regulation No. 537/2014 or by the Code of Ethics of the statutory auditing profession.

Comment

Without calling into question the conclusion expressed above, we would like to draw your attention to the change of accounting method presented in Note 1.2.3 "Changes of accounting methods" to the consolidated financial statements concerning the application of IFRS 16 – Leases with the simplified retrospective method from January 1, 2019.

Justification of our assessments - Key audit points

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification for our assessments, we hereby present the key audit points relating to the risks of material misstatements which, in our professional opinion, were the most significant for the audit of the consolidated financial statements for the fiscal year, and how we addressed those risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We express no opinion about the items in these consolidated financial statements taken separately.

Measurement of investment property

Identified risk

At December 31, 2019, the net book value of the Group's investment properties amounted to Euro 2,222 million. Investment properties are recognized at cost, broken down into components and are depreciated over their useful lives. Note 8 of the notes to the consolidated financial statements describes the accounting rules and methods adopted by the Group for the recognition and measurement of investment properties, and their impairment.

The Group uses the fair values, excluding transfer taxes, of investment properties determined by independent appraisers to:

- indicate this information in the notes to the consolidated financial statements, as required by IAS 40;
- assess the absence of impairment on these investment properties or recognize provisions for impaired investment properties, if any.

The measurement of investment properties requires some judgment and significant estimates from management and from the independent appraisers. These appraisers mainly base their assessment on the specific information of each asset, such as the location, rental revenues, yield rates, capital expenditures and any recent comparable transactions on the market.

The measurement of investment properties is considered to be a key audit point due to:

- the significant amount of the fair value excluding transfer taxes presented in the notes to the Group's consolidated financial statements;
- the use, by the independent appraisers, of level 3 non-observable inputs as defined by IFRS 13 "Fair Value Measurement", to determine fair value. Consequently, these fair values are based on estimates;

- the sensitivity of fair value to the assumptions adopted by the appraisers, which is used to assess the absence of impairment in the investment properties.

Audit procedures implemented to address this risk

In connection with our audit of Mercialys' consolidated financial statements, we implemented the following procedures:

- Assessment of the competence, independence and integrity of the independent appraisers mandated by the company;
- Analysis of the significant changes in fair values, by investment property;
- Testing the operational effectiveness of management verifications of the data sent to the appraisers and used to value the investment properties and the verifications made by management of the fair values derived from these independent appraisals;
- Conducting interviews, in the presence of our real estate specialists, with the independent appraisers in order to understand and assess the relevance of the estimates, assumptions and the measuring methodology applied;
- Comparing, over a selection of assets, the data used by the independent appraisers with the data present in the supporting documents such as rental statements and the investment budgets that we received from the company;
- For a selection of assets, analyzing, with our real estate specialists, the consistency of the main measurement assumptions made by the independent real estate appraisers, in particular the yield rates, with the available market information;
- Comparison of the items taken into account to determine the amount of provisions to recognize for the impaired investment properties (comparison of the net book values with the audited financial statements, and of the fair value with the independent appraisal);
- Examining the suitability of the information given in note 8 to the consolidated financial statements.

Related party real estate transactions

Identified risk

The Group performs property transactions with the Casino Group, its main shareholder. Note 24 "Related party transactions" to the consolidated financial statements describes the transactions carried out with related parties.

These transactions involve substantial amounts and may follow a different approval channel depending on whether or not they are considered to be regulated. Therefore, the presentation of this information in the notes requires that the Group be able to identify and collate any information if required. Accordingly, we considered the completeness of the information presented in the Notes about real estate transactions with the Casino Group companies as a key point of the audit.

Audit procedures implemented to address this risk

In connection with our audit of Mercialys S.A.'s consolidated financial statements, we implemented the following procedures:

- Identifying the agreements concerning real estate transactions with the Casino Group companies, in particular the regulated agreements, reviewing the minutes of meetings of the Board of Directors and investment committees held during the financial year;
- Examining the disclosures in Note 24 to the consolidated financial statements in light of the information in the agreements.

Specific verifications

We also performed, in accordance with the professional standards applicable in France, the specific verifications required by the applicable laws and regulations of the disclosures in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Other required legal and regulatory disclosures

Appointment of Statutory Auditors

We were appointed as the Statutory Auditors of Mercialys S.A. by your Annual general meeting of May 6, 2010.

At December 31, 2019, our firms were in their tenth year of uninterrupted auditing for your Group.

Previously, ERNST & YOUNG Audit had been the statutory auditor since 1999.

Responsibilities of management and of the members of corporate governance for the consolidated financial statements.

Management is responsible for preparing the consolidated financial statements presenting a fair view in accordance with the International Financial Reporting Standards as adopted in the European Union and for setting up the internal control system that it considers necessary for the preparation of the consolidated financial statements without any material misstatements, whether as a result of frauds or errors.

While preparing the consolidated financial statements, it is the responsibility of management to evaluate the company's capacity to continue its operations, to present in these financial statements, if applicable, the necessary information regarding the going concern principle and to apply the going concern accounting policy, unless there are plans to liquidate the company or to discontinue its activity.

The Audit Committee has a duty to monitor the preparation of financial information and to monitor the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit systems, in terms of procedures relating to the production and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors for the audit of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. We seek to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of any material misstatements. Reasonable assurance corresponds to a high level of assurance, without, however, guaranteeing that an audit performed in accordance with professional standards can systematically detect all material misstatements. Misstatements may stem from frauds or from errors and are considered to be material when we can reasonably expect that taken individually or together, they may influence the economic decisions that the users of the financial statements may make on the basis of such statements.

As specified by Article L.823-10-1 of the French Commercial Code, our mission to certify the financial statements does not require us to guarantee the sustainability or the quality of the management of your company.

During an audit performed in accordance with the professional standards applicable in France, the statutory auditors use their professional judgment throughout the audit. Furthermore:

- they identify and evaluate the risks that the consolidated financial statements may include material misstatements, whether they stem from fraud or from errors; they define and implement audit procedures to address these risks and collect evidence that they consider sufficient and appropriate to justify their opinion. The risk of not detecting a material misstatement caused by fraud is higher than that of a material misstatement caused by error, because fraud may imply collusion, falsification, deliberate omissions, false statements or circumvention of internal control;
- they review the internal control relevant to the audit in order to define the audit procedures that are best suited to the circumstance, and not for the purpose of expressing an opinion about the effectiveness of internal control;
- they evaluate the suitability of the accounting methods adopted and the reasonable nature of the accounting estimates made by management, and the relevant disclosures in the consolidated financial statements;
- they assess the proper application by management of the going concern accounting principle and, depending on the evidence collected, the existence or not of a material uncertainty linked to events or circumstances likely to jeopardize the company's capacity to continue its operations. This assessment relies on the evidence collected until the date of their report, while stressing, however, that subsequent circumstances or events may undermine the going concern. Should the auditors find the existence of a material uncertainty, they will draw the attention of the readers of their report to disclosures in the consolidated financial statements about this uncertainty or, if such disclosures do not exist or are irrelevant, they will issue a qualified certification or refuse to certify;
- they assess the overall presentation of the consolidated financial statements and determine whether the consolidated financial statements reflect the underlying operations and events so as to provide a true and fair view;
- concerning the financial information of persons or entities included in the scope of consolidation, they collect the evidence that they consider sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for managing, overseeing and performing the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which presents, in particular, the scope of the audit works and the work program implemented, in addition to the findings from our work. We also bring to its attention any material weaknesses that we may identify in the internal control system with respect to the procedures relating to the preparation and processing of accounting and financial information.

The items communicated in the report to the Audit Committee include the material misstatements that we consider as the most significant for the audit of the consolidated financial statements for the year and which therefore constitute the key audit points that we are required to describe in this report.

We also provide the Audit Committee with the statement specified in Article 6 of (EU) Regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as these are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics of the auditing profession. If necessary, we discuss the risks affecting our independence and the precautionary measures applied with the Audit Committee.

Paris La Défense and Lyon, February 13, 2020

The Statutory Auditors

KPMG S.A.
Isabelle Goalec
Partner

Ernst & Young et Autres
Nicolas Perlier
Partner

3.2 Separate financial statements

3.2.1 Financial statements

3.2.1.1 Income statement

(in thousands of euros)	Note	12/2019	12/2018
Rental revenues		138,047	136,666
Non-recovered property taxes		(1,035)	(209)
Non-recovered service charges		(2,995)	(3,463)
Property operating expenses		(5,790)	(5,169)
Net rental income	**3**	**128,227**	**127,825**
Management, administrative and other activities income	4	2,021	2,040
Depreciation		(25,649)	(24,429)
Provisions		(1,224)	(1,501)
Personnel expenses	5	(7,904)	(7,108)
Other expenses	6	(17,081)	(15,640)
Operating income		**78,390**	**81,187**
Net financial income	7	(5,411)	(13,232)
Net exceptional items	8	9,714	6,110
Corporate income tax	9	(60)	9
NET INCOME		**82,633**	**74,074**

3.2.1.2 Balance sheet

Assets

(in thousands of euros)	Note	12/2019	12/2018
Intangible assets		7,654	6,012
Depreciation and impairment		(4,197)	(3,090)
Sub-total		**3,457**	**2,922**
Tangible assets		1,632,501	1,696,530
Depreciation and impairment		(194,753)	(168,184)
Sub-total		**1,437,748**	**1,528,346**
Investments		728,369	738,626
Impairment of investments		(32,796)	(20,029)
Sub-total		**695,573**	**718,597**
Total non-current assets	**10**	**2,136,778**	**2,249,865**
Receivables	11	221,947	225,276
Cash	12	57,760	374,694
Adjustment accounts		2,622	3,273
Total current assets		**283,179**	**603,243**
Expenses to be spread over several fiscal years		4,072	5,186
Bond redemption premiums		13,388	17,262
TOTAL ASSETS		**2,436,567**	**2,875,556**

Liabilities

(in thousands of euros)	Note	12/2019	12/2018
Share capital and additional paid-in capital		544,839	544,839
Reserves		9,205	9,205
Revaluation adjustment		15,635	15,635
Retained earnings		271,373	299,967
Earnings		82,633	74,074
Interim dividend		(43,123)	(45,805)
Statutory provisions		2,200	2,474
Equity	**13**	**882,762**	**900,389**
Provisions	14	13,860	10,226
Borrowings and financial debt	15	1,481,447	1,910,326
Payables	16	53,035	47,372
Adjustment accounts	17	5,463	7,243
Current liabilities		**1,553,805**	**1,975,167**
TOTAL LIABILITIES		**2,436,567**	**2,875,556**

3.2.1.3 Cash-flow Statement

(in thousands of euros)	Note	12/2019	12/2018
Net income		82,633	74,074
Depreciation, amortization, and impairment allowances net of reversals		46,885	38,053
Income from asset disposals		(17,419)	(9,921)
Other calculated expenses/(income)		1,803	7,019
Cash flow		**113,902**	**109,225**
Change in working capital requirement(1)		**(2,823)**	**(1,090)**
Net cash flow from operating activities		**111,080**	**108,135**
Acquisitions of investment assets		(20,531)	(59,951)
Sale of investment assets(2)		96,785	28,602
Change in loans and advances granted(3)		9,372	(10,665)
Net cash flow from investing activities		**85,625**	**(42,014)**
Dividends and interim dividends paid	13	(99,986)	(108,208)
Increase or decrease in capital		-	-
Increase in borrowings(4)		1,499,700	1,080,043
Decrease in borrowings(4)		(1,912,597)	(858,125)
Net cash flow from financing activities		**(512,883)**	**113,711**
Change in net cash position		**(316,179)**	**179,832**
Net cash at beginning of year		373,939	194,107
Net cash at end of year	12	57,760	373,939
Net cash at end of year		**57,760**	**373,939**
Cash on balance sheet		**57,760**	**374,694**
Bank overdrafts		**-**	**(756)**
(1) The change in working capital requirement breaks down as follows:			
• *trade receivables*		*2,982*	*(4,958)*
• *rade payables*		*1,430*	*(154)*
• *other receivables*		*(12,209)*	*(2,826)*
• *other liabilities*		*4,331*	*6,869*
• *adjustment accounts*		*644*	*(21)*
• *change*		*(2,823)*	*(1,090)*

(2) In 2018, cash inflows on disposals mostly comprised the disposals of the Saint-Paul and Lannion sites for Euro 25.2 million excluding transfer taxes.
In 2019, cash inflows related to disposals essentially comprised the disposals of the Saint-Germain-en-Laye et La-Garenne-Colombes sites for Euro 90.0 million excluding transfer taxes.

(3) In 2018, additional loans were arranged for Euro 7,800,000. In 2019, Rennes-Anglet repaid the sum of Euro 10,864,000.

(4) Increases and decreases in borrowings and financial debt correspond solely to changes in commercial papers issued and the redemption of the bond in the amount of Euro 479,700,000 (note 15, p. 190).

3.2.2 Notes to the financial statements

Note 1	Accounting principles and measurement methods	180
Note 2	Significant events of the period	182
Note 3	Net rental income	182
Note 4	Management, administrative and other activities income	183
Note 5	Personnel expenses	183
Note 6	Other expenses	183
Note 7	Net financial items	184
Note 8	Net exceptional items	185
Note 9	Tax	185
Note 10	Fixed assets	185
Note 11	Receivables	187
Note 12	Net cash	188
Note 13	Equity	188
Note 14	Provisions	190
Note 15	Borrowings and other financial liabilities	190
Note 16	Payables	192
Note 17	Adjustment accounts	192
Note 18	Off-balance sheet commitments	192
Note 19	Market risk	194
Note 20	Information concerning related parties	195
Note 21	Compensation	197
Note 22	Statutory Auditors' fees	197
Note 23	Subsequent events	197
Note 24	Subsidiaries and equity holdings	198

Information about Mercialys SA

Mercialys is a *société anonyme* (limited liability company) under French law. Its shares are listed on Euronext Paris in Compartment A.

The financial statements are presented in thousands of euros and have been rounded up or down to the nearest thousand, and include figures that have been rounded individually. There may be differences between the arithmetic totals of these figures and the aggregates or subtotals shown.

Note 1 Accounting principles and measurement methods

The financial statements are prepared in accordance with the prescriptions of the 2016 general chart of accounts based on French accounting regulation ANC 2016-07 of November 4, 2016, approved by the decree of December 26, 2016, which amends regulation ANC 2014-03 on the general chart of accounts. The application of regulation 2015-05 of July 2, 2015 on forward financial instruments and hedge transactions is mandatory since January 1, 2017.

Mercialys has been using derivative instruments for several years now to hedge the interest rate risk on its borrowings. The other accounting principles and policies have been applied consistently in the periods presented.

1.1 Intangible assets

"Lease rights" represent the intangible value of property finance leases, which is defined as the value of the right to the lease for the remainder of the lease term plus the value of any purchase options in the lease agreement.

When a purchase option is exercised, the value of the finance lease and purchase option is transferred to property, plant and equipment. Prior to exercise, purchase options are subject to excess tax depreciation on the amortizable portion of the assets concerned.

1.2 Property, plant and equipment other than investment property

Property, plant and equipment are recorded in the balance sheet at cost or transfer value.

Assets are depreciated using the component method.

For buildings, four components have been identified: structural elements, roofing, fire protection of the building shell, and fixtures.

"Roofing" and "Fire protection" are identified as separate components only in the case of major renovations. In all other cases, they are not separated from the "structural" elements.

Property, plant and equipment are depreciated using either the straight-line method or the diminishing balance method, depending on the characteristics of each asset. For assets received in the contribution, the depreciation period for fixtures, fittings and improvements is limited to the estimated remaining useful life.

Depreciation expense calculated according to the straight line method corresponds to economic depreciation. The depreciation periods used for the main types of tangible assets are as follows:

Type of asset	Depreciation period
Land arrangements and improvements	40 years
Buildings (structural elements)	50 years
Roofing	15 years
Fire protection of the building shell	25 years
Fixtures and fittings and renovation of premises	10-20 years

For all land and constructions, the net carrying values thus defined are compared to the fair values. Fair value is determined by appraisals conducted for the Company on a regular basis by independent appraisers. The valuation of investment property requires some judgment and estimates. When the difference between the fair value and NAV is greater than or equal to Euro 15,000 or greater than 5% of the asset value, a provision is recorded.

The shopping centers owned by Mercialys are appraised by experts in accordance with the RICS (Royal Institution of Chartered Surveyors) Code of Ethics, appraisal and valuation standards, using the fair value appraisal methods recommended by the 1998 Property Appraisal and Valuation Charter and the 2000 report published by the joint working group of the Commission des Opérations de Bourse (COB) and the Conseil National de la Comptabilité (CNC) on property asset valuations for listed companies.

Moreover, Mercialys complies with the Code of Ethics for French REITs (*Sociétés d'Investissement Immobilier Cotées* – SIIC) in terms of the rotation of appraisers.

All assets in Mercialys's portfolio have been valued and those undergoing full appraisal have been subjected to planning enquiries, market and competition surveys and site visits. In accordance with the 2000 COB/CNC report, two methods have been used to determine the fair value of each asset:

- the first approach, capitalization of rental income, consists of measuring net rental income from the asset and applying a yield rate corresponding to the market rate for assets of the same type, based on the retail area, configuration, location, competition, means of ownership, rental and extension potential and comparability with recent transactions, and taking into account the actual level of rent, less non rebillable expenses and works relative to the corresponding market price and the vacancy rate;

- the second approach, discounted cash flow (DCF), which consists of discounting future flows of income and expenses, takes into consideration projected rent increases and vacancy rates in future years, as well as other forecast parameters such as the duration of the period during which the property will be in the lease market and the investment outlays borne by the lessor.

The discount rate used takes into account the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

Small assets have been valued by comparison with market transactions in similar assets.

The Company does not incur any maintenance expenditure on its properties that would fall within the scope of major repair and maintenance programs spanning several years. Accordingly, the provisions of ANC regulation 2014-03 on asset depreciation and impairment relating to major repairs and maintenance do not apply.

Carrying amounts of assets may include compensation paid to a tenant evicted upon early termination of a lease when:

The tenant is replaced

If payment of eviction compensation enables the asset performance to be enhanced (increasing rental revenue, and thereby the market value of the asset), this expenditure is capitalized as part of the cost of the asset, provided such increase in value is confirmed by appraisal; if not, this expenditure is charged to expense in the year incurred.

The site is renovated

If payment of eviction compensation is due to renovation work on the building, this expenditure is included in the cost of this work.

1.3 Investments

Participating interests are recorded in the balance sheet at cost or transfer value. An impairment allowance is recognized if the carrying cost is less than fair value. If the fall in value is unusual and temporary, no impairment is recorded.

The value in use is determined on the basis of several criteria such as net assets of the relevant companies at year-end (restated to reflect appraisals of property assets- see note 1.2), level of profitability, outlook and usefulness to the Company.

1.4 Provisions

In accordance with ANC regulation 2014-03 on liabilities, any obligation to a third party that entails a probable future outflow of resources without offsetting consideration is recognized by a provision whenever the liability can be reliably estimated.

Managers and other employees receive a post-employment benefit (end-of-career allowance) on retirement, commensurate with their length of service.

In accordance with CNC Recommendation 2003-R.01, a provision is recognized for the estimated liability in respect of all vested rights to post-employment benefits. The amount of this provision has been determined by the projected unit credit method and includes related payroll taxes.

The Company has established bonus share plans for the benefit of executives and employees of the Mercialys group. A provision is established for the duration of the plan to cover the Company's probable liability, taking into account the award criteria and assuming that the beneficiaries are still employed by the Company at the end of the vesting period.

Receivables and payables are measured at nominal value. Provisions for impairment are booked for receivables in the event of recovery difficulties.

1.5 Financial instruments

The Company uses several financial instruments to reduce its interest rate risk. In this case, the nominal number of forward contracts is reported under off-balance sheet commitments. Only accrued coupons for the period are recognized in income, against other receivables for derivative assets and other payables for derivative liabilities.

1.6 Rental revenues

Rental revenues comprise the rental of properties by Mercialys to its tenants. The amounts invoiced are recognized as revenue for the applicable period. In the case of construction leases, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease.

Benefits granted to tenants are recognized on a straight-line basis over the term of the contract.

Stepped rents and rent holidays are accounted for by spreading an amount as a decrease or increase to rental revenues for the period. The spreading is done over the committed term of the lease.

Rental revenue also includes upfront payments made by tenants upon signing the lease. If such payments are considered to be supplemental rent, they are spread over the initial committed term of the lease, generally three years. If not, they are recognized in full in income over the period in which the tenant takes possession.

Net rental income is the difference between rental revenue and directly attributable expenses. Directly attributable expenses include non-recovered property taxes and charges as well as other property operating expenses. These expenses do not include expenses recognized by the Company as "Other expenses" or "Personnel expenses".

1.7 Tax

The tax regime for French SIICs (analogous to exchange-traded REITs) exempts such companies from corporate income tax on income from real estate activities provided that a minimum of 95% of rental income, 70% of gains on property asset disposals, and 100% of dividends from SIIC subsidiaries are distributed as dividends to shareholders.

The tax expense in the income statement corresponds to tax payable on interest and similar income from cash, equity holdings and the liquidity agreement less the proportionate share of the Company's general costs allocated to taxable business activities, and taxation of fees and services billed to third parties.

1.8 Net exceptional items

Net exceptional items are income and expense items that by virtue of their nature, infrequent occurrence or amount, do not represent the Company's recurring activities.

This line item includes in particular income from the disposal of investment property.

Note 2 Significant events of the period

The significant events of the period are as follows:

In February 2019, Mercialys finalized the sale of the Gap site for Euro 6.7 million (excluding transfer taxes).

In March 2019, Mercialys redeemed at maturity a residual bond of Euro 479.7 million (Euro 650 million issued in March 2012, partly redeemed in December 2014), bearing a fixed coupon of 4.125%.

In April 2019, Mercialys changed its registered office, which is now located at 16-18, rue du Quatre-Septembre, 75002 Paris.

In May 2019, Mercialys sold the units it owned on the d'Anglet site for Euro 2.8 million (excluding transfer taxes).

In July 2019, Mercialys sold the La Garenne-Colombes and Saint-Germain-en-Laye Monoprix sites for Euro 41.0 million excluding transfer taxes and Euro 49.1 million excluding transfer taxes respectively.

In December 2019, a rider was concluded to the Current Account Advance Agreement between Mercialys and Casino Finance. This rider reduces the advance to Euro 35 million (versus Euro 50 million previously), modifying the financial conditions and extending the maturity to December 31, 2021.

In December 2019, Mercialys also extended the maturity of its 3-year undrawn credit line, reducing its amount from Euro 240 million to Euro 225 million.

In 2019, Mercialys's share capital underwent change following the July 2018 announcement by the Casino group of the definitive sale of 15% of its stake in Mercialys in the form of an equity swap with Crédit Agricole.

In April and then again in September 2019, Crédit Agricole declared to the AMF that it had fallen below the thresholds of 15% and 10% of the capital and voting rights, bringing its stake to 14.98% and then 9.95%. On January 14, 2020, Crédit Agricole declared to the AMF that the threshold of 5% in capital and voting rights had been crossed downwards, and that it accordingly held 4.99% of Mercialys's capital and voting rights.

Lastly, a threshold crossing declaration made with the AMF on January 31, 2020 by the concert comprising Jean-Charles Naouri and the companies he directly or indirectly controls shows that the Casino group held 25.16% of the capital and voting rights of Mercialys as of that date, that Foncière Euris held 0.32% of the capital and voting rights of Mercialys, and Crédit Agricole 4.47% of its capital and voting rights.

Note 3 Net rental income

(in thousands of euros)	12/2019	12/2018
Rents	136,246	135,328
Lease rights and other payments	1,801	1,338
Rental revenues	**138,047**	**136,666**
Property tax	(10,298)	(8,028)
Rebilling to tenants	9,263	7,819
Non-recovered property taxes	**(1,035)**	**(209)**
Service charges	(21,676)	(28,125)
Rebilling to tenants	18,682	24,662
Non-recovered service charges	**(2,995)**	**(3,463)**
Management fees	(5,120)	(4,791)
Rebilling to tenants	3,194	2,795
Other expenses	(3,864)	(3,173)
Property operating expenses	**(5,790)**	**(5,169)**
NET RENTAL INCOME	**128,227**	**127,825**

"Other expenses" include in particular rents paid by the Company on construction leases and very long-term ground leases, fees paid to third parties, and non-recoverable, non-capitalizable shopping center maintenance costs.

Note 4 Management, administrative and other activities income

Management, administrative and other activities income primarily comprises fees charged in respect of services provided by certain Mercialys staff – whether within the framework of advisory services provided by the asset management team or within the framework of shopping center management services provided by the teams – as well as letting, asset management and advisory fees relating to partnerships formed. The income from management is unchanged versus the previous year.

Note 5 Personnel expenses

Personnel expenses comprise compensation and benefits granted to the Company's employees.

On average over the fiscal year, the Company had 46 employees in 2019 (41 managers, 2 supervisors and 3 clerical staff), versus 48 employees in 2018.

Note 6 Other expenses

Other expenses comprise shopping center advertising and overhead costs. Overhead costs consist primarily of: the cost of investor relations, corporate communications costs, research and marketing and service functioning; compensation paid to Board members; fees paid for subcontracted services (accounting, financial management, human resources, IT, marketing); the fees paid to the Statutory Auditors; and the costs incurred for appraisals and for management of the property assets.

Note 7 Net financial items

(in thousands of euros)	12/2019	12/2018
Interest income	**55,787**	**65,630**
Provision for bonus share plans	-	10
Provision for treasury shares	305	-
Reversal of provision for impairment of participating interests	1,895	2,413
• AMR	-	1,007
• Alcudia Albertville	-	1,129
• Point Confort	-	276
• Rennes-Anglet	1,895	-
• Others	-	1
Income from consolidated interests	29,530	27,464
• Point Confort	330	325
• La Diane	17,494	10,686
• Dentelle	185	214
• Agout[1]	-	163
• AMR	2,173	2,494
• Mercialys Gestion	1,636	123
• Aix2	433	377
• Immosiris	3,121	3,373
• Hyperthetis Participations	3,882	7,914
• Rennes-Anglet	-	1,510
• Others	276	285
Interests in affiliated companies	1,641	1,735
Net income/sale of treasury shares	759	193
Financial income from investments	598	1,079
Interest income on hedging derivatives	21,026	32,681
Other financial income	33	54
Interest expense	**(61,199)**	**(78,862)**
Provision for bonus share plans	(313)	(239)
Provision for treasury shares	-	(305)
Depreciation of bond redemption premium	(4,792)	(5,034)
Provision for participating interests	(14,662)	(10,459)
• Point Confort	(1,029)	(943)
• UIR II	(3,326)	(2,118)
• AMR	(5,117)	(2,668)
• Rennes-Anglet	-	(3,068)
• Hyperthetis	(5,190)	(1,662)
Interests in affiliated companies	(87)	(79)
Interest on borrowings	(26,363)	(40,730)
Provision for participating interests[2]	(1,625)	-
Interest charges on hedging derivatives	(11,373)	(19,920)
Net expense/sale of treasury shares	(1,172)	(1,672)
Capitalization of borrowing costs	110	753
Other financial expenses	(921)	(1,177)
NET FINANCIAL ITEMS	**(5,411)**	**(13,232)**

(1) companies dissolved in 2018
(2) allocation of the loss of SCI Rennes-Anglet

Note 8 Net exceptional items

Net exceptional items reported for the 2019 fiscal year correspond to capital gains on disposals of fixed assets for an amount net of expenses of Euro 17.4 million.

Note 9 Tax

Tax expense corresponds to tax due on income from the Company's taxable business activities. In 2019, the result of the taxable segment was Euro 215,000 less the loss carried forward of Euro 1,215,000, which gave rise to the recognition of a tax charge of Euro 60,000.

Deferred tax assets and liabilities are not material.

Note 10 Fixed assets

10.1 Breakdown

(in thousands of euros)	12/2019	12/2018
Software	6,950	5,430
Leasehold rights	252	252
Other intangible assets	452	330
Depreciation and impairment	(4,197)	(3,090)
Net intangible assets	**3,457**	**2,922**
Land and land improvements	895,234	949,260
Depreciation and impairment	(21,884)	(18,158)
Net land and land improvements	**873,350**	**931,102**
Buildings, fixtures and fittings	718,028	731,338
Depreciation and impairment	(168,191)	(146,054)
Net buildings, fixtures and fittings	**549,837**	**585,284**
Other property, plant and equipment	19,240	15,931
Depreciation and impairment	(4,678)	(3,971)
Other net property, plant & equipment other than investment property	**14,562**	**11,960**
Participating interests	605,084	605,010
Impairment of participating interests	(32,796)	(20,029)
Loans	123,047	133,379
Other non-current financial assets	237	237
Net investments	**695,572**	**718,597**
NET NON-CURRENT ASSETS	**2,136,778**	**2,249,865**

Other property, plant and equipment other than investment property consist of fixed assets in progress for Euro 9,750,000 as at December 31, 2019, compared to Euro 6,790,000 as at December 31, 2018.

Participating interests are presented in detail in the table of subsidiaries and associated companies (note 24, p. 198).

10.2 Changes

(in thousands of euros)		Gross	Depreciation and impairment	Net
At December 31, 2017	Intangible assets	4,872	(2,187)	2,685
	Property, plant and equipment other than investment property	1,661,102	(144,536)	1,516,566
	Investments	739,564	(11,985)	727,580
	Total	**2,405,538**	**(158,707)**	**2,246,831**
Increase	Intangible assets	1,140	(903)	237
	Property, plant and equipment other than investment property	57,694	(27,261)	30,433
	Investments	9,898	(10,458)	(560)
	Total	**68,732**	**(38,622)**	**30,110**
Decrease	Intangible assets	-	-	-
	Property, plant and equipment other than investment property	22,266	(3,614)	18,652
	Investments	10,836	(2,414)	8,422
	Total	**33,102**	**(6,028)**	**27,074**
As December 31, 2018	Intangible assets	6,012	(3,090)	2,922
	Property, plant and equipment other than investment property	1,696,530	(168,184)	1,528,346
	Investments	738,626	(20,029)	718,597
	Total	**2,441,168**	**(191,303)**	**2,249,865**
Increase	Intangible assets	1,642	(1,107)	535
	Property, plant and equipment other than investment property	18,419	(30,193)	(11,774)
	Investments	913	(14,662)	(13,749)
	Total	**20,974**	**(45,962)**	**(24,988)**
Decrease	Intangible assets	-	-	-
	Property, plant and equipment other than investment property	82,447	(3,624)	78,823
	Investments	11,170	(1,895)	9,275
	Total	**93,617**	**(5,519)**	**88,098**
As December 31, 2019	Intangible assets	7,654	(4,197)	3,457
	Property, plant and equipment other than investment property	1,632,502	(194,753)	1,437,749
	Investments	728,368	(32,796)	695,572
	Total	**2,368,524**	**(231,746)**	**2,136,778**

Intangible assets and property, plant & equipment other than investment property:

Increases for the period consist essentially of:

- extension of the shopping center on the Le Port site for Euro 3.9 million, restructuring of the Besançon shopping center for Euro 2.3 million, restructuring of the Nimes shopping center for Euro 1.6 million and the new location of the head office for Euro 1.3 million.

Decreases for the period consist essentially of:

- the disposal of the assets of Rennes Saint-Grégoire, Anglet, Gap, La Garenne-Colombes and Saint-Germain-en-Laye for a net book value of Euro 79.2 million, generating a capital gain net of fees of Euro 21.3 million.

Investments

In July 2019, Mercialys acquired the shares of Ocito La Galerie and Cap Cowork Mercialys for Euro 37,000.

Loans realized as at December 31, 2019 were as follows (including interest income):

- SNC Fenouillet Participation: Euro 44,925,000;
- SNC Fenouillet Immobilier: Euro 75,300,000;
- OPCI UIR II: Euro 2,729,000.

In July 2019, the loan to SCI Rennes-Anglet was repaid to Mercialys in full.

10.3 Impairment

A total of Euro 5,402,000 in impairment expense for property, plant and equipment other than investment property and a reversal of impairment of Euro 536,000 on property assets were deemed necessary, versus an allowance of Euro 3,736,000 and a reversal of Euro 27,000 in 2018.

On participating interests, impairment changes recognized for the fiscal year concern Point Confort, AMR, Rennes Anglet, Hyperthetis and UIR II for Euro 12,767,000. At December 31, 2019 these impairments amounted to Euro 32,796,000, versus Euro 20,029,000 at December 31, 2018.

These impairment charges relate primarily to the reduction in these subsidiaries' revalued net cash position as a result of dividends paid out in the course of the fiscal year.

Note 11 Receivables

11.1 Breakdown

(in thousands of euros)	12/2019	12/2018
Trade receivables	20,328	22,279
Impairment	(6,030)	(4,977)
Net trade receivables	**14,298**	**17,302**
Other operating receivables	31,995	43,271
Current accounts of affiliated companies	175,691	164,740
Impairment	(37)	(37)
Other net receivables	**207,649**	**207,974**
RECEIVABLES	**221,947**	**225,276**

The aging of trade receivables breaks down as follows:

	Assets not due and not impaired	Assets due and not impaired at closing date					Impaired assets	
Trade accounts and other receivables *(in thousands of euros)*	**Total**	**In arrears for less than 3 months**	**In arrears for 3 to 6 months**	**In arrears for 6 to 12 months**	**In arrears for more than 12 months**	**Total**	**Total**	**Total**
At December 31, 2018	6,074	831	3,664	545	(328)	10,786	11,493	22,279
At December 31, 2019	**4,912**	**2,323**	**7**	**36**	**(601)**	**6,677**	**13,651**	**20,328**

Trade receivables as at December 31, 2019, primarily comprise rents, lease rights and advisory services invoiced at the end of the fiscal year.

Other operating receivables consist essentially of:

- tax receivables of Euro 8,418,000 as at December 31, 2019, versus Euro 9,916,000 at December 31, 2018;
- amounts receivable from tenants under construction leases standing at Euro 3,882,000 as at December 31, 2019 versus Euro 5,153,000 as at December 31, 2018. In substance, the value of the asset built by the lessee and transferred to the lessor for no consideration at the end of the lease is analyzed as additional rent payable in kind and is spread over the term of the lease. At the end of the lease, the accrued revenue is canceled by recognizing an equivalent amount as a property asset;
- dividends due amounting to Euro 2,376,000 as at December 31, 2019 versus Euro 1,051,000 as at December 31, 2018.

Current accounts of affiliated companies mainly include the current accounts with SCI Caserne de Bonne for Euro 67,562,000, versus Euro 71,332,000 as at December 31, 2018, and SNC FISO for Euro 6,944,000, versus Euro 8,896,000 as at December 31, 2018, SARL La Diane for Euro 67,271,000 versus Euro 46,022,000 as at December 31, 2018 and SNC Sacré-Cœur for Euro 15,006,000, versus Euro 16,121,000 as at December 31, 2018.

These receivables include accounts receivable of Euro 19,415,000, versus Euro 34,413,000 as at December 31, 2018, including primarily:

- trade receivables: Euro 3,784,000 (Euro 4,521,000 as at December 31, 2018);
- other receivables: Euro 13,988,000 (Euro 27,602,000 as at December 31, 2018);
- current accounts of affiliated companies: Euro 820,000 (Euro 874,000 as at December 31, 2018).

11.2 Debt maturity schedule

(in thousands of euros)	12/2019	12/2018
Less than one year	218,406	220,547
More than one year	3,541	4,729
RECEIVABLES	**221,947**	**225,276**

Note 12 Net cash

(in thousands of euros)	12/2019	12/2018
Treasury shares	3,601	4,975
Impairment	-	(305)
Liquidity contract	101	101
Banks	54,058	369,923
CASH	**57,760**	**374,694**

The Company held 279,878 treasury shares under the liquidity contract with the service providers as at December 31, 2019, versus 345,930 as at December 31, 2018.

Note 13 Equity

13.1 Change in equity before allocation of net income for the year

(in thousands of euros)	Share capital and share premium	Reserves and retained earnings	Statutory provisions	Equity
At December 31, 2017	**544,839**	**387,209**	**2,857**	**934,905**
Increase in share capital				-
Capital reduction				-
Dividends paid		(62,403)		(62,403)
Net income for the period		74,074		74,074
Interim dividend		(45,805)		(45,805)
Other movements			(383)	(383)
At December 31, 2018	**544,839**	**353,076**	**2,474**	**900,389**
Increase in share capital				-
Capital reduction				-
Dividends paid		(56,863)		(56,863)
Net income for the period		82,633		82,633
Interim dividend		(43,123)		(43,123)
Other movements			(274)	(274)
At December 31, 2019	**544,839**	**335,723**	**2,200**	**882,762**

The 2019 interim dividend resulted in a cash payment of Euro 43,123,000.

As at December 31, 2019, the authorized share capital consisted of 92,049,169 shares with a par value of Euro 1.00 each.

13.2 Dividend

As at December 31, 2018, out of these 92,049,169 shares, 91,714,589 benefited from the dividend in respect of 2018 earnings (334,580 treasury shares are exempt from dividend payment).

The Company paid its shareholders a gross dividend of Euro 1.12 per share in respect of the fiscal year ended December 31, 2018. An interim dividend of Euro 0.50 per share was paid in 2018, and the final dividend of Euro 0.62 per share was paid on May 2, 2019.

Payment of the final dividend represented a total of Euro 56,863 thousand.

The total dividend for the 2018 fiscal year therefore came to Euro 102,668 thousand.

On October 23, 2019, Mercialys also paid an interim dividend of Euro 0.47 per share, representing an amount of Euro 43,123,000.

The Board of Directors will propose for the approval of the Annual General Meeting of April 23, 2020, to pay a dividend of Euro 1.15 per share in respect of 2019 (including the interim dividend of Euro 0.47 per share already paid in October 2019).

The dividend corresponds to the payout of 95% of the parent company's recurring tax profit generating the mandatory payment set by the SIIC rules excluding capital gains, *i.e.* Euro 0.84 per share, and Euro 0.11 per share corresponding to capital gains realized in 2019, as well as to the payout of tax-exempt income recorded in the Company's balance sheet in the amount of Euro 0.20 per share.

The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to approval by a forthcoming Annual General Meeting.

13.3 Share-based payment

Since December 1, 2005, the Mercialys group has set up bonus share plans in Mercialys shares for the benefit of executives and managers.

The vesting of bonus share plans is subject to the beneficiary being present at the end of the allocation period.

Bonus shares currently vesting	Number of shares, current
Shares in circulation at January 1, 2018	**135,413**
Shares awarded	83,199
Shares cancelled	(27,429)
Shares issued	(8,933)
Shares in circulation at December 31, 2018	**182,250**
Shares awarded	72,890
Shares cancelled	(27,871)
Shares issued	(19,070)
SHARES IN CIRCULATION AT DECEMBER 31, 2019	**208,199**

13.4 Bonus share plans

Allocation dates	Mar 20, 2017	Apr 27, 2017	Apr 27, 2017	Apr 26, 2018	Apr 26, 2018	Apr 26, 2018	Apr 25, 2019	Apr 25, 2019	Apr 25, 2019
End of allocation period	Mar 20, 2020	Apr 27, 2020	Apr 27, 2020	Apr 26, 2021	Apr 26, 2021	Apr 26, 2020	Apr 25, 2022	Apr 25, 2022	Apr 25, 2021
End of holding period	Mar 20, 2022	Apr 27, 2022	Apr 27, 2022	Apr 26, 2023	Apr 26, 2023	Apr 26, 2020	Apr 25, 2024	Apr 25, 2024	Apr 25, 2021
Share price at the allocation date *(€)*	16.75	17.93	17.93	16.08	16.08	16.08	12.50	12.50	12.50
Number of beneficiaries	11	2	3	2	7	112	2	7	104
Number of bonus shares awarded at inception	12,283	41,750	14,562	46,959	26,496	9,744	45,621	23,109	4,160
Fair value of bonus share *(€)*	9.64	5.04	5.04	7.91	7.91	13.89	6.57	6.21	10.29
Selected performance rate	83%	67%	67%	88%	88%	100%	133%	133%	100%
NUMBER OF SHARES OUTSTANDING BEFORE APPLICATION OF THE PERFORMANCE CRITERIA AT DECEMBER 31, 2019	**6,945**	**41,750**	**10,279**	**46,959**	**26,496**	**6,090**	**45,621**	**20,739**	**3,320**

Bonus shares only vest when the Company's performance criteria have been met, assessed over a defined period that results in the determination of the percentage of shares vested.

The following performance criteria are applied:

- absolute and relative performance of the TSR of Mercialys shares;
- average organic growth over three years and average TSR over three years;
- organic growth in rental revenues and in FFO.

Note 14 Provisions

Changes

(in thousands of euros)	12/31/2018	Additions	Reversals	12/31/2019
For liabilities and charges	9,971	4,117	554	13,534
For end of career severance allowances	235	70	-	305
For long service awards	20	1	-	21
Provisions	**10,226**	**4,188**	**554**	**13,860**
o/w operating		1,224	-	
o/w financial		313	-	
o/w exceptional		2,652	554	

Provisions for liabilities and charges include the estimated costs of litigation and other operating risks.

The amount of these provisions is not materially different from the actual expenses incurred. Property additions and reversals are recorded under operating expenses for provisions relating to sites in the portfolio, and under exceptional items for provisions relating to sites that have been sold.

Note 15 Borrowings and other financial liabilities

15.1 Breakdown

(in thousands of euros)	12/2019	12/2018
Bonds	1,215,167	1,710,093
Borrowings and debts from credit institutions	250,000	183,000
Bank overdrafts	-	756
Other financial liabilities (security deposits received)	16,280	16,477
BORROWINGS AND FINANCIAL LIABILITIES	**1,481,447**	**1,910,326**

Security deposits received are repayable to tenants when they leave or, at the earliest, at the next three-year expiry date. Because occupancy rates on the Company's properties are very high, these deposits received constitute a near-permanent source of financing of indeterminable maturity.

15.2 Bond

As at December 31, 2019, the amount of bond financing was Euro 1,200 million, divided into three issues:

- a Euro 300 million bond issue yielding a fixed rate of 1.80%, with a maturity of 8 years (maturing in February 2026);
- a Euro 150 million bond issue yielding a fixed rate of 2.00%, with a maturity of 10 years (maturing in November 2027);
- a Euro 750 million bond issue yielding a fixed rate of 1.787%, with a maturity of 8 years and 4 months (maturing in March 2023).

As for the other bonds, the exchange premiums and issue costs are spread according to the effective interest method, over the life span of the new issue.

The bond exchange and repayment premiums, as well as the issue costs, are shown as assets on the balance sheet.

These bonds are subject to the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. Furthermore, if the rating is downgraded following a change of ownership (see definition below), Mercialys bondholders may request redemption of their share.

A rating downgrade is defined as a lowering of the rating by a rating agency, a downgrade of the rating to non-investment grade (*i.e.* a downgrade of at least two notches relative to the current rating) or, if the rating is already non-investment grade, a downgrade of at least one notch. The rating downgrade must be explicitly linked to the change in control of the Company.

15.3 Hedging

In addition, Mercialys introduced an interest rate hedging policy in October 2012 through swaps and collars in order to enable it to spread out its interest rate risk over time.

Breakdown of hedges as at December 31, 2019:

(in thousands of euros)	Notional	Marked to market Net	Marked to market Asset	Marked to market Liability	Premium	Provision
Fixed/floating rate swaps	1,200,000	51,068	51,068	-	-	-
Refixing swaps*	966,500	(11,798)	388	(12,186)	-	-
Collar	173,500	(1,047)	106	(1,153)	-	-

* *of which Euro 150,000,000 in deferred-start swaps.*

At end December 2019, Mercialys's debt structure after hedging broke down as follows: 86% fixed-rate debt and 14% variable-rate debt.

15.4 Confirmed credit lines

The Euro 240 million credit line has been canceled, a new credit line of Euro 225 million credit has been established. The maturity of the new facility is 3 years from December 2019, *i.e.* a maturity date of December 2022. The fees amounting to Euro 760,000 have been spread over time.

At the end of December 2019, the Mercialys group's confirmed credit facilities amounted to Euro 410 million, of which:

- a bank revolving credit facility of Euro 225 million maturing in December 2022;
- five confirmed bank facilities in a total amount of Euro 150 million, maturing between July 2021 and January 2022;
- cash advances from Casino capped at Euro 35 million, maturing in December 2021.

15.5 Commercial paper

A Euro 500 million commercial paper program was issued in the second half of 2012. It has been used since 2014. As at December 31, 2019, the outstanding amount was Euro 250 million, versus Euro 183 million at December 31, 2018.

15.6 Financial covenants

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

- LTV (Loan To Value): Net financial debt/(market value excluding the portfolio transfer taxes + market value of investments in consolidated companies) <50% at each reporting date;

  A covenant of less than 55% applies to 60% of confirmed bank facilities. The balance of these lines involves an LTV covenant of less than 50%.
- Interest Coverage Ratio (ICR): Consolidated EBITDA(1)/Net finance costs >2, at each reporting date;
- Secured debt/consolidated fair value of investment property excluding transfer tax <20% at any time;
- Consolidated fair value of investment properties excluding transfer taxes >Euro 1 billion at any time;
- Change of ownership clauses also apply.

	Covenants	12/2019	12/2018
LTV (Loan To Value)	<50 %	39,5 %	40,8 %
ICR (Interest Cost Ratio)	>2	7,4x	5,0x

As at December 31, 2019, the two other contractual covenants (secured debt and consolidated fair value of investment properties excluding transfer taxes, and consolidated fair value of investment properties excluding transfer taxes), as well as the commitment and default clauses, were also complied with.

(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

Note 16 Payables

16.1 Breakdown

(in thousands of euros)	12/2019	12/2018
Trade payables	20,080	18,664
Tax and social security liabilities	3,906	4,324
Income tax	60	-
Current accounts of affiliated companies	20,095	13,543
Trade payables on assets	6,886	7,268
Other liabilities	2,008	3,573
PAYABLES	**53,035**	**47,372**

Current accounts of affiliated companies mainly correspond to the following subsidiaries:

(in thousands of euros)	
SCI Timur	13,066
SNC Dentelle	2,656
SNC Géante Périaz	4,195

Charges to be paid amount to Euro 20,402,000, versus Euro 28,930,000 as at December 31, 2018, broken down as follows:

- trade payables: Euro 10,321,000 (Euro 16,945,000 as at December 31, 2018);
- tax and social security liabilities: Euro 2,489,000 (Euro 2,864,000 as at December 31, 2018);
- current accounts of affiliated companies: Euro 87,000 (Euro 42,000 as at December 31, 2018);
- trade payables on fixed assets: Euro 6,647,000 (Euro 6,663,000 as at December 31, 2018);
- other liabilities: Euro 857,000 (Euro 2,416,000 as at December 31, 2018).

16.2 Debt maturity schedule

(in thousands of euros)	12/2019	12/2018
Less than one year	53,035	47,372
Between one and five years	-	-
More than five years	-	-
PAYABLES	**53,035**	**47,372**

Note 17 Adjustment accounts

This item consists essentially of lease payments still to be deferred and income from unwinding swaps.

Note 18 Off-balance sheet commitments

The principal commitments are the following:

18.1 Commitments relating to ordinary activities

18.1.1 Commitments received

18.1.1.1 Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: as at December 31, 2019, these amounted to Euro 6,167,000, versus Euro 4,461,000 as at December 31, 2018;
- within the context of work ordered from suppliers: Euro 26,000 as at December 31, 2019, versus Euro 1,215,000 as at December 31, 2018.

18.1.1.2 Partnership agreement

The Partnership Agreement was approved by the Board of Directors on June 22, 2012. An amendment to this agreement was signed on November 12, 2014.

The fundamental principle of the Partnership Agreement, under which Casino develops and manages a pipeline of development projects that are acquired by Mercialys to fuel its growth, has been maintained in the new Partnership Agreement.

The initial Agreement concerned a pipeline of projects, listed at an early stage, offering sufficient visibility. The new agreement enables Mercialys to propose new projects which will be examined by Casino and monitored by the monitoring committees.

Casino will only begin the works once the order has been confirmed by Mercialys, after final approval is obtained and at least 60% of the projects have been pre-let (as a percentage of projected rents – leases signed).

The acquisition price of projects developed by Casino, determined solely under the initial agreement based on a rent capitalization rate defined according to a matrix – updated half-yearly according to changes in the valuation of the Mercialys portfolio – and provisional rents for the project, can now also be determined on the projected selling price, calculated according to the projected IRR (8% to 10%).

The principle of upside/downside being split 50/50 is maintained to take account of the actual conditions under which the properties will be let. Therefore, if there is a positive or negative difference (upside or downside) between the real rents resulting from letting and the rents forecast at the outset, the price will be adjusted upwards or downwards by 50% of the difference observed. A "review clause" between the two parties is provided in the contracts under the early acquisition process mentioned earlier.

In return for the exclusivity clause, Mercialys has made a commitment not to invest in any transactions that may have a significant competitive impact within the catchment area of a site with a Casino group food store.

Mercialys has extended its Partnership Agreement with the Casino group for a further three years, up to the end of 2020.

18.1.1.3 Current account agreement

On September 8, 2005, Mercialys signed a Current Account and Cash Management Agreement with Casino. Mercialys and Casino thereby set up a shareholders' current account that recorded all payments, withdrawals or advances of sums that may be made reciprocally between the two companies.

After Casino reduced its stake in Mercialys in 2012, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new Current Account Agreement. This agreement enabled Mercialys to keep a current account with Casino, enabling it to receive cash advances from Casino up to the current threshold of Euro 50 million.

The term of the Agreement was extended in 2016 and expired on December 31, 2019.

In December 2019, a rider was concluded, reducing the threshold for the advance to Euro 35 million. This rider will expire on December 31, 2021.

In the year ended December 31, 2019, Mercialys paid fees of Euro 192,600 for non-use of the funds made available by Casino.

18.1.2 Commitments given

In connection with these asset disposals, Mercialys has given rental guarantees to the purchasers:

- Poitiers Beaulieu site (disposal completed in June 2017)

  Mercialys granted a rental guarantee on the Poitiers hypermarket and committed to pay rent for the second three-year period (from June 30, 2020 to June 29, 2023) in the event of the departure of DCF at the end of the first three-year period. As DCF did not serve notice of leave before December 18, 2019, there is no longer any option to exercise the three-year term, in view of the notice periods. The rental guarantee is thus extinguished.

- Fontaine-Lès-Dijon site (disposal completed in July 2017)

  Rental guarantee on the second three-year period of the hypermarket's lease (from July 17, 2020 to July 16, 2023) in the event of departure of DCF at the end of the first three-year period. This rental guarantee granted by Mercialys and Fiso sellers was created in an *ad hoc* agreement between the parties. As DCF did not serve notice of leave before January 18, 2020, there is no longer any option to exercise the three-year term, in view of the notice periods. The rental guarantee is thus extinguished.

- Saint-Paul site

  In connection with the transactions in the first half of 2018, Mercialys granted Finamur SA and SA Natixis Lease Immo a rental guarantee on three cells. Mercialys agreed to pay quarterly the difference between the guaranteed income (Euro 169,000) and the income due. The income payable will be equal, for each of the cells in question, to the minimum guaranteed rent excluding taxes payable under the lease plus the provision for expenses payable under the lease.

  The rental guarantee will be applicable starting June 28, 2018 and will expire on the earlier of the following two dates:

  - when the income payable is greater than or equal to the guaranteed income;
  - at the end of a two-year period (starting June 28, 2018).

- Lannion site

  In connection with the transactions in the second half of 2018, Mercialys granted SCI Lannion a rental guarantee on two vacant casual leasing cells prior to the promise. Mercialys agreed to pay the amount corresponding to annual rents (Euro 113,000). The rental guarantee will be applicable starting December 21, 2018 for a period of 24 months (until December 21, 2020).

18.2. Commitments relating to exceptional transactions

18.2.1 Commitments with Corin

In connection with its Partnership Agreement with Corin, in 2006 Mercialys acquired 60% of the undivided rights on certain assets in Corsica for Euro 90 million.

An amendment was made to the *memorandum* of understanding in 2014. This amendment made it possible to extend certain maturities and to modify the contribution mechanism of the undivided rights. The *memorandum* of agreement was created for a new 20-year period as from the signing of the amendment.

Today, it is projected that if the agreement to hold the undivided rights in common is not renewed, the party that initiated the end of the undivided rights will be penalized when the undivided rights are shared. The rights may be shared either in kind, with the other party choosing the units (the hypermarket premises will go in priority to Mercialys in any event), or through the transfer of the undivided rights.

Mercialys is irrevocably committed to acquire Corin's 40% of undivided rights, but has the right to make a counterproposal, and Corin is irrevocably committed to transferring its rights to Mercialys.

A new rider to the agreement was signed on April 27, 2018, providing for the exercise of the preliminary sale agreement for a maximum of 10% of the undivided rights between January 31, 2020 and December 31, 2020, a maximum of 10% of the undivided rights between January 31, 2023 and December 31, 2023, a maximum of 10% of the undivided rights from January 31, 2024 and a maximum of 10% of the undivided rights from January 31, 2025. Assuming that Corin exercises the preliminary sale agreement.

Mercialys has the option to assign its own rights and obligations to a third party, or to offer Corin the right to acquire its undivided rights. The *memorandum* of

understanding specifies how the assets are valued. A 30% haircut will be applied if Mercialys opts to sell its undivided rights to Corin. Corin may likewise assign the benefit of its contractual promise to any third party.

These promises represent contingent commitments of unforeseeable outcome and are therefore not recognized in the balance sheet. In the event that the transfer takes place, the asset valuation specified in the *memorandum* of understanding will be representative of market value.

18.2.2 Commitments made in connection with the disposal of SAS Hyperthetis Participations

In connection with the disposal of 49% of SAS Hyperthetis Participations, Mercialys has a call option on the company's shares or on the real-estate assets held by minority shareholders at a minimum guaranteed price (the higher of the fair value and an IRR), which it may exercise in 2022. This option was valued at Euro 134.6 million as of December 31, 2019, corresponding to the company's IRR. The appraised fair value was Euro 252.1 million (excluding transfer taxes) at the end of December 2019. If the options are not exercised, there is an exit clause for disposal of the assets at their fair value.

18.2.3 Other commitments

L'Immobilière Groupe Casino, a subsidiary of the Casino group, has granted a compensation guarantee of Euro 1.3 million on a site.

No pledge, mortgage or other conveyance of security interest applies to the Company's assets.

The Company has received the customary warranties from the transferor companies in respect of properties transferred to it in 2005 and 2009.

The Company complies with applicable law and regulations. There are no manifest environmental risks that would require recognition of a liability provision or an off-balance sheet item.

18.3. Commitments under finance leases and operating leases

18.3.1 Finance leases

As at December 31, 2019, the Group did not have any finance leases.

18.3.2 Operating leases as lessee

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

1. leases on parcels of land related to buildings (mainly construction leases and emphyteutic leases);
2. commercial leases for offices;
3. car leases;
4. IT equipment leases.

18.3.3 Operating leases as lessor

Almost all the leases granted by the Mercialys group in connection with its business activity are commercial leases, but a few construction leases have been granted in special cases.

The leases signed include either a fixed rent or a double-component rent ("variable rent"). Variable rents are composed of a fixed portion (the guaranteed minimum rent) and a portion pegged to the revenue of the lessee operating the commercial premises. The minimum guaranteed rent is based on the rental value of the premises. The additional variable rent specified at the signing of the lease is due from the lessee whenever there is a positive difference between the percentage of pre-tax revenue earned by the lessee during the calendar year and the base rent.

Unless there is an indexation clause in the lease agreement that provides otherwise, rent amounts are adjusted to the index at the end of each three-year period of the lease. For all leases, the base rent, whether a fixed-only rent or the minimum guaranteed portion of a variable rent, is contractually indexed to the construction cost index or retail rent index published by INSEE in accordance with applicable regulations.

Note 19 Market risk

Market risk is the risk that changes in market prices – such as exchange rates, interest rates and the prices of equity instruments – will adversely affect the Group's net income or the value of the financial instruments that it holds.

Mercialys's exposure to interest rate risk relates to the borrowings described in note 15.3, p. 191. To manage its exposure to the risk of changes in interest rates, the Company uses derivatives (interest rate swaps and collars).

Note 20 Information concerning related parties

(in thousands of euros)	12/2019	12/2018
Income/(Expenses)		
Invoiced rents		
Distribution Casino France	17,833	17,710
Monoprix	9,733	10,470
Casino Restauration	1,115	1,030
Other Casino group entities	5,619	5,499
Advisory Services Agreement received by Mercialys	97	296
Short-term occupancy agreement billed by Mercialys to the Casino group	314	337
Service agreement for Hyperthetis Participations	100	100
Service agreement for Immosiris	50	50
Real estate advisory services agreement for AMR	354	389
Trademarks license agreement for Rennes-Anglet	7	2
Service agreement paid to the Casino group	(2,011)	(2,210)
Property Management service fees paid to the Casino group	(4,717)	(4,648)
Earn-out payment for the Le Port Sacré-Cœur site	0	(385)
Interest income	30,723	28,078
Interest expense	(1,713)	(55)
Income from the sale of assets to related parties[1][3]	0	0
Agency agreement with IGC Services	(1,324)	(150)
Non-use fees with Casino Finance	(193)	(193)
Transaction with Casino, Guichard-Perrachon	303	-
Assets/(Liabilities)		
Loans	122,955	133,312
Participating interests	596,668	596,594
Current accounts of affiliated companies	155,596	151,197
Project management contracts prepaid by Mercialys to IGC Services	0	0
Call for funds for IGC Services property development agreements	0	0
Acquisition of fixed assets from Casino group[2]	0	21,808

(1) This income from the disposal of fixed assets is net of expenses.

(2) Some acquisitions can be made pursuant to the Partnership Agreement described in note 18, p. 192. In 2018, and in 2019, no acquisitions were made under this agreement.

(3) Significant transactions are detailed in note 2, p. 182 – Significant events of the period.

20.1 Consultancy agreement between Mercialys group companies and the Casino group

The purpose of this agreement is to make Mercialys's team of specialists in property portfolio valuation available to these companies. It was originally signed on July 25, 2007 between Mercialys Gestion and Mercialys, L'Immobilière Groupe Casino and Alcudia Promotion, which are Casino group companies. On June 1, 2011 Mercialys Gestion's teams in charge of asset management, marketing and communication were transferred to Mercialys. As a result, an amendment was drafted, specifying that Mercialys is now the new service provider. Its initial term was six years, automatically renewable thereafter for one year at a time, with each party free to terminate its participation with six months' notice.

On March 23, 2015, Mercialys, Immobilière Groupe Casino and Plouescadis signed a document amending the advisory services framework agreement.

This amending document includes the modifications to the Agreement of July 27, 2007 as well as all the other clauses that remain unchanged. The Parties therefore decided to update the terms of the workload plan as well as the financial terms of the Agreement. A review clause applies at the end of the financial year, in order to adjust the billing to the new scope of work and to determine the billing for N+1.

The parties decided to end this agreement on December 31, 2018.

A new, fixed-term agreement, of an initial term of six months, running from January 1 to June 30, 2019, was signed between Mercialys and L'Immobilière Groupe Casino for asset management services provided by Mercialys teams for projects managed on behalf of L'Immobilière Groupe Casino and/or its subsidiaries.

This Agreement will be renewed automatically for a further six months, unless terminated by either of the parties by registered letter with acknowledgment of receipt, with the understanding that the total duration of the Agreement may not exceed 48 months.

This new Agreement was entered into under normal conditions; it is a standard agreement.

20.2 Short-term occupancy agreements

As part of the acquisition of real estate asset portfolios from the Casino group, short-term occupancy agreements with Distribution Casino France guarantee the payment of rents to Mercialys before the site is opened to the public.

20.3 Agreement for the provision of services, asset management and brand licensing with Hyperthetis Participations

On June 26, 2015, Hyperthetis Participations and Mercialys signed a service and brand licensing agreement. The agreement is signed for an 8-year term and is automatically renewable. In line with the growth and operation of its assets, Hyperthetis Participations has decided to entrust Mercialys with tasks covering the following: accounting, legal and corporate governance management, strategy consultancy, and brand licensing.

Hyperthetis has also signed an asset management agreement with Mercialys.

20.4 Service and asset management agreement for Immosiris

In connection with the property transactions in 2015, Mercialys has entered into an asset management and service agreement with Immosiris.

20.5 Services agreement with Casino

The Company has entered into an agreement with the Casino group for the provision of services, the purpose of which is to manage provision of the support services that Mercialys requires for its operations and, in particular, for administrative management, accounting and finance, and real estate services and information systems.

20.6 Property Management activities

Mercialys has outsourced Property Management activities for nearly all its sites to Sudeco, a subsidiary of Immobilière Groupe Casino. These activities include rental management and the administrative management of tenant associations or Economic Interest Groups (EIGs) which together exist at most of its shopping centers.

20.7 Agency agreements with IGC Services

In connection with the transactions for sale of its asset portfolios, Mercialys can call upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets. The payment for this service amounted to Euro 1,324,000 in 2019.

20.8 Partnership agreements

Mercialys has signed a Partnership Agreement with Casino, Guichard-Perrachon. Details of this agreement are provided in note 18.1.1.2, p. 192.

20.9 Transaction with Casino, Guichard-Perrachon

The Annual General Meeting of April 25, 2019 approved a regulated agreement between Mercialys and Casino, Guichard-Perrachon, under which that company undertook to pay for specific expenses incurred by Mercialys in connection with the disposal by Casino, Guichard-Perrachon of all or part of its stake in Mercialys' share capital.

As such Casino, Guichard-Perrachon paid Euro 303,000 to Mercialys in the year ended December 31, 2019.

20.10 Other related-party transactions

20.10.1 SCI Rennes Anglet

At end December 2018, Mercialys granted a loan of Euro 10,864,000, to SCI Rennes-Anglet. This current account loan earned interest at the arithmetic mean of EONIA daily fixing rates for the interest period plus margin of 50 bps. This agreement was entered into for the term of the shareholder's agreement, *i.e.* 15 years automatically renewable for successive periods of five years.

The loan was fully repaid by SCI Rennes Anglet on July 31, 2019.

20.10.2 SCI AMR

Mercialys entered into the following agreements with SCI AMR:

- a real estate advisory service agreement: under this five-year agreement, SCI AMR entrusts Mercialys with general assistance in managing its real-estate assets; The initial term of this agreement, concluded from April 23, 2013, has been extended in advance from January 1, 2017 to March 15, 2024;
- exclusive letting mandate for a period of five years. The initial term of this agreement, concluded from April 23, 2013, has been extended in advance from January 1, 2017 to March 15, 2024;

20.10.3 SNC Fenouillet Participation

At end December 2019, as at December 31, 2018, Mercialys granted a loan of Euro 39,778,000 to SNC Fenouillet Participation. This cash advance bears interest at a rate of 5.9%, which will be reduced to EURIBOR +100 basis points on the date that the account is opened.

Note 21 Compensation

The gross compensation paid to officers and directors in 2019 amounted to Euro 1,658,000, versus Euro 1,407,000 in December 31, 2018.

Note 22 Statutory Auditors' fees

Fees 12/2019 *(in thousands of euros)*	**Ernst & Young**	**KPMG**
Fees for certification of the financial statements	162.0	162.0
Fees other than for certification of the financial statements[1]	5.0	5.0
TOTAL	**167.0**	**167.0**

(1) Fees other than for certification of the financial statements relate to:

- *reports on the planned payment of interim dividends.*
- *the CSR report.*

Note 23 Subsequent events

None.

Note 24 Subsidiaries and equity holdings

24.1 Subsidiaries (at least 50% of share capital owned)

(in thousands of euros)

Companies	Head office	SIREN (Company registration number)	Equity		Portion of share capital held *(in %)*	Carrying cost of shares held		Loans and advances granted	2019 revenue, excl. tax	2019 net income (+ or -)	Dividends received
			Share capital	Other share-holders' equity		Gross	Net				
SAS Point Confort	1, cours A. Guichard 42000 Saint-Étienne	306 139 064	154	6,127	100	8,130	6,434	349	467	(856)	330
SARL La Diane	1, cours A. Guichard 42000 Saint-Étienne	424 153 815	293,255	4,719	100	295,179	295,179	67,271	-	14,379	17,494
SAS Hyperthethis Participations	1, cours A. Guichard 42000 Saint-Étienne	811 749 852	27,439	233,970	51	139,937	133,085	-	14,894	5,032	3,882
SNC Dentelle	1, cours A. Guichard 42000 Saint-Étienne	498 780 345	7,994	145	99.99	8,009	8,009	-	352	145	185
SAS Mercialys Gestion	1, cours A. Guichard 42000 Saint-Étienne	484 531 561	37	1,296	100	37	37	1,791	13,645	1,293	343
SAS Immosiris	1, cours A. Guichard 42000 Saint-Étienne	814 312 096	14,048	126,787	51	71,649	71,649	-	7,494	6,266	3,121
SAS Astuy	1, cours A. Guichard 42000 Saint-Étienne	821 879 467	37	(15)	100	37	37	-	-	(4)	-
SAS Cap Cowork Mercialys	1, cours A. Guichard 42000 Saint-Étienne	852 223 676	37	-	100	37	37	-	-	-	-
SAS Ocitô La Galerie	1, cours A. Guichard 42000 Saint-Étienne	852 187 111	37	(5)	100	37	37	-	-	(5)	-
SAS Epicanthe	1, cours A. Guichard 42000 Saint-Étienne	812 269 546	1	(32)	100	1	1	560	-	(14)	-
SAS Mercialys Exploitation	1, cours A. Guichard 42000 Saint-Étienne	815 249 198	37	(215)	100	37	37	1,839	4,297	377	-
TOTAL						**523,090**	**514,542**				

24.2 Subsidiaries (10 to 50% of share capital owned)

(in thousands of euros)			Equity			Carrying cost in thousands of euros of shares held					
Companies	**Head office**	**SIREN (Company registration number)**	**Share capital**	**Other share-holders' equity**	**Portion of share capital held** *(in %)*	**Gross**	**Net**	**Loans and advances granted**	**2019 revenue, excl. tax**	**2019 net income (+ or -)**	**Dividends received**
SAS Corin Asset Management	Centre cial La Rocade 20600 Furiani	492 107 990	37	177	40	15	15	-	1,074	(27)	-
SCI Rennes-Anglet	8, rue Lamennais 75008 Paris	820 948 016	2,562	19,152	30	7,687	6,514	-	1,708	1,125	-
SCI AMR	91-93, bd Pasteur 75015 Paris	791 464 191	100,369	(2,180)	39.90	58,885	41,253	-	9,690	(9,605)	2,173
SNC AIX2	1, cours A. Guichard 42000 Saint-Étienne	512 951 617	10	866	50	6,991	6,991	1,180	2,199	865	-
OPCI UIR II[1]	112, av. Kléber 75784 Paris Cedex 16	533 700 654	25,649	1,391	19.98	8,406	2,962	2,685	5,387	1,374	276
TOTAL						**81,984**	**57,735**				

24.3 Other shareholdings

(in thousands of euros)			Equity			Carrying cost in thousands of euros of shares held					
Companies	**Head office**	**SIREN (Company registration number)**	**Share capital**	**Other share-holders' equity**	**Portion of share capital held** *(in %)*	**Gross**	**Net**	**Loans and advances granted**	**2019 revenue, excl. tax**	**2019 net income (+ or -)[1]**	**Dividends received**
SNC Fenouillet Immobilier	1, cours A. Guichard 42000 Saint-Étienne	808 659 460	2	1,533	-	1	1	74,192	5,859	1,533	-
GIE Grand Quartier[1]	Route de Saint-Malo 35760 Saint-Grégoire	729 300 087	440	6,821	4.21	10	10	-	4,575	(250)	-
TOTAL						**11**	**11**				

(1) The items concerning the GIE and OPCI UIR II are taken from the balance sheet as of December 31, 2018

3.2.3 Statutory Auditors' report on the separate financial statements

Financial year ended December 31, 2019

To the Annual General Meeting of Mercialys

Opinion

In accordance with the mission entrusted to us by your Annual general meeting, we have audited the annual financial statements of Mercialys relating to the financial year ended December 31, 2019, as attached to this report.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position for the fiscal year and of the company's funds from operations for said period, in accordance with French accounting principles.

The opinion given above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Reporting standards

We conducted our work in accordance with the professional standards applicable in France. We believe that the evidence we have obtained is a sufficient and appropriate basis for our audit opinion.

Our responsibilities under these standards are indicated in the section entitled "Statutory auditors' responsibilities regarding the audit of the annual financial statements" of this report.

Independence

We performed our audit in accordance with the rules of independence applicable to us, for the period starting from January 1, 2019 to the date on which we issued our report, and in particular, we provided no services prohibited by Article 5, paragraph 1 of (EU) Regulation No. 537/2014 or by the Code of Ethics of the statutory auditing profession.

Justification of our assessments - Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification for our assessments, we draw your attention to the key points of the audit relating to the risks of material misstatements which, in our professional opinion, were the most significant for the audit of the annual financial statements for the fiscal year, and how we addressed those risks.

These assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We express no opinion about the items in these annual financial statements taken separately.

Measurement of property, plant and equipment

Identified risk	At December 31, 2019, the net book value of the Company's property, plant and equipment amounted to Euro 1,438 million. Note 1.2 "Property, plant and equipment" of the "Accounting principles and measurement methods" section of the notes to the annual financial statements presents the accounting rules and methods followed by your company regarding the recognition, the breakdown of components and the amortization and measurement methods for property, plant and equipment. In order to determine any impairments, your company is required to make assumptions and rely on independent appraisals. The measurement of property, plant and equipment requires significant judgment and estimates from management and from the independent appraisers. These independent appraisers base their assessment mainly on the specific information for each asset, such as the location, rental revenues, yield, capital expenditure and any recent comparable transactions on the market. The measurement of property, plant and equipment is considered to be a key point of the audit because of their significant amount, the importance of judgment in determining the fair value of property and the sensitivity to the assumptions made by independent appraisals.

Our solution	As part of our audit of the annual financial statements of your company, we implemented the following procedures: • assessment of the competence, independence and integrity of the independent appraisers mandated by your Company; • analysis of the significant changes in fair values by property; • testing of the operational effectiveness of management verifications of the data sent to the appraisers and used to value the properties and the verifications made by management on the fair values derived from these independent appraisals; • conducting interviews, in the presence of our real estate specialists, with the independent appraisers in order to understand and assess the relevance of the estimates, assumptions and the measuring methodology applied; • comparing, over a selection of assets, the data used by the independent appraisers with the data present in the supporting documents such as rental statements and the investment budgets that we received from your company; • for a selection of assets, analyzing, with our real estate specialists, the consistency of the main measurement assumptions made by the independent real estate appraisers, in particular the yields, with the available market information; • comparison of the items taken into account to determine the amount of provisions to recognize for the impaired properties (comparison of the net book values with the audited financial statements, and of the fair value with the independent appraisal); • examining the suitability of the information given in note 1.2 of the annual financial statements.

Measurement of participating interests

Identified risk	Participating interests are reported in the balance sheet at December 31, 2019 for a net amount of Euro 696 million. They are recognized at acquisition cost or their contribution value and are amortized on the basis of their value in use if lower. As stated in note 1.3 "Investments" under the section "Accounting principles and measurement methods" of the notes to the annual financial statements, the value in use of participating interests is determined on the basis of several criteria such as the revalued net asset (RNA), according to the measurements of the real estate portfolio of the companies concerned, their level of profitability, outlook and use. The estimate of the value in use of participating interests is considered to be a key point of the audit because of its sensitivity to the assumptions made.
Our solution	We implemented the following procedures: • examination of the justification for the measurement method used for the participating interests based on the information provided to us; • comparison of the equity value used to determine the values in use with the equity value in the financial statements of entities that have been audited or subject to cost accounting procedures and an assessment of whether the adjustments made, if any, to the equity are based on supporting documents; • reconciliation of the adopted net book values of the properties with those reported in the financial statements of the entities concerned that have been audited or subjected to cost accounting procedures; • comparison of the adopted fair values of the properties with those estimated by the independent appraisers, by performing work identical to that presented above on the measurements of property, plant and equipment. Our works also consisted in: • an assessment of a provision for risks in the event your company is liable to bear the losses of a subsidiary presenting negative equity; • an examination of the suitability of the information provided in note 1.3 "Investments" of the notes to the annual financial statements.

Related party real estate transactions

Identified risk	Your company executes property transactions with the Casino Group, its main shareholder. Note 20 "Information concerning related parties" to the annual financial statements presents related party transactions. These transactions involve substantial amounts and may follow a different approval channel depending on whether or not they are considered to be regulated. Therefore, the presentation of this information in the notes requires that the company be able to identify and collate any information if required. Accordingly, we considered the completeness of the information presented in the Notes about real estate transactions with the Casino Group companies as a key point of the audit.
Our solution	As part of our audit of the financial statements of your company, we carried out the following procedures: • identifying the agreements concerning real estate transactions with the Casino Group companies, in particular the regulated agreements, reviewing the minutes of meetings of the Board of Directors and investment committees held during the fiscal year; • examining the disclosures in note 20 to the annual financial statements in light of the information in the agreements.

Specific verifications

We also performed, in accordance with the professional standards applicable in France, the specific verifications required by the applicable laws and regulations.

Disclosures in the Management report and in the other documents addressed to shareholders on the financial position and annual financial statements

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the disclosures in the Board of Directors' management report and in the other documents addressed to the shareholders with respect to the financial position and the annual financial statements.

We certify the fairness and consistency with the annual financial statements of information on payment terms mentioned in Article D. 441-4 of -the French Commercial Code.

Corporate governance report

We certify the existence, in the Board of corporate governance, of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information provided in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits received by the directors and any other agreements made in their favor, we verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlled by it and included in the consolidation scope. Based on this work, we certify that this information is accurate and presented fairly.

Concerning information relating to the items which your company considered likely to have an impact in the event of a public tender or exchange offer, provided in accordance with the provisions of Article L. 225-37-5 of the French Commercial Code, we verified its compliance with the underlying documents which were provided to us. Based on this work, we have no observation to make about this information.

Other disclosures

Pursuant to the law, we have ensured that the various disclosures on the acquisition of minority and controlling interests and the identity of owners of the share capital or voting rights have been provided in the management report.

Other required legal and regulatory disclosures

Appointment of Statutory Auditors

We were appointed as the statutory auditors of Mercialys S.A. by your Annual general meeting of May 6, 2010.

At December 31, 2019, our firms were in their tenth year of uninterrupted auditing for your Group.

Previously, ERNST & YOUNG Audit had been the statutory auditor since 1999.

Responsibilities of management and of members of corporate governance for the annual financial statements

Management is responsible for preparing the annual financial statements presenting a fair view in accordance with the French accounting principles and for setting up the internal control system that it deems necessary to prepare the annual financial statements without any material misstatements, whether as a result of fraud or error.

While preparing the annual financial statements, it is management's responsibility to evaluate the company's capacity to continue its operations, to present in these financial statements, if applicable, the necessary information regarding the going concern principle and to apply the going concern accounting policy, unless there are plans to liquidate the company or to discontinue its activity.

The Audit Committee has a duty to monitor the preparation of financial information and to monitor the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit systems, in terms of procedures relating to the production and processing of accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors for the audit of the annual financial statements

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. We seek to obtain reasonable assurance that the annual financial statements taken as a whole are free of any material misstatements. Reasonable assurance corresponds to a high level of assurance, without, however, guaranteeing that an audit performed in accordance with professional standards can systematically detect all material misstatements. Misstatements may stem from frauds or from errors and are considered to be material when one can reasonably expect that, taken individually or together, they may influence the economic decisions that the users of the financial statements may make on the basis of such statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not require us to guarantee the sustainability or the quality of the management of your company.

During an audit performed in accordance with the professional standards applicable in France, the Statutory Auditors use their professional judgment throughout the audit. Furthermore:

- they identify and evaluate the risks that the annual financial statements may include material misstatements, whether they stem from frauds or from errors; they define and implement audit procedures to address these risks and collect evidence that they consider sufficient and appropriate to justify their opinion. The risk of not detecting a material misstatement caused by fraud is higher than that of a material misstatement caused by error, because fraud may imply collusion, falsification, deliberate omissions, false statements or circumvention of internal control;
- they review the internal control relevant to the audit in order to define the audit procedures that are best suited to the circumstance, and not for the purpose of expressing an opinion about the effectiveness of internal control;
- they evaluate the suitability of the accounting methods adopted and the reasonable nature of the accounting estimates made by management, and the relevant disclosures in the annual financial statements;
- they assess the proper application by management of the going concern accounting principle and, depending on the evidence collected, the existence or not of a material uncertainty linked to events or circumstances likely to jeopardize the company's capacity to continue its operations. This assessment relies on the evidence collected until the date of their report, while stressing, however, that subsequent circumstances or events may undermine the going concern. Should the auditors find the existence of a material uncertainty, they will draw the attention of the readers of their report to disclosures in the annual financial statements about this uncertainty or, if such disclosures do not exist or are irrelevant, they will issue a qualified certification or refuse to certify;
- they assess the overall presentation of the annual financial statements and determine whether the annual financial statements reflect the underlying operations and events so as to provide a true and fair view.

Report to the Audit Committee

We submit a report to the Audit Committee which presents, in particular, the scope of the audit works and the work program implemented, in addition to the findings from our work. We also bring to its attention any material weaknesses that we may identify in the internal control system with respect to the procedures relating to the preparation and processing of accounting and financial information.

The items communicated in the report to the Audit Committee include the material misstatements that we consider as the most significant for the audit of the annual financial statements for the fiscal year and which therefore constitute the key points of the audit that we are required to describe in this report.

We also provide the Audit Committee with the statement specified in Article 6 of (EU) Regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as these are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics of the auditing profession. If necessary, we discuss the risks affecting our independence and the precautionary measures applied with the Audit Committee.

Paris-La Défense and Lyon, February 13, 2020

The Statutory Auditors

KPMG SA

Isabelle Goalec

ERNST & YOUNG et Autres

Nicolas Perlier

3.2.4 Statutory Auditors' special report on related-party agreements and commitments

Annual general meeting for approval of the financial statements for the fiscal year ended December 31, 2019

To the Annual General Meeting of Mercialys

As Statutory Auditors of your company, we hereby report on related party agreements and commitments.

It is our responsibility, on the basis of the information provided to us, to communicate to you the characteristics, essential terms and conditions, as well as the reasons for the Company's interest in the agreements of which we have been advised, or which we have discovered during our assignment, without commenting on their usefulness or validity, or identifying the existence of other such agreements. It is your responsibility, according to Article R.225-31 of the French commercial code, to assess the benefits of these agreements in view of their approval.

In addition, we are required, where applicable, to provide you with the information specified in Article R.225-31 of the French commercial code concerning the implementation, during the past fiscal year, of the agreements already approved by the Annual general meeting.

We carried out the procedures which we considered necessary with regard to the professional guidelines issued by the national auditing body in France relating to this type of undertaking. These procedures consisted in verifying that the information communicated to us matched the basic documents from which they originate.

Agreements submitted for approval by the Annual General Meeting

In application of Article of the French Commercial Code, we have been advised of the following agreement concluded during the last fiscal year, which is subject to prior authorization from your Board of Directors.

With Casino Finance

Persons concerned

Mr. David Lubek, director of your company and Chief Executive Officer and director of Casino Finance.

Messrs. Michel Savart and Jacques Dumas, directors of your company and of Casino, Guichard-Perrachon, which controls Casino Finance.

Nature and purpose

Amendment no. 3 to the document amending the cash advance agreement entered into on December 18, 2019

At its meeting on October 15, 2014, your Board of Directors authorized the signature of a document amending the cash advance agreement entered into between Casino, Guichard-Perrachon and your company on July 25, 2012 pursuant to which Casino, Guichard-Perrachon granted credit to your company up to a maximum of Euro 50 million in the form of A Advances, which refers to any advance in a principal amount of less than Euro 10 million and/or B Advances, which refers to any advance in a principal amount of Euro 10 million or more; these advances are intended solely for the short-term financing of your company's general needs.

The document amending the Cash Advance Agreement was signed on February 26, 2015, and Casino Finance (a subsidiary of Casino, Guichard-Perrachon and the entity centralizing financing and cash flow for the Casino group) replaced Casino, Guichard-Perrachon in its rights and obligations. The cash advance agreement, which expired on December 31, 2015, was extended until December 31, 2017.

At its meeting on December 14, 2016, your Board of Directors authorized the signature of Amendment no. 1 to the cash advance agreement signed with Casino Finance, as amended on February 26, 2015. This amendment was signed on February 14, 2017 and extended the agreement until December 2019. The terms and conditions are as follows:

Regarding interest, all A Advances will bear interest at 1-month EURIBOR plus Margin A, and all B Advances will bear interest at the EURIBOR corresponding to the drawdown period plus Margin B, it being understood that these margins may change each year, depending on Casino Finance's then current refinancing costs. Margin A and Margin B were 0.40% and 0.95% respectively, for 2016.

At its meeting on December 12, 2018, your Board of Directors authorized the signature of Amendment no. 2 to the cash advance agreement signed with Casino Finance, as amended on February 26, 2015. This amendment was signed on January 18, 2019 and extended the agreement until December 2020, under the same terms and conditions.

At its meeting of December 12, 2019, your Board of Directors authorized the signing of amendment No. 3 to the Cash Advance Agreement, extending it until December 31, 2021, with the amount being revised down from a maximum of Euro 50 million to Euro 35 million. The associated conditions were also reviewed, taking into account the cost of borrowing for Casino, Guichard-Perrachon:

- for the A Advances, interest at the 1-month EURIBOR rate (with a 0% floor) plus a margin of 110 basis points, revisable annually on the basis of the updated refinancing costs of the Casino, Guichard-Perrachon company (Margin A);
- for the B Advances, interest at 1-month, 2-month or 3-month EURIBOR rate plus a margin of 370 basis points, revisable annually, depending on the discounted refinancing costs of Casino, Guichard-Perrachon (Margin B);
- a commitment fee of 40% of the margin, in line with the revolving credit facility set up by your company with its banks.

The other provisions of the Agreement are unchanged. Amendment No. 3 was signed on December 18, 2019.

Terms and conditions

For the fiscal year ended December 31, 2019, your company paid a commitment fee of Euro 193,000 excluding VAT to Casino Finance.

Reasons for the company's interest in the agreement

Your Board provided the following justification for this agreement: "The cost of this borrowing is clearly higher than the cost of the bank facilities not used by Mercialys, since the average margin of confirmed bank facilities currently in place at Mercialys stands at 107 basis points. Nevertheless, it appears necessary to maintain this Advance, with the objective of refinancing it through new bank liquidities at a more competitive cost."

Agreements already approved by the Annual general meeting

Agreements approved in prior fiscal years

a) that continued during the past fiscal year

Pursuant to Article R. 225-30 of the French commercial code, we have been informed that implementation of the following agreements, already approved by the Annual General Meeting during prior fiscal years, continued during the past fiscal year.

With L'Immobilière Groupe Casino

Persons concerned

Messrs. Michel Savart and Jacques Dumas, directors of your company and of Casino, Guichard-Perrachon, which controls L'Immobilière Groupe Casino.

Trademarks license agreement

Nature, purpose and terms and conditions

In respect of this contract, entered into on September 8, 2005, L'Immobilière Groupe Casino grants, free of charge, a non-exclusive right of use, only in France, and relating to the “Cap Costières” trademark.

Your company has a preferential right to purchase this trademark in the event of L'Immobilière Groupe Casino intending to sell it.

With Casino, Guichard-Perrachon

Persons concerned

Messrs. Michel Savart and Jacques Dumas, directors of your company and of Casino, Guichard-Perrachon.

a) Trademarks license agreement

Nature, purpose and terms and conditions

Under this contract entered into on May 24, 2007, Casino, Guichard-Perrachon grants your company, free of charge, a non-exclusive right of use, only in France and relating to:

- the “NACARAT” word and figurative mark;
- the "BEAULIEU" word mark and the “Beaulieu... pour une promenade” semi-figurative mark.

Your company benefits from a preferential right to purchase these trademarks in the event of Casino, Guichard-Perrachon intending to sell them.

b) Agreement for payment of specific expenses

Nature and purpose

At its meeting on December 12, 2018, your Board of Directors authorized - at the recommendation of the Appointments and Compensation Committee in its meeting on December 11, 2018 - the signing of an agreement to assume specific expenses incurred by your Company in connection with the disposal by Casino, Guichard-Perrachon of all or part of its equity interest in your Company which had already resulted in the sale by Casino, Guichard-Perrachon of 15% of your Company's capital in the form of an equity swap on July 26, 2018. This agreement was signed on December 14, 2018.

Terms and conditions

Casino, Guichard-Perrachon undertook to pay the specific expenses incurred by your company on this occasion, namely:

- external expenses, mainly for legal advice, upon presentation of supporting documents and up to a total amount of Euro 200,000 excluding VAT for the period until December 31, 2019;
- the total extraordinary compensation, including related employers' contributions, that would, if you so decide, be awarded and paid by your Company to its senior management (*i.e.* the two executive corporate officers and the Chief Financial Officer) in consideration of the time spent by top management on this process, on the one hand, and objectives related to the motivation and retention of the executives concerned in this particular context, on the other hand, limited to a fixed amount equal to three months of the 2018 fixed compensation, *i.e.* Euro 236,250 net of employers' contributions and an estimated total amount of Euro 303,200 including employers' contributions.

In this respect, Casino, Guichard-Perrachon paid income amounting to Euro 303,200 to your company during the fiscal year ended December 31, 2019.

b) that were not implemented during the past fiscal year

In addition, we have been informed of the continuation of the following agreements, already approved by the Annual General Assembly in previous fiscal years, which were not implemented during the past fiscal year.

With Casino, Guichard-Perrachon

Persons concerned

Messrs. Michel Savart and Jacques Dumas, directors of your company and of Casino, Guichard-Perrachon.

Document amending the Real Estate Partnership Agreement signed

Nature and purpose

The Partnership Agreement signed on July 2, 2012 between Casino, Guichard-Perrachon and your company, for a term expiring on December 31, 2015, has been the subject of amendments and successive extensions, the latter having been made by an amending document dated January 31, 2017, authorized by the meeting of your Board of Directors on December 14, 2016 and approved by the Annual general meeting of April 27, 2017. Pursuant to this amending document, the said agreement was extended up to December 31, 2020 and various changes were made to improve the methods of collaboration between the parties, while maintaining the general principles of the Agreement and the original balance between the respective rights and obligations of the parties.

The scope of the Partnership Agreement corresponds to your Company's sector of activity (shopping centers and medium sized stores, excluding food stores, *i.e.* supermarkets and hypermarkets).

The general principles of this Partnership Agreement are as follows:

- privileged access (right of priority) to the retailing real estate projects developed by Casino, Guichard-Perrachon and/or its subsidiaries in France in its field of activity:

The three types of project that fall within, or could fall within, the scope of application of the Partnership agreement are:

- "New Projects" which are projects, within the scope of the agreement, the development of which Casino, Guichard-Perrachon may decide to undertake and which are subject to an undertaking by Casino, Guichard-Perrachon to present them to your company. Your company has the right to submit any project to Casino, Guichard-Perrachon, whether or not it falls within the scope of the agreement. Casino, Guichard-Perrachon undertakes to study the proposal so that it can decide whether or not it wishes to be involved in its development;
- "Projects to be Confirmed" are "New Projects" which have been approved by the governance bodies of the parties, which undertake to devote their best efforts to validating the projects;
- "Validated Projects", which correspond to "Projects to be Confirmed" for which an order has been placed.

- Reciprocal commitments which are arranged into several stages to accompany the development of the projects:
  - identification of the "Projects to be Confirmed" (projects under development that do not yet offer sufficient visibility and security to enable an order to be placed);
  - placing an order for "Validated Projects" (projects with good visibility and sufficient profitability for both parties);
  - confirmation of the order based on the final, determined project (except for the usual flexibility/tenants' requests) when the final authorizations have been obtained and upon achievement of a pre-letting rate of 60% (in value) of leases signed;
  - sale of the asset (transfer of ownership at the opening of the project and payment by your company at delivery with a 50/50 sharing of the "upside or downside"), with the possibility of basing the asset's valuation on a forecast IRR for the project.

The agreement provides for the possibility of introducing a fast track project approval process, by signing the deed of sale directly after approval by the governance bodies.

- Valuation of projects on the basis of the forecast rental income; the terms and conditions for setting and adjusting the price are as follows:
  - setting the price, at the time of placing the order, based on actual or forecast rental income determined by an independent appraiser, capitalized on the basis of rates determined according to the type of the assets concerned (see below), while the surface areas taken into account are based on the "Gross Leasing Area" (GLA) of the shopping centers after extension and including the large food store;
  - discounting the price on confirmation of the order to take into account changes in the letting and in the capitalization rate;
  - the price is discounted at the time of sale depending on the rental situation two months before opening to the public, without present-valuing the capitalization rate.

In order to take account of fluctuations in market conditions, the capitalization rates applicable under the Partnership Agreement are revised by the parties concerned every six months. The capitalization rates for fiscal year 2019 were as follows:

- *First half 2019*

	Shopping center		Retail Parks		City center
Type of asset	Mainland France	Corsica and French overseas departments and territories	Mainland France	Corsica and French overseas departments and territories	
> 20,000 sq.m	5.5%	6.0%	6.0%	6.4%	5.3%
5,000 to 20,000 sq.m	5.9%	6.4%	6.4%	6.7%	5.5%
< 5,000 sq.m	6.4%	6.7%	6.7%	7.3%	6.0%

- *Second half 2019*

	Shopping center		Retail Parks		City center
Type of asset	Mainland France	Corsica and French overseas departments and territories	Mainland France	Corsica and French overseas departments and territories	
> 20,000 sq.m	5.6%	6.1%	6.1%	6.5%	5.4%
5,000 to 20,000 sq.m	6.0%	6.5%	6.5%	6.8%	5.7%
< 5,000 sq.m	6.5%	6.8%	6.8%	7.5%	6.1%

The Partnership Agreement, as an exception to the foregoing, provides that either party may suggest calculating the provisional selling price for a specific project based on the provisional internal rate of return (IRR) of this project. This IRR is calculated based on the provisional business plan for the project. For guidance, the objective of the parties is to target projects which have the potential to deliver a projected IRR of around 8% to 10%.

In return for the right of priority granted to your company, the Partnership agreement includes a non-competition clause in favor of Casino, Guichard-Perrachon, which will apply for the whole term of the Partnership agreement. This non-competition clause was strengthened as part of the amendment of the Partnership agreement. So, your company may not invest in a "New Project" which is a food retailing competitor of the Casino group without the consent of Casino, Guichard-Perrachon. A "New Project" is defined as:

- any project involving a new food store with a sales area exceeding 1,000 sq.m, located on a greenfield site; or
- any existing shopping center with a food retailing area exceeding 1,000 sq.m which is the subject of an extension representing 30% or more of the total floor area of the existing shopping center before extension; or
- any existing shopping center with a food retailing area which is the subject of an extension resulting in the retailing area becoming greater than 1,000 sq.m after the extension.

This non-compete clause is applicable for a period of three years following the termination of the Partnership Agreement.

- An annual "meeting" clause.

Terms and conditions

In 2019, no project was acquired by the Company under the Partnership Agreement.

Paris-La Défense and Lyon, February 17, 2020

The Statutory Auditors

KPMG SA
Isabelle Goalec

ERNST & YOUNG et Autres
Nicolas Perlier

3.2.5 Five-year results of Mercialys SA

	2019	2018	2017	2016	2015
Financial position at year-end					
Share capital *(in thousands of euros)*	92,049.2	92,049.2	92,049.2	92,049.2	92,049.2
Number of shares issued	92,049,169	92,049,169	92,049,169	92,049,169	92,049,169
Comprehensive income *(in thousands of euros)*					
Revenues excluding VAT	140,067.3	138,704.4	137,899.9	144,453.3	142,180.1
Income before tax, employee profit-sharing, amortization, depreciation and provisions	134,875.8	118,447.2	308,152.8	156,656.3	179,623.5
Income tax expense	60.1	(9.3)	(1,332.4)	102.6	1,119.3
Employee profit-sharing	-	-	-	-	58.1
Income after tax, employee profit-sharing, amortization, depreciation and provisions	82,633.1	74,074.3	287,280.2	114,187.3	148,251.5
Total dividend payment to shareholders	105,856.5[(1)]	103,095.1	100,333.6	97,572.1	122,425.4
Comprehensive income per share *(€)*					
Income after tax, employee profit-sharing, but before amortization, depreciation and provisions	1.46	1.29	3.37	1.70	1.95
Income after tax, employee profit-sharing, amortization, depreciation and provisions	0.90	0.80	3.12	1.24	1.61
Dividend paid per share	1.15[(1)]	1.12	1.09	1.06	1.33
Workforce					
Number of employees *(full-time equivalent)*	46.7	51.3	50.3	43.2	41.4
Payroll *(in thousands of euros)*	5,967.5	5,887.9	6,040.8	5,092.6	5,061.2
Amount paid for employee benefits social security and social programs *(in thousands of euros)*	2,313.8	2,401.0	2,341.3	2,099.7	1,959.6

(1) Subject to the approval by the Annual General Meeting to be held on April 23, 2020.

3.2.6 Information on the terms of payment of Mercialys SA

The table below provides information on payment terms for trade payables and receivables as at December 31, 2019 in thousands of euros, prepared in accordance with the provisions required by Article D. 441-4 of the French Commercial Code.

Invoices received and issued due but not paid as of the reporting date.

	Art. D. 441 L-1°: Invoices received and due but not paid as of the reporting date						Art. D. 441 L-2°: Invoices issued and due but not paid as of the reporting date					
	0 day (for information)	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total (1 day and more)	0 day (for information)	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total (1 day and more)
(A) Overdue payment installments												
Number of invoices concerned	ns					77	ns					2,917
Total amount of invoices concerned including tax	170	(348)	(634)	(124)	(948)	(2,024)	2,052	345	190	1,297	(1,068)	764
Percentage of the total amount of purchases for the period excluding tax	0%	1%	1%	0%	2%	4%						
Percentage of revenue for the period excluding tax							1.5%	0.2%	0.1%	0.9%	(0.7%)	0.5%
(B) Invoices excluded from (A) concerning payables and receivables in dispute or not recognized in the accounts												
Number of invoices excluded						17						2,366
Total amount of invoices excluded including tax						43						13,651
(C) Benchmark terms for payment used (contractual or statutory term – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used to calculate overdue payments				Statutory terms: 60 days from invoice date						Contractual term: Quarterly billing with payments in advance		

64%
Proportion of independent members on the Board of Directors

55%
Proportion of women on the Board of Directors

86%
Board of Directors' attendance rate

4

CORPORATE GOVERNANCE

4.1 Management and control of the Company 214

4.1.1 Board of Directors 214

4.1.2 Senior Management of the Company 233

4.1.3 Preparation and organization of the Board of Directors' work 234

4.1.4 Specialized committees 236

4.1.5 Assessment of the functioning of the Board of Directors 240

4.1.6 Ethics 240

4.1.7 Conflicts of interest involving directors and Senior Management 242

4.2 Compensation and benefits of Directors and corporate officers 243

4.2.1 Compensation and benefits of Directors 243

4.2.2 Compensation and benefits of executives 247

4.1 Management and control of the Company

4.1.1 Board of Directors

The Company is incorporated as a *société anonyme* (limited liability company). The roles of Chairman of the Board of Directors and Chief Executive Officer were combined until February 13, 2019. Since this date and in order to improve further the quality of the Company's governance with respect to best market practices, the functions of Chairman of the Board of Directors and Chief Executive Officer have been separated. Mr. Éric Le Gentil is still Chairman of the Board of Directors and Mr. Vincent Ravat was appointed Chief Executive Officer.

The Company refers to the corporate Governance Code for listed companies published by the Association française des entreprises privées (AFEP, the French Association of Private Companies) and the Mouvement des entreprises de France (MEDEF, the Organization of French companies) (the AFEP-MEDEF Code). The AFEP-MEDEF Code may be consulted on the AFEP website at the following address: www.afep.com. In accordance with the AFEP-MEDEF Code, and pursuant to Article L. 225-37 of the French Commercial Code, it is hereby stated that the Company complies with all the recommendations of the AFEP-MEDEF Code.

4.1.1.1 Composition of the Board of Directors

A. Current composition of the Board

As of February 12, 2020, the reporting date for the fiscal year 2019 financial statements, the Board of Directors had eleven members, seven of whom were independent (63.6%) as defined by the AFEP-MEDEF Code, and six were women (54.5%).

The positions of Chairman of the Board of Directors and Chief Executive Officer have been separated since February 13, 2019. Since this date, Mr. Éric Le Gentil has been Chairman of the Board of Directors and Mr. Vincent Ravat has been the non-director Chief Executive Officer.

Given the geographical exposure of the Company, all directors are of French nationality.

The table below is a condensed presentation of the Board of Directors' composition at February 12, 2020, and its position during fiscal year 2019.

	Gender	Age (at Dec 31, 2019)	Mercialys shares held (at Feb 12, 2020)	Date of first appointment	Expiry of the directorship (Date of the General meeting)	Rate of attendance in 2019			
						BoD	ARSDC	IC*	ACC
Non-executive corporate officer									
Éric Le Gentil	M	59	27,800	February 13, 2013	2022	100%		100%	100% (1)
Independent directors									
Stéphanie Bensimon	F	43	100	Jun 07, 2018	2022	87.5%	(C (1)) 100%		
Victoire Boissier	F	52	800	April 20, 2016	2021	87.5%			100%
Élisabeth Cunin	F	59	1,000	Jun 06, 2012	2022	87.5%			(C) 100%
Dominique Dudan	F	65	1,750	April 26, 2018	2021	100%		(C) 100%	100%
Ingrid Nappi	F	53	950	April 30, 2014	April 23, 2020	87.5%	100%		
Pascale Roque	F	58	900	October 24, 2017	2022	87.5%	(C (2)) 100%		
Generali Vie			7,373,571	April 30, 2014	2021				
Bruno Servant, company representative	M	59		April 30, 2014		100%		100%	
Directors representing the majority shareholder									
La Forézienne de Participations			22,235,085	Dec. 10, 2010	2021				
David Lubek, company representative	M	46		Nov. 13, 2017		12.5%		75%	
Jacques Dumas	M	67	508	August 22, 2015	April 23, 2020	100%			100%
Michel Savart	M	57	500	May 06, 2010	April 23, 2020	100%	100%	100%	
Number of meetings in 2019						**8**	**4**	**4**	**5**
Rate of attendance in 2019						**86.4%**	**100%**	**95%**	**100%**

(1) Since February 13, 2019
(2) Until February 13, 2019
C: Chairman of the Committee
BoD: Board of Directors
ARSDC: Audit, Risks and Sustainable Development Committee
IC: Investment Committee
ACC: Appointments and Compensation Committee
** Mr. Vincent Ravat, in his capacity as Chief Executive Officer since February 13, 2019, is a permanent guest of the Investment Committee.*

A Board that reflects the shareholding structure of the Company

Following the definitive sale of 15% of the Mercialys capital under an *equity swap* agreement with Crédit Agricole Corporate and Investment Bank (CACIB) and announced on July 26, 2018, at January 31, 2020 the Casino group concert only holds 25.16% of Mercialys's equity (see chapter 7, § 7.2.3, p. 324 *et seq.*). Consequently, it reduced its representation on the Mercialys Board of Directors from 4 to 3 seats as of 2018. The Board is now composed of 11 directors. With 7 independent directors (63.6%), the Company is in line with the highest international standards. The Board regularly surveys its members about the ideal balance of its composition and of its Specialized committees in order to assure its shareholders and the market that its duties are accomplished with the required independence and objectivity.

Excellent representation of women on the Board of Directors and its Committees

The Board of Directors consists of 6 women out of 11 directors, *i.e.* 54.5%. Furthermore, each Committee is chaired by an independent female director. The representation of women on the Audit, Risks and Sustainable Development Committee, the Investment Committee, and the Appointments and Compensation Committee is respectively 75%, 20% and 60%.

Diversity policy

The Board of Directors endeavors to apply the principles of the AFEP-MEDEF Code concerning its composition. With the support of the Appointments and Compensation Committee, it periodically assesses its size, structure and composition, as it does for its Specialized committees. Proposals for renewals take into account the findings of annual evaluations of the functioning of the Board and form the basis of recommendations from the Appointments and Compensation Committee.

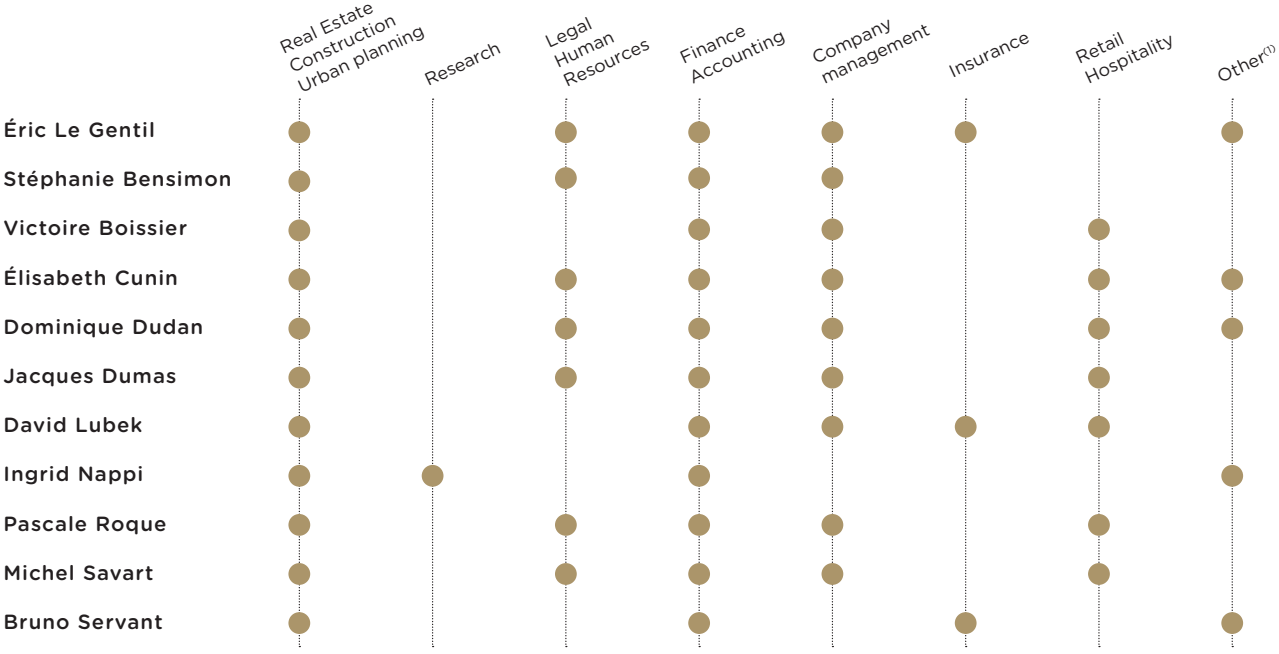
The size of the Board is considered appropriate. The Board pursues its objective of maintaining the diversity and complementarity of its technical skills and experience, the balanced gender representation of women and men, and the percentage of independent directors above the 50% threshold recommended by the AFEP-MEDEF Code for companies with dispersed ownership without controlling shareholders.

Re-appointments of directors are proposed with a view to maintaining these balances and ensuring the availability of a set of skills commensurate with the Company's activities, strategic priorities and the tasks devolved to the Board Committees. Consideration is also given to their wish to be associated with the Company's development, their awareness of Mercialys's Corporate Social Responsibility (CSR) commitments, and their availability, given the frequency of Board and Committee meetings.

The Board of Directors also endeavors to achieve a balanced gender representation on its Specialized committees. As at February 12, 2020, each Committee is chaired by a woman, While a majority of the members of the Audit, Risks and Sustainable Development Committee and the Appointments and Compensation Committee are women.

Diverse, cross-functional and complementary skills

The Board of Directors also supports the diversity of its skills with a panel of experienced members with proven expertise in real estate, asset management, finance, legal, human resources, marketing, retail, economic research and CSR:



(1) of which IT and CSR in particular.

A Board composed of 63.6% independent directors

As regards the duties entrusted to it, the Appointments and Compensation Committee is tasked with monitoring the position of each of the directors in terms of any relationships they might have with the Company or Group companies to ensure that there is nothing that might compromise their freedom of judgment or might lead to possible conflicts of interest with the Company. In this capacity, the Appointments and Compensation Committee conducts an annual review of the composition of the Board of Directors and, more specifically, of the independence of Board members with regard to the criteria set out in the AFEP-MEDEF Code:

- criterion 1: not to be an employee or executive corporate officer of the Company, nor an employee, executive corporate officer or Director of a company consolidated by the Company, nor of the Company's parent company nor of a company consolidated by this parent company and not have been in such a position in the previous five years;
- criterion 2: not to be an executive corporate officer of a company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having held such office in the previous five years) is a director;
- criterion 3: not to be (or directly or indirectly linked to) a major customer, supplier, corporate or financial banker, or senior adviser of the Company or of its Group, or for whom the Company or its Group represents a significant part of its business;
- criterion 4: not to have a close family tie to a corporate officer of the Company;
- criterion 5: not to have been the Company's Statutory Auditor in the preceding five years;
- criterion 6: not to have been a Director of the Company for more than twelve years (independent status is lost after twelve years);
- criterion 7: not to be, be controlled by or represent, a shareholder holding alone or in concert more than 10% of the share capital of the Company or voting rights at its General Meetings.

Every year, the Board pays particular attention to the criterion of significant business ties (criterion 3). Where business dealings or relationships have been identified between the Company and the companies in which the directors considered as independent hold positions or directorships, certain qualitative and/or quantitative factors are generally considered by the Board as confirming the independence of the directors concerned: for example, the insignificance of the amount from the viewpoint of each of the parties, or the gap in time between the relationship and the appointment. As was the case last year, seven directors currently meet all of the independence criteria, namely Ms. Stéphanie Bensimon, Victoire Boissier, Élisabeth Cunin, Dominique Dudan, Ingrid Nappi, Pascale Roque, and Mr. Bruno Servant, the representative of Generali Vie. With regard to Ms. Elisabeth Cunin, now Chairwoman of the Kiabi group, the Appointments and Compensation Committee met on June 20, 2019 to decide whether the independence criteria were still met. After discussion, the Committee decided that Ms. Elisabeth Cunin met all the independence criteria in accordance with the AFEP-MEDEF Code, as the business links between Mercialys and Kiabi were not significant (less than 0.3% of Mercialys's rental income at December 31, 2019)

The table below provides a summary analysis of the position of each of the directors regarding the independence criteria of the AFEP-MEDEF Code:

B. Directorships and positions held by members of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer

Éric Le Gentil

CHAIRMAN OF THE BOARD OF DIRECTORS

Date of birth: June 20, 1960
French citizen
Business address: 16-18, rue du Quatre-Septembre – 75002 Paris
Number of Mercialys shares held: 27,800

EXPERTISE AND EXPERIENCE

Mr. Éric Le Gentil is a graduate of the École Polytechnique, the Institut d'Études Politiques de Paris and of the Institut des Actuaires Français. He began his career in 1985 in insurance auditing. From 1986 to 1992, he held various positions within the French Ministry of Finance including that of advisor on insurance matters to Pierre Bérégovoy's cabinet. From 1992 to 1999, he held various roles at Athéna Assurances and AGF Assurances. He joined the Generali France group in 1999 as Chief Executive Officer of Generali France Assurances Vie & Iard. In December 2004, he was appointed Chief Executive Officer of Generali France Assurances. From July 17, 2013 until February 13, 2019, Mr. Eric Le Gentil was Chairman and Chief Executive Officer of Mercialys. Since February 13, 2019, he has been Chairman of the Board of Directors of the Company.

MAIN POSITION

- Chairman of the Board of Directors of Mercialys (listed company)

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	February 13, 2013	OGM to be held in 2022
• Chairman of the Board of Directors	February 13, 2013	OGM to be held in 2022
• Member of the Investment Committee	April 13, 2012[(1)]	OGM to be held in 2022
• Member of the Appointments and Compensation Committee	February 13, 2019	OGM to be held in 2022

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Within and outside the Mercialys group		
• None		
Directorships and positions ended during the past 5 years		
• Director of the Association Amis et Mécènes de l'Opéra Comique – AMOC		
• Chief Executive Officer of Mercialys*	❖	
• Managing Partner of La Diane*		

(1) Mr. Eric Le Gentil was the permanent representative of Generali Vie, Director of Mercialys, from January 1, 2009 to February 13, 2013.
** Directorships and positions ended in 2019.*

Vincent Ravat

CHIEF EXECUTIVE OFFICER - NON-DIRECTOR

Date of birth: March 15, 1974
French citizen
Business address: 16-18, rue du Quatre-Septembre – 75002 Paris
Number of Mercialys shares held: 8,841

EXPERTISE AND EXPERIENCE

Mr. Vincent Ravat joined Mercialys in January 2014 as Deputy CEO responsible for letting, operations, marketing & communication teams. Previously, he served from 2011 as Director of Operations France for Hammerson, a property investment, development and management group, listed on the London Stock Exchange, developing its activities in the United Kingdom and France. From 2000 to 2010, he held various positions in Asia, Switzerland, Spain and France, with the King Jouet and Distritoys SA groups, where he was a member of the Executive Committee. He is a graduate of ESC Rouen (now Neoma Business School) and member of the Royal Institution of Chartered Surveyors (MRICS). He was Deputy Chief Executive Officer of Mercialys from August 2016 to February 2019, and he now serves as Chief Executive Officer.

MAIN POSITION

- Chief Executive Officer of Mercialys (listed company)

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Chief Executive Officer	February 13, 2019	OGM to be held in 2022

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Within the Mercialys group		
• Managing Partner of La Diane		
• Managing Partner of Toutoune		
• Member of the Strategic Committee of SCI Rennes-Anglet		
Outside the Mercialys group		
• Director of the Institut pour la Ville & le Commerce		
• Director of the Conseil National des Centres Commerciaux (French council of shopping centers, CNCC)		
Directorships and positions ended during the past 5 years		
• Deputy Chief Executive Officer of Mercialys*	❖	
• Chairman of Mercialys Exploitation*		

* *Directorships and positions ended in 2019.*

Élizabeth Blaise

DEPUTY CHIEF EXECUTIVE OFFICER – NON-DIRECTOR

Date of birth: July 2, 1976
French citizen
Business address: 16-18, rue du Quatre-Septembre – 75002 Paris
Number of Mercialys shares held: 2,273

EXPERTISE AND EXPERIENCE

A graduate of the Institut d'Etudes Politiques de Paris, Ms. Élizabeth Blaise began her auditing career at Mazars & Guérard. In 2001, she joined Oddo Securities as a financial analyst, first in the building materials sector, then in real estate in France. She expanded her scope to European real estate by joining Exane BNP Paribas in 2007 in London. She took on the role of Director of Financial Communications and Strategic Studies for Gecina between 2010 and 2014. Since September 2014, she has served as Chief Financial Officer of Mercialys and since February 2019 she has been in the role of Deputy Chief Executive Officer.

MAIN POSITIONS

- Deputy Chief Executive Officer and Chief Financial Officer of Mercialys (listed company)

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Deputy Chief Executive Officer	February 13, 2019	OGM to be held in 2022

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Within the Mercialys group		
• Permanent representative of Mercialys on the Board of Administration of OPCI UIR II		
Directorships and positions ended during the past 5 years		
• Chairwoman of Mercialys Gestion*		

* *Directorships and positions ended in 2019.*

Stéphanie Bensimon

INDEPENDENT DIRECTOR

Date of birth: May 6, 1976
French citizen
Business address: 20, place Vendôme – 75001 Paris
Number of Mercialys shares held: 100

EXPERTISE AND EXPERIENCE

Ms. Stéphanie Bensimon has a DESS in Finance from the Université Paris IX Dauphine. Since 2016, she has held the position of Managing Director in charge of real estate activities for Ardian France. She has almost twenty years of experience in real estate investment, including five years at Invesco Real Estate where she was Head of Investments for France, Belgium and Southern Europe from 2011. Prior to this, she worked for Carval Investors, a subsidiary of the Cargill Group, and at GE Real Estate Group where she was responsible for real estate investment in for Europe.

MAIN POSITION

- Managing Director, in charge of real estate activities for Ardian France

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	June 7, 2018	OGM to be held in 2022
• Member of the Audit, Risks and Sustainable Development Committee	June 7, 2018	OGM to be held in 2022
• Chairwoman of the Audit, Risks and Sustainable Development Committee	February 13, 2019	OGM to be held in 2022

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
• Director of Poste Immo		
• Co-Manager of Gerpresse – Gestion Étude et Réalisation de Presse		
• Managing Partner of SCI Charlotte		
• Managing Partner of SCI Tamara		
• Managing Partner of La Galaxie		
Directorships and positions ended during the past 5 years		
• Managing Partner of West Bridge SCI*		

* *Directorships and positions ended in 2019.*

Victoire Boissier

INDEPENDENT DIRECTOR

Date of birth: December 28, 1967
French citizen
Business address: 6, allée Jean-Prouvé – 92110 Clichy
Number of Mercialys shares held: 800

EXPERTISE AND EXPERIENCE

With degrees from EM Lyon (major in Finance) and the INSEAD International Executive Program, Ms. Victoire Boissier began her career in 1990 in the banking sector (Barclays) and then joined Générale de Restauration. Between 1995 and 2008 she held a series of positions within Yum France: Financial Analyst, Manager of Strategic Planning, Senior Financial Manager and Chief Financial Officer. From 2009 to 2017, Victoire Boissier has held the position of Vice-President Finance within the Louvre Hotels Group and is a member of the Executive Committee. In 2017, she joined the Grandir/Les Petits Chaperons Rouges educational group, as Deputy Chief Executive Officer.

MAIN POSITION

- Deputy Chief Executive Officer Group Finance at Grandir/Les Petits Chaperons Rouges

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	April 20, 2016	AGM to be held in 2021
• Member of the Appointments and Compensation Committee	October 24, 2017	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Within and outside the Mercialys group		
• None		
Directorships and positions ended during the past 5 years		
• Managing Partner of Achats Services		
• Member of the Executive Committee and Vice-President Finance of Louvre Hôtels Group		

Élisabeth Cunin

INDEPENDENT DIRECTOR

Date of birth: September 17, 1960
French citizen
Business address: 100, rue du Calvaire – 59510 Hem
Number of Mercialys shares held: 1,000

EXPERTISE AND EXPERIENCE

Ms. Elisabeth Cunin is a graduate of the École Polytechnique, of ENSAE and the Institut d'Études Politiques de Paris. She began her career within McKinsey. She then moved to the retail sector, first with Dia, then with Etam. She became Chief Executive Officer of André in 2001 and then of Etam Lingerie in 2005. In 2011, she became Chairwoman of Comptoir des Cotonniers and Princesse Tam-Tam, brands owned by Japanese group Fast Retailing, which also owns Uniqlo. From October 2013 to September 2018 she pursued her career within the Camaïeu group as Chairwoman of the Management Board and then Chairwoman. In May 2019, Ms. Elisabeth Cunin was appointed Chairwoman of the Kiabi group.

MAIN POSITION

- Chairwoman of Kiabi group

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	June 06, 2012	OGM to be held in 2022
• Member of the Appointments and Compensation Committee	November 27, 2013	OGM to be held in 2022
• President of the Appointments and Compensation Committee	October 24, 2017	OGM to be held in 2022

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
• Chairman and Chief Executive Officer and director of Bunsha International		
• Chairwoman of the company & EC		
Directorships and positions ended during the past 5 years		
• Chairwoman of Camaïeu International		
• Chairwoman and member of the Management Board of Financière Brame		
• Chairwoman of the Financière Brame		
• Permanent representative of Camaïeu International on the Board of Directors of Mode Développement Belgique SA		BEL
• Permanent representative of Camaïeu International, General Partner of Camaïeu Monaco & Cie		MCO
• Executive Manager of Camaïeu Asia		SGP
• Executive Director of Camaïeu Apparel (Shanghai) Co Ltd.		CHN

Dominique Dudan

INDEPENDENT DIRECTOR

Date of birth: January 19, 1954
French citizen
Business address: 1, rue de Condé – 75006 Paris
Number of Mercialys shares held: 1,750

EXPERTISE AND EXPERIENCE

Following studies in the sciences, Ms. Dominique Dudan joined the real estate industry. Admitted as a member of the Royal Institution of Chartered Surveyors (MRICS), she has become a Fellow. Between 1996 and 2005, Ms. Dominique Dudan held the position of Head of Development with Accor Hotels & Resorts. She later joined HSBC Reim as Head of Operations and member of the Management Board, and then BNP Paribas Reim as Executive Vice-President and Head of Regulated Real Estate Funds. In 2009, Ms. Dominique Dudan created her own firm, Artio Conseil, while holding the position of Chief Executive Officer of Arcole Asset Management. In 2011, Ms. Dominique Dudan became Chairwoman of Union Investment Real Estate France, a position she held until July 2015. She has been a member of the Board of Directors of Gecina since 2015, and a member of the Supervisory Board of Swiss Life Reim (France) since 2017. Ms. Dominique Dudan is also a member of RICS France, the MEDEF Economic Commission for the Service Professions Group and the Île-de-France Real Estate Club. She has the title of *Chevalier de l'Ordre National du Mérite*.

MAIN POSITION

- Company director

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	April 26, 2018	AGM to be held in 2021
• Member of the Appointments and Compensation Committee	April 26, 2018	AGM to be held in 2021
• Chairwoman and member of the Investment Committee	April 26, 2018	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
• Director and member of the Audit and Risks Committee of Gecina	❖	
• Member of the Supervisory Board and Chairwoman of the Audit Committee of Selectirente	❖	
• Member of the Supervisory Board and member of the Audit and Risk Committee of Swiss Life Asset Managers France (formerly Swiss Life Reim (France))		
• Chairwoman and member of the Supervisory Board of Sofidy Pierre Europe (OPCI)		
• Senior Advisor for the real estate section of LBO France Gestion		
• Fellow of the Royal Institution of Chartered Surveyors		
• Member of RICS France		
• Chairwoman and member of the Supervisory Board of Altixia XII		
• Member of the Supervisory Board of Altixia Commerces		
• Member of the Supervisory Board of Pierre Expansion		
• Chairwoman of Artio Conseil		
• Managing Partner of SCI du 92		
• Managing Partner of William's Hotel		
Directorships and positions ended during the past 5 years		
• Chairwoman of Union Investment Real Estate France		
• Co-manager of Warburg-HIH Invest France		
• Director and Vice-President of the Observatoire Régional de l'Immobilier d'Entreprise en Île-de-France		
• Managing Partner of SCI du Terrier		
• Voluntary liquidator of Les Artisans du Son*		

* *Directorships and positions ended in 2019.*

Jacques Dumas

NON-INDEPENDANT DIRECTOR (DIRECTORSHIP SUBMITTED FOR RENEWAL)

Date of birth: May 15, 1952
French citizen
Business address: 148, rue de l'Université – 75007 Paris
Number of Mercialys shares held: 508

EXPERTISE AND EXPERIENCE

Mr. Jacques Dumas holds a Master's Degree in Law and studied at the Institut d'Études Politiques de Lyon. He began his career as a lawyer, then served as Administration Manager for Compagnie Française de l'Afrique Occidentale – CFAO – (1978-1986). In 1987 he joined Rallye group as Deputy Corporate Secretary, then became Manager of Legal Affairs of the Euris Group in 1994. He is currently Executive Vice-President of Euris and advisor to the Chairman of Casino, Guichard-Perrachon.

MAIN POSITIONS

- Adviser to the Chairman of Casino, Guichard-Perrachon (listed company) and Executive Vice-President of Euris

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	August 22, 2005	OGM of April 23, 2020
• Member of the Appointments and Compensation Committee	December 21, 2017	OGM of April 23, 2020

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
Within the Euris Group		
• Director of Rallye	❖	
• Permanent representative of Euris on the Board of Directors of Finatis and member of the Audit Committee	❖	
• Permanent representative of Euris on the Board of Directors of Casino, Guichard-Perrachon	❖	
• Member of the Supervisory Committee of Monoprix		
Outside the Euris Group		
• Managing Partner of Cognacq-Parmentier		
• Managing Partner of Longchamp-Thiers		
Directorships and positions ended during the past 5 years		
• Chairman of GreenYellow		
• Permanent representative of Covivia on the Board of Directors of Casino, Guichard-Perrachon	❖	
• Member of the Appointments and Compensation Committee of Rallye	❖	
• Member of the Audit, Risks and Sustainable Development Committee of Mercialys	❖	
• Member of the Appointments and Compensation Committee of Casino, Guichard-Perrachon	❖	

Ingrid Nappi

INDEPENDENT DIRECTOR (DIRECTORSHIP DUE TO EXPIRE)

Date of birth: April 1, 1966
French citizen
Business address: ESSEC Business School
1 avenue Bernard-Hirsch, BP 50105 - 95021 Cergy-Pontoise cedex
Number of Mercialys shares held: 950

EXPERTISE AND EXPERIENCE

With a Ph.D. in economics from Université Paris XII and degrees from Université Paris Dauphine (HDR in management science) and the Institut d'Études Politiques de Paris (HDR in Urban Planning and Development), Ms. Ingrid Nappi is a Professor at ESSEC (since 1994). She is also in charge of the Real Estate Economics course at ENPC. She began her career as an economics lecturer at the École Centrale de Lille (1989-1994). She is the author of several books: "*Les bureaux, analyse d'une crise*" (pub. ADEF, 1997), "*Management et Marketing de l'immobilier*" (pub. Dunod, 1999), "*Les mutations de l'immobilier : de la Finance au Développement durable*" (pub. Autrement, 2009), and "*Immobilier d'entreprise : analyse économique des marchés*" (pub. Economica, 2010, 2013). She has also written articles and columns for various academic and business reviews covering the property market. She was given a mandate by the Sustainable Building Plan in 2013-2014 to co-lead a working group on energy renovation and the construction industry. She is a member of several scientific committees. Ms. Ingrid Nappi is a Fellow of the RICS (Royal Institution of Chartered Surveyors) and is also the founder and manager of the OMI (Real Estate Management Observatory).

MAIN POSITION

- Professor and Researcher

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	April 30, 2014	OGM of April 23, 2020
• Member of the Audit, Risks and Sustainable Development Committee	May 5, 2015	OGM of April 23, 2020

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
• Member of the Conseil immobilier de l'État (French government property council)		
• Director of the Observatoire Régional du Foncier en Île-de-France		
• Director of ComUE Université Paris Seine		
• Fellow of the Royal Institution of Chartered Surveyors		
Directorships and positions ended during the past 5 years		
• Director of ADI – Association des Directeurs Immobiliers		

Pascale Roque

INDEPENDENT DIRECTOR

Date of birth: February 14, 1961
French citizen
Business address: Groupe Pierre & Vacances – L'Artois – Espace Pont de Flandre – 11, rue de Cambrai – 75019 Paris
Number of Mercialys shares held: 900

EXPERTISE AND EXPERIENCE

Ms. Pascale Roque is a graduate of ESSEC. She began her career in 1985 at Air France, a group where she spent 15 years, and became involved in topics with major operational issues and organization transformation. In 2001, she joined the Accor hotel group, where she worked as the group's Director of international sales, then sales force and then call centers. In 2006, she was promoted to Chief Executive Officer of the Formule 1 and Etap Hôtel hotels. In 2009, she joined the Pierre & Vacances group as Chief Executive Officer of Résidences Pierre & Vacances and Maeva. In 2013, she became Chief Executive Officer of the B&B Hotels chain. Since 2016, Ms. Pascale Roque has been Chief Executive Officer of Pierre & Vacances Tourisme, member of the group Executive Committee.

MAIN POSITIONS

- Chief Executive Officer of Pierre & Vacances Tourisme, member of the Pierre & Vacances Group Executive Committee

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	October 24, 2017	OGM to be held in 2022
• Member of the Audit, Risks and Sustainable Development Committee	December 21, 2017	OGM to be held in 2022

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
• Permanent representative of PV-CP Gestion Exploitation on the Board of Directors of Sogire		
• Director of Sociedad de Explotación Turistica Pierre et Vacances España SL		ESP
• Director of Bonavista de Bonmont SL		ESP
• Manager of Pierre et Vacances Maeva Tourisme Haute-Savoie		
• Permanent representative of PV Résidences & Resorts France on the Board of Directors of PV Exploitation Belgique		BEL
• Chief Executive Officer of S.E.T. Pierre & Vacances Guadeloupe		
• Chief Executive Officer of S.E.T. Pierre & Vacances Martinique		
• Chief Executive Officer of PV-CP Holding Exploitation		
• Chief Executive Officer of PV-CP Gestion Exploitation		
• Chief Executive Officer of PV Résidences & Resorts France		
• Managing Partner of the Société Hôtelière de l'Anse à la Barque		
• Deputy Director of PV Exploitation Belgique		BEL
• Director of Pierre & Vacances Italia S.r.l.		ITA
Directorships and positions ended during the past 5 years		
• Member of the Audit, Risks and Sustainable Development Committee of Mercialys*	❖	

* *Directorships and positions ended in 2019.*

Michel Savart

NON-INDEPENDENT DIRECTOR (DIRECTORSHIP SUBMITTED FOR RENEWAL)

Date of birth: April 1, 1962
French citizen
Business address: Foncière Euris – 83, rue du Faubourg Saint-Honoré – 75008 Paris
Number of Mercialys shares held: 500

EXPERTISE AND EXPERIENCE

Mr. Michel Savart is a graduate of the École Polytechnique and the École Nationale Supérieure des Mines de Paris. He started his career with Havas in 1986, then moved to Banque Louis Dreyfus in 1987 where he led various projects. Between 1988 and 1994 he managed projects for Banque Arjil (Lagardère Group) and advised the bank's Management Board. From 1995 to 1999 he served as Managing Director of Mergers & Acquisitions for Dresdner Kleinwort Benson (DKB). In October 1999, Mr. Michel Savart joined Euris-Rallye as Head of Private Equity Investments and advisor to the Chairman. He currently holds the position of advisor to the Chairman of the Rallye-Casino group. Since August 2009, he has also been Chairman and Chief Executive Officer of Foncière Euris.

MAIN POSITIONS

- Adviser to the Chairman of the Rallye/Casino group and Chairman and Chief Executive Officer of Foncière Euris (listed company)

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	May 6, 2010	OGM of April 23, 2020
• Member of the Investment Committee	October 22, 2010	OGM of April 23, 2020
• Member of the Audit, Risks and Sustainable Development Committee	December 12, 2018	OGM of April 23, 2020

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
Within the Euris Group		
• Chairman of the Management Board of Centrum Serenada Sp. Zoo		POL
• Chairman of the Management Board of Centrum Krokus Sp. Zoo		POL
• Permanent representative of Rallye on the Supervisory Board of Groupe Go Sport		
• Representative of Delano Holding, co-Manager of Delano Participations		
• Permanent representative of Foncière Euris on the Board of Directors of Casino, Guichard-Perrachon	❖	
• Representative of Foncière Euris, Chairwoman of Marigny Foncière, Mat-Bel 2 and Matignon Abbeville		
• Representative of Immat Bel, co-Manager of Delano Holding		
• Representative of Marigny Foncière, co-Manager of SCI Les Deux Lions and SCI Ruban Bleu Saint-Nazaire		
• Representative of Marigny Foncière, Managing Partner of SCI Pont de Grenelle and SNC Centre Commercial Porte de Châtillon		
• Representative of Mat-Bel 2, Managing Partner of Immat Bel		
• Co-Manager of Guttenbergstrasse BAB5 GmbH		DEU
Outside the Euris Group		
• Chairman of Aubriot Investissements		
Directorships and positions ended during the past 5 years		
• Chairman of the Management Board of Centrum Riviera Sp. Zoo		POL
• Representative of Fenouillet Participation, Manager of Fenouillet Immobilier		
• Permanent representative of Fintis on the Board of Directors of Casino, Guichard-Perrachon	❖	
• Representative of Immat Bel, Manager of Marigny Fenouillet		
• Representative of Marigny Fenouillet, Manager of Fenouillet Participation		
• Representative of Marigny Foncière, Chairwoman of Mat-Bel 2		
• Representative of Mat-Bel 2, Manager of Marigny Fenouillet and Matbelys*		
• Representative of Matignon Abbeville, Manager of Centrum K Sarl and Centrum J Sarl and Centrum NS Luxembourg Sarl		LUX
• Permanent representative of Rallye on the Supervisory Board of Go Sport Group		
• Managing Partner of Montmorency		
• Co-Manager Einkaufszentrumam Alex GmbH		DEU
• Co-Manager of Loop 5 Shopping Centre GmbH		DEU
• Member of the Appointments and Compensation Committee of Mercialys	❖	

* *Directorships and positions ended in 2019.*

La Forézienne de Participations

NON-INDEPENDENT DIRECTOR

Simplified joint stock company with capital of Euro 568,599,197
Head office: 1, cours Antoine Guichard – 42000 Saint-Étienne
Saint-Etienne Trade and Companies Register 501 655 336
Number of Mercialys shares in portfolio: 22,235,085

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	December 10, 2010	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
Within the Casino group		
• Chairman of Jekk		
• Director of Shopping Property Fund 1		
Directorships and positions ended during the past 5 years		
• Director of Proxipierre*		

* *Directorships and positions ended in 2019.*

David Lubek

PERMANENT REPRESENTATIVE OF LA FORÉZIENNE DE PARTICIPATIONS

Date of birth: May 13, 1973
French citizen
Business address: Groupe Casino - 148, rue de l'Université – 75007 Paris
Number of Mercialys shares held: 0

EXPERTISE AND EXPERIENCE

Graduate of École Polytechnique and ENSAE, holder of a post-graduate degree in economics (EHESS), Mr. David Lubek began his career as assistant economics professor at ENSAE. He joined the Ministry of Finance in 2000 in the Budget Department, where he occupied several managerial positions (research budget, budget execution summary). In 2006, he joined the Finance Inspectorate, where he was in charge of consulting and audit assignments for the public and private sectors. He joined Groupama in 2010 as Director of the group's general audit. Mr. David Lubek was Director of Management Control for the Casino group from 2013 until October 2018, when he was appointed Deputy Chief Financial Officer. In November 2018, he was appointed Chief Financial Officer of Casino group and joined the Executive Committee.

MAIN POSITION

• Chief Financial Officer and member of the Executive Committee of the Casino group

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Permanent representative of La Forézienne de Participations	November 13, 2017	AGM to be held in 2021
• Member of the Investment Committee	December 12, 2018	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
Within the Casino group		
• Member of the Supervisory Committee of GreenYellow		
• Chairman and Chief Executive Officer and Director of Casino Finance		
• Chairman and member of the Supervisory Committee of Monoprix		
• Chairman and member of the Supervisory Committee of Cnova Pay		
Directorships and positions ended during the past 5 years		
• Member of the Audit, Risks and Sustainable Development Committee of Mercialys	❖	
• Permanent representative of Casino, Guichard-Perrachon on the Supervisory Board of Monoprix		
• Director of Ségisor*		

* *Directorships and positions ended in 2019.*

Société Generali Vie

INDEPENDENT DIRECTOR

Société anonyme (limited liability company) with capital of Euro 336,872,976
Head office: 2, rue Pillet-Will - 75009 Paris
Paris Trade and Companies Register 602 062 481
Number of Mercialys shares held: 7,373,571

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Director	April 30, 2014	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
Within the Generali France group		
• Director of Generali IARD		
• Director of Generali Luxembourg		LUX
• Director of GFA Caraïbes		
• Director of the association The Human Safety Net France (THSN France)		
• Director of Pour la Location du Moncey – Beeotop		
Outside the Generali France group		
• Director of Foncière Développement Logements	❖	
• Director of Observation Sélection		
• Director of Palatine Mediterranea		
• Director of Reconnaissance Europe		
• Director of Risque & Sérénité		
• Director of Fonds Nouvel Investissement 1		
• Director of Fonds Nouvel Investissement 2		
• Director of Carte Blanche		
• Director of Vigeo		
• Director of Immeo SE		DEU
• Director of Comgest Monde		
• Member of the Supervisory Board of Covivio Hotels	❖	
• Member of the Supervisory Board of Foncia Pierre Rendement		
• Non-voting Director of Fonds Logement Intermédiaire		
Directorships and positions ended during the past 5 years		
• Chairman of Haussmann Investissement		
• Director of Europe Assistance Holding		
• Director of Expert et Finances		
• Member of the Supervisory Board of Foncière de Paris SIIC	❖	
• Member of the Supervisory Board of SCPI Generali Habitat		

Bruno Servant

PERMANENT REPRESENTATIVE OF GENERALI VIE

Date of birth: February 26, 1960
French citizen
Business address: Generali France – 2, rue Pillet-Will – 75009 Paris
Number of Mercialys shares held: 2,000

EXPERTISE AND EXPERIENCE

A graduate of ESSEC and the Institut d'Études Politiques de Paris, Public Service section, and the Institut des Actuaires, Mr. Bruno Servant began his career at Crédit Lyonnais in August 1985. In January 1986 he became portfolio manager at Citibank, and in May 1988 he joined Banque Shearson Lehman Hutton. He joined Deutsche Bank in May 1990, where he was head of the Institutional Investment Management department and Chairman of the Management Board of Deutsche Asset Management SA. In September 2003, he became Deputy Chief Executive Officer of UBS Global Asset Management France SA. He then joined the Generali Group in September 2007 as Deputy Chief Executive Officer and Corporate Secretary of Generali Investments France. Since March 2012, he has been Investment Director at Generali Vie.

MAIN POSITION

- Investment Director at Generali Vie

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY AS AT FEBRUARY 12, 2020

Directorship/Position	Date appointed	Date when term expired
• Permanent representative of Generali Vie	April 30, 2014	AGM to be held in 2021
• Member of the Investment Committee	April 30, 2014	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS	Listed company	Outside France
Directorships and positions held in 2019 and in effect at February 12, 2020		
Outside the Mercialys group		
Within the Generali France group		
• Managing Partner of SCI GF Pierre		
Outside the Generali France group		
• Representative of Generali Vie on the Board of Directors of SICAV Objectif Selection		
• Director of Sycomore Factory		
• Chairman of the Board of Directors of Generali Investments Asia Limited		HKG
• Member of the Supervisory Board of Lion River I		NLD
• Member of the Supervisory Board of Lion I and Lion River II		NLD
• Member of the Board of Generali Insurance Management SpA (SGR)		ITA
• Chairman of the Board of Generali Real Estate S.p.A.		ITA
Directorships and positions ended during the past 5 years		
• Permanent representative of Generali Vie, member of the Supervisory Board of Foncière de Paris SIIC	❖	
• Permanent representative of Generali France Assurances on the Supervisory Board of Foncière des Murs	❖	
• Director of STEG		

D. General principles governing the Board's composition

The Board's operating procedures are established by law, the Company's articles of incorporation and the Board's internal rules. They are detailed in the Board of Directors' internal rules, found in chapter 9, § 9.1.5, p. 374 *et seq*.

The Board of Director's composition is guided by the main principles below:

- Directorships have a term of three years and the Board is partly renewed every year, pursuant to the Company's articles of association and the AFEP-MEDEF Code, to allow business continuity, promote smooth renewal of directors and allow shareholders sufficient opportunity for expressing their opinion about these directorships;
- the articles of association stipulate no age limit for directors other than the statutory limit according to which no more than one-third of the directors may be over the age of 70;
- the Board of Directors consists of at least three and at most eighteen members, appointed by the Ordinary General Meeting of shareholders (see Article 14 of the articles of association, or p. 370);
- under Article 23 of the articles of association, one or more non-voting directors may be selected from the shareholders and appointed by the Ordinary General Meeting or, between two Ordinary General Meetings, by the Board of Directors subject to approval at the next Annual General Meeting. Non-voting directors, appointed for a three-year term, attend the meetings of the Board of Directors. In this connection, they provide comments and opinions and take part in discussions in an advisory capacity. There may not be more than five non-voting directors. The age limit for serving as a non-voting director is set at eighty. However, the Company has no non-voting directors;
- according to the Internal rules, each director must hold a number of shares in registered form equivalent to at least one year's compensation in respect of their activity.

E. Events affecting the composition of the Board of Directors in fiscal year 2019

Governance

Date of Board of Directors meeting	Before the Board of Directors meeting	After the Board of Directors meeting
February 13, 2019	Éric Le Gentil: Chairman and Chief Executive Officer Vincent Ravat: Deputy Chief Executive Officer	Éric Le Gentil: Chairman of the Board of Directors Vincent Ravat: Chief Executive Officer Élizabeth Blaise: Deputy Chief Executive Officer

Directors

Date of the Annual General Meeting	Departure	Ratification	Renewal	Appointment
April 25, 2019	None	Stéphanie Bensimon *	Éric Le Gentil Élisabeth Cunin * Pascale Roque * Stéphanie Bensimon *	None

* *Independent director.*

The Annual General Meeting of April 25, 2019, ratified the directorship of Stéphanie Bensimon as independent director, appointed on June 7, 2018, to replace Marie-Christine Levet, who resigned.

F. Changes to the composition of the Specialized committees in fiscal year 2019

Ms. Stéphanie Bensimon was appointed Chairwoman of the Audit, Risks and Sustainable Development Committee at the meeting of the Board of Directors on February 13, 2019, to replace Pascale Roque, whose additional professional responsibilities did not allow her to continue to hold this position. No other change was made to the composition of the Specialized committees during fiscal year 2019.

G. Directorships expiring at the Annual General Meeting of April 23, 2020

Directors	
Whose directorship expires	**Whose directorship is proposed for renewal**
Jacques Dumas Ingrid Nappi * Michel Savart	Jacques Dumas Michel Savart

* *Independent director.*

Pursuant to the recommendation of the Appointments and Compensation Committee, it is proposed that the Annual General Meeting renew the directorships of Mr. Jacques Dumas and Mr. Michel Savart. It is also proposed that the directorship of Ms. Ingrid Nappi should not be renewed.

Hence, subject to the approval by the Annual General Meeting of April 23, 2020, at the end of the Meeting, the Board would be composed of ten members with six independent members as defined by the criteria of the AFEP-MEDEF Code, namely: Ms. Stéphanie Bensimon, Victoire Boissier, Elisabeth Cunin, Dominique Dudan, Pascale Roque and Generali Vie (represented by Mr. Bruno Servant). The Board will also include three representatives of the majority shareholder, namely Messrs. Jacques Dumas and Michel Savart, and La Forézienne de Participations (represented by . David Lubek). Independent directors would make up 60% of the Board, and women 50%.

4.1.2 Senior Management of the Company

Since February 13, 2019, and in order to further improve the quality of the Company's governance with respect to best market practices, the functions of Chairman of the Board of Directors and Chief Executive Officer have been separated. Mr. Éric Le Gentil was appointed Chairman of the Board of Directors, Mr. Vincent Ravat appointed Chief Executive Officer and Ms. Élizabeth Blaise appointed Deputy Chief Executive Officer.

The Annual General Meeting of April 25, 2019 renewed the directorship of Mr. Éric Le Gentil, and the Board of Directors which met after this Annual General Meeting renewed this new governance for three years. As Chairman of the Board, Mr. Éric Le Gentil will perform specific functions in addition to the chairmanship of the Board, which are as follows:

- relations with major shareholders and with major financial and/or industrial partners;
- participation in the development of strategy and oversight of its implementation;
- interface between the Board and Senior Management.

A. Restrictions on the powers of the Company's Senior Management

The Chief Executive Officer and the Deputy Chief Executive Officer have the most extensive powers to act on behalf of the Company in all circumstances, pursuant to Article L. 225-56 of the French Commercial Code. These powers are to be exercised within the scope of the Company's purpose and of the powers expressly conferred by statute on Annual General Meetings and on the Board of Directors. They represent the Company in its relations with third parties. However, as part of good corporate governance, the Board of Directors has decided to limit the powers of Senior Management and to make certain management actions subject to its prior approval, depending on their nature or the amount involved. Thresholds have been set to ensure that the Board of Directors approves the most significant transactions, in accordance with statutes and the principles of corporate governance. The Chief Executive Officer must therefore obtain the Board of Directors' prior authorization before:

- any transaction likely to affect the strategy of the Company and the companies it controls, their financial structure or the scope of their activity, in particular the signing or termination of any agreement likely to have a material effect on the future of the Company and/or its subsidiaries;
- any transaction or commitment exceeding Euro ten million (Euro 10,000,000), and in particular:
  - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities,
  - any acquisition or assignment of claims, lease rights or other intangible assets,
  - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities,
  - any acquisition or disposal of properties or real-estate rights,
  - any issue of securities by companies controlled directly or indirectly by the Company,
  - any action with a view to granting or obtaining any loan, credit or cash advance,
  - any transaction or any settlement relating to a dispute.

However, the Euro 10 million threshold does not apply to the internal operations of the Mercialys group, which, where appropriate, require the approval of the Chief Executive Officer and the Deputy Chief Executive Officer.

The Chief Executive Officer may delegate some or all of his powers to the Deputy Chief Executive Officer or to a member of the Management Committee.

The same applies to development projects covered by the Partnership agreement with the Casino group, regardless of the amount concerned, which must be submitted to the Board of Directors for prior authorization in accordance with the terms of said agreement.

Furthermore, Senior Management, *i.e.* the Chief Executive Officer and the Deputy Chief Executive Officer, has specific authorized annual limits on guarantees, loans, credit facilities, commercial papers and bond issues, which require their joint approval.

On December 12, 2019, the Board of Directors authorized Senior Management, for a period ending December 31, 2020, to give sureties or guarantees on the Company's behalf to its subsidiaries in proportion to the stake held, subject to the

limit of an annual aggregate amount of Euro 100 million and an amount per commitment of Euro 10 million.

Senior Management is also authorized to negotiate and implement, including to renew and extend or replace, borrowings, confirmed lines of credit, cash advances and all financing contracts, whether syndicated or not, within the limit of an annual amount of Euro 100 million.

In addition, Senior Management is authorized to negotiate and issue commercial papers up to a maximum of Euro 500 million.

Finally, Senior Management is authorized to issue bonds for a total maximum amount of Euro 300 million per year and, in this regard, to set the characteristics and terms, and to carry out any related capital market transactions.

B. Management Committee

- The purpose of the Management Committee, set up in September 2019 to replace the Executive Committee, is to represent all the Company's functions: Senior Management, Finance, Human Resources, CSR, Asset management, Letting, Operations, Marketing, Legal, Innovation and Real Estate Development.
- This extensive remit enables the company to take advantage of an ability to listen widely to its customers and to identify potential improvements as well as signs of weakness, for a better approach to risks and opportunities.
- The Committee monitors operational performance and enables implementation of any actions to optimize it. Topical operating subjects and the various departments' projects are analyzed there, as well as the Company's major focuses.
- Composed of 14 members, the Management Committee has a balanced gender representation.

4.1.3 Preparation and organization of the Board of Directors' work

4.1.3.1 Operation of the Board of Directors

Pursuant to the provisions of Article L. 225-35 of the French Commercial Code, the Board of Directors determines the broad lines of the Company's business activities and ensures they are implemented. With the exception of the powers expressly granted to General Meetings and within the scope of the Company's corporate purpose, the Board of Directors acts in all matters concerning the smooth operation of the Company and deliberates on such matters.

It also conducts such audits and reviews as it deems appropriate.

The Board of Directors also examines and approves the Company's and its subsidiaries' full-year and half-year consolidated financial statements and presents reports on their business and results; it determines the Company's business plan and financial projections. It reviews the Management Report and the Corporate Governance Report, with a view to their approval. It appoints the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officer, and determines their compensation. It determines whether Senior Management functions are combined or separated. It allocates stock warrants, stock options and bonus shares, and implements employee shareholding plans. It also reviews the Company's equal opportunities and equal pay policy every year.

The manner in which the Board of Directors' work is prepared and organized is defined by statute, the Company's articles of association, the provisions of the Board of Directors' Internal rules and the charters of Board's Specialized committees.

The Board of Directors shall meet as often as the interest of the Company requires and whenever the Board deems it appropriate. Meetings of the Board of Directors shall only be quorate if at least half the members are present. Decisions shall be taken by a majority of the members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote.

The Chairman organizes and directs the Board of Directors' work and reports on it to the Annual General Meeting of shareholders.

In this respect, the Chairman convenes meetings of the Board of Directors and draws up the agenda and minutes. The Chairman monitors the operation of the Company's management bodies and verifies in particular that the directors are capable of carrying out their duties.

A. Internal rules of the Board of Directors

The organization and operation of the Board of Directors are governed by its Internal rules adopted on August 22, 2005. These were last amended on December 12, 2019 to ensure compliance with Article 19 of the AFEP-MEDEF Code. Directors who may be concerned by a conflict of interest, must abstain from attending debates on the related resolutions. These group together the different rules applicable to the Board under statute, the regulations and the Company's articles of association. The Internal rules also include the corporate governance principles which the Board upholds and applies.

The Internal rules also describe the functioning, powers, responsibilities and tasks of the Board and its Specialized committees: the Audit, Risks and Sustainable Development Committee, the Appointments and Compensation Committee and the Investment Committee.

The professional ethics rules and good governance principles applicable to the members of the Board of Directors are set forth in § 4.1.6, p. 240.

The Internal rules establish the principle that the functioning of the Board of Directors should be subject to regular formal appraisal.

They also describe the manner in which, and on what terms, meetings are conducted and votes are taken, and enable the directors to take part in Board Meetings by videoconference or other means of telecommunication. The Internal rules of the Board of Directors are available to shareholders in this Universal Registration Document (see chapter 9, § 9.1.5, p. 374 *et seq.*). They may also be consulted online at the Company's website: www.mercialys.com.

B. Information on the Board of Directors

The conditions for exercising the right to information established by statute, and the obligations of confidentiality arising therefrom are specified in the Board's Internal rules.

The Chairman of the Board of Directors is required to provide each director with all the documents and information they require to perform their duties.

For this purpose, the information required for examination of the points to be discussed by the Board of Directors is provided to Board members before Board Meetings. Each director is therefore provided with a file containing all the information and documents relating to the items on the agenda, subject to its availability and depending on the progress made on these cases. A secure platform set up at the end of fiscal year 2016 launched the use of electronic files for the Board and the Committees, facilitating data transmission and archiving, and improving the level of confidentiality.

Board members are informed of changes in the markets and in the competitive environment, and of the primary challenges faced, including those related to the Company's Corporate Social Responsibility.

Under the Internal rules of the Board of Directors, Senior Management provides the Board of Directors, at least once every six months, with a report on the activities of the Company and its main subsidiaries, including changes to revenues and results, investments and disposals, a statement of debt and the credit facilities available to the Company and its main subsidiaries, a list of the agreements referred to in Article 225-39 of the French Commercial Code entered into during the previous half, and a table showing the number of employees of the Company and its main subsidiaries.

When directors take office, they receive all the information necessary for the performance of their duties and may ask to be provided with all documents they believe to be useful. Interviews are organized with certain members of the Management Committee so that they can improve their knowledge of the factors specific to the Company, its businesses and its markets.

Senior Management and the Board's secretariat are available to all directors to provide any information or pertinent explanation.

Between Board Meetings, the Directors receive all important information about the Company or about any event that significantly affects the Company, about the transactions or information previously provided to them, or the subjects discussed at meetings. They are invited to the meetings where the financial results are presented to financial analysts.

All directors can, if they deem it necessary, receive additional training on the Company's specific features, businesses, areas of activity, its social, societal and environmental priorities, and on accounting or financial aspects in order to further their knowledge. No director asked for training in 2019.

4.1.3.2 Duties of the Board of Directors

A. Approval of the financial statements – Business-related activity of the Company and its subsidiaries

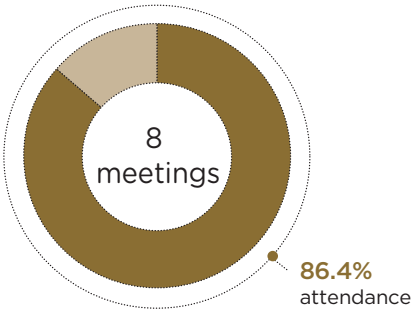
In 2019, the Board approved the financial statements at December 31, 2018, the financial statements for the first half of 2019, as well as the business plan and financial projections of Mercialys. It approved the reports and resolutions submitted to the Combined ordinary and Extraordinary General Meeting on April 25, 2019. It was also informed of the Group's operations at March 31 and September 30, 2019.

The Board of Directors approved the separation of the positions of Chairman of the Board of Directors and the Chief Executive Officer. It also approved the sale of the two Monoprix premises at Saint-Germain-en-Laye and La Garenne-Colombes, as well as the Anglet and Rennes hypermarket premises, owned by SCI Rennes-Anglet in which Mercialys holds a 30% stake, and isolated units directly held by Mercialys on these same sites.

The Board also benefited from specific presentations on the Company's gender equality policy.

Furthermore, the Board of Directors reviewed the Company's budgetary and strategic orientations and authorized the refinancing policy and operations.

The Board of Directors met eight times in 2019. The average attendance rate of directors was 86.4%.



B. Corporate governance

The Board of Directors also reviewed the Company's position with regard to the principles of corporate governance: composition and organization of the Board and the Committees, renewal of the directorships and independence of the directors.

The Board of Directors has approved the Management Report and the Corporate Governance Report.

The Board was informed of the work of the Specialized committees as described below (see § 4.1.4, p. 236 *et seq.*).

Furthermore, the Company's independent directors met on October 24, 2019 They submitted a report on their observations and recommendations to the Chairman of the Board of Directors They confirmed to the Chairman of the Board of Directors the smooth functioning of the Board both prior to and following the establishment of the new governance since the separation of the positions of Chairman of the Board and Chief Executive Officer. The independent directors also indicated to the Chairman that they have every confidence in Senior Management and support it in all its projects.

C. Corporate Social Responsibility

The Board of Directors also approved chapter 2 of the 2018 Registration Document, presenting the Group's CSR policies as part of the ongoing progress plan launched by Mercialys. These policies are based on four fundamental principles.

1. Define an ambitious, achievable strategy that helps create differentiation;
2. Prefer experimentation prior to the roll-out of certain actions;
3. Be agile with a strong capacity to adapt to the regions;
4. Promote the implementation of partnership arrangements with certain stakeholders.

Their roll-out is backed by the commitment of all teams to building the strategy, to setting quantitative and qualitative objectives depending on the subject, to introducing them gradually into each business line, and to developing a communication strategy tailored to the different audiences.

By means of the report by the Audit, Risks and Sustainable Development Committee, the Board of Directors was also informed of all the points listed in § 4.1.4.1 B, p. 238, and in particular the Mercialys CSR 2018 assessment, its CSR 2019 roadmap, and changes in its ethics approach aimed at ensuring compliance with the highest standards of business ethics.

D. Compensation – Granting of bonus shares

After consulting the Appointments and Compensation Committee, the Board of Directors decided on the variable compensation to be paid in respect of fiscal year 2018 to Messrs. Éric Le Gentil and Vincent Ravat as, respectively, Chairman and Chief Executive Officer and Deputy Chief Executive Officer, on the basis of the quantitative and qualitative objectives approved by the Board of Directors.

In accordance with the provisions of the Sapin II Law, the amount of this variable compensation was submitted for the approval of the Ordinary General Meeting of April 25, 2019 (ex-post resolutions approved at 94.65% for Mr. Éric Le Gentil and at 94.71% for Mr. Vincent Ravat). This compensation was paid to the corporate officers at the end of the Annual General Meeting of April 25, 2019.

In connection with the 2019 compensation policy presented to the Ordinary General Meeting of April 25, 2019, the Board of Directors also set the 2019 objectives for the compensation of Mr. Vincent Ravat as Chief Executive Officer and Ms. Élizabeth Blaise as Deputy Chief Executive Officer. Mr. Éric Le Gentil as Chairman of the Board of Directors no longer receives variable compensation. The Board also set the compensation principles and criteria for the compensation of all the executive corporate officers.

Following the approval of the 15th resolution by the Ordinary General Meeting on April 26, 2018, the Board of Directors decided to introduce bonus share plans for the benefit of all Mercialys employees, for the Group's key staff, and bonus share plans for Mr. Vincent Ravat and Ms. Élizabeth Blaise (see § 4.2.2.4, B, 65 p. 260, and section 4.2.2.6, B, 5, p. 267 *et seq.*).

4.1.4 Specialized committees

The Board of Directors is supported in its work by three Specialized committees: the Audit, Risks and Sustainable Development Committee, the Appointments and Compensation Committee, and the Investment Committee.

All committee members are directors. They are appointed by the Board of Directors in view of their training, expertise and experience. The Board also appoints the Chairman of each committee.

The assignments and specific operating methods of each committee were defined by the Board when the committees were set up and included in the internal rules. The Chairman of each committee reports to the Board of Directors on the work of each of its meetings.

At February 12, 2020, the Specialized committees were composed as follows:

Audit, Risks and Sustainable Development Committee[1]	Investment Committee	Appointments and Compensation Committee
4 members 3 of whom are independent[2]	5 members 2 of whom are independent	5 members 3 of whom are independent[2]
Stéphanie Bensimon Chairwoman – Independent **Ingrid Nappi** Independent **Pascale Roque** Independent **Michel Savart** Non-independent – Representative of the majority shareholder	**Dominique Dudan** Chairwoman – Independent **Éric Le Gentil** Non-independent, Chairman of the Board of Directors **David Lubek** Non-independent – Representative of the majority shareholder **Michel Savart** Non-independent – Representative of the majority shareholder **Bruno Servant** Independent 1 permanent guest **Vincent Ravat** Chief Executive Officer	**Élisabeth Cunin** Chairwoman – Independent **Victoire Boissier** Independent **Dominique Dudan** Independent **Jacques Dumas** Non-independent – Representative of the majority shareholder **Éric Le Gentil** Non-independent, Chairman of the Board of Directors

(1) Thanks to their training and experience, the members of the Audit, Risks and Sustainable Development Committee have the necessary skills in terms of finance and accounting. Details of the members' expertise are presented in § 4.1.1.1, p. 216.

(2) Committee with a majority of independent directors, in accordance with the AFEP-MEDEF Code, chaired by an independent female director. Details of the members' expertise are presented in § 4.1.1.1, p. 216.

4.1.4.1 Audit, Risks and Sustainable Development Committee

A. Duties and responsibilities

The Audit, Risks and Sustainable Development Committee helps the Board of Directors fulfill its role in reviewing and approving the full-year and half-year financial statements, and in examining any transaction, fact or event that may have a significant impact on the position of Mercialys or its subsidiaries in terms of commitments and/or risks.

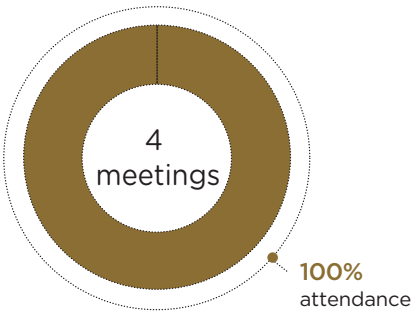
In this capacity, in accordance with Article L. 823-19 of the French Commercial Code and on the responsibility of the Board of Directors, the Audit and Risks Committee is responsible for matters relating to the preparation and control of financial and accounting information.

Its duties are:

- to assist the Board of Directors in its task relating to the examination and approval of the full-year and half-year financial statements;
- to review the Group's full-year and half-year financial statements and associated reports before they are presented to the Board of Directors;
- to hear the Statutory Auditors and receive information about their auditing proceedings and their findings;
- to review and express an opinion on applications for the position of Statutory Auditor of the Company and its subsidiaries on the occasion of all appointments;
- to ensure the independence of the Statutory Auditors with whom it has regular contact and examine in this respect, all their relations with the Company and its subsidiaries and to express an opinion on the requested fees;
- to periodically examine the internal control procedures and, in general, the audit, accounting and administration procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, Internal Audit Departments and the Statutory Auditors;
- to examine all transactions, facts or events that may have a significant impact on the position of the Company or its subsidiaries in terms of commitments and/or risks;
- to verify that the Company and its subsidiaries have the appropriate means (audit, accounting, and legal) to guard against risks and anomalies in the management of the business of the Company and of its subsidiaries;
- to approve the provision of services other than the certification of accounts by the Statutory Auditors and members of their networks in accordance with applicable legislation;
- follow up the application of the sustainable development policy.

The powers and responsibilities of the Audit, Risks and Sustainable Development Committee are confirmed in its rules of organization and operation, especially as regards the analysis of management risks and the detection and prevention of management irregularities. available on the Company's website at: www.mercialys.com.

B. Activity in 2019



On approving the full-year and half-year financial statements, the Audit, Risks and Sustainable Development Committee verified the closing processes and read the Statutory Auditors' report, which included a review of all of the Company's consolidation operations and financial statements, in particular the accounting policies applied. It also reviewed the Company's material risks and off-balance sheet commitments. It was provided with the audit schedule and the Statutory Auditors' fees for 2019.

The Committee has ascertained the independence of the Statutory Auditors. Numerous exchanges took place in particular with regards to the implementation of the new report.

The Committee reviewed Mercialys's internal control and risk prevention documents. The Committee has taken note of the risk mapping and of the work carried out by the Risks Prevention Committee.

It was also provided with the conclusions of the Statutory Auditors on their work concerning the procedures for the preparation and processing of accounting and financial information.

In connection with the procedure for reviewing signed related-party agreements, the Audit, Risks and Sustainable Development Committee examined Senior Management's general report on related-party agreements entered into in fiscal year 2019.

Lastly, the Audit, Risks and Sustainable Development Committee, examined Mercialys's 2018 CSR assessment and approved the 2019 roadmap setting out actions for environmental certification, waste management, the carbon path and the change of CSR reporting tool.

The Committee also examined the Mercialys ethics approach, in particularly by looking more deeply into governance, the protection of personal data, the fight against corruption, statements of interest, protection of whistle-blowers, management of insider information and the fight against harassment and discrimination.

4.1.4.2 Investment Committee

A. Duties and responsibilities

In particular, the duty of the Investment Committee is to examine the investment strategy, to give an opinion on the annual investment budget, and to study any planned investment or disposal by the Company. It is also tasked with examining and issuing an opinion on all renegotiations relating to the partnership contract signed with the Casino group with regard to property development, on all subjects concerned by said agreement.

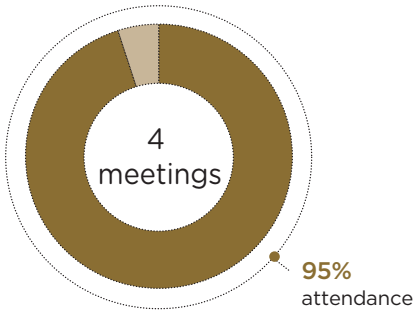
Its duties are:

- to examine the investment strategy and ensure that planned acquisitions and disposals are consistent with this strategy; in this respect, the Committee shall be regularly informed of planned investments and disposals;
- to examine and issue an opinion on the annual investment budget;
- to study and issue an opinion on planned investments and disposals subject to prior authorization from the Board of Directors;
- to examine all negotiations (annual or other) relating to the Partnership agreement signed with the Casino group concerning property development and acquisitions, on which it issues an opinion to the Board of Directors;
- to carry out all appropriate studies or assignments.

The Committee's opinions are adopted by simple majority. When the Investment Committee considers a transaction involving the Casino group, the two representatives of the majority shareholder take part in the discussions in an advisory capacity.

The Investment Committee has drawn up a charter to confirm its powers and responsibilities, in connection firstly, with the determination of the strategy and the monitoring of Mercialys's investment activity, and secondly, with the prior authorizations that the Company is required to give to Senior Management. available on the Company's website at: www.mercialys.com.

B. Activity in 2019



The Committee issued its recommendations regarding the various plans for extensions, acquisitions and asset sales submitted to the Board of Directors.

As part of the process of reviewing all related-party agreements, the Investment Committee examined Senior Management's report on related-party agreements entered into during the 2019 fiscal year.

The Committee also took account of the progress of certain projects that had received prior authorization, as well as changes in Mercialys's development projects portfolio.

4.1.4.3 Appointments and Compensation Committee

A. Duties and responsibilities

The principal duties of the Appointments and Compensation Committee are to examine candidates for Senior Management positions and directorships, and to prepare decisions on the compensation of Senior Management, of the Chairman of the Board of Directors, in the event that the functions of Chairman and Chief Executive Officer are separated, and the allocation of compensation paid to directors and members of the committees. It also examines the proposed stock warrant, stock option and bonus share plans. It examines the composition of the Board of Directors.

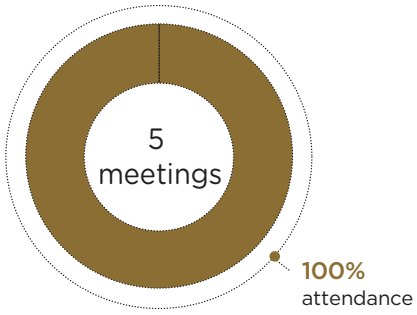
Its duties are:

- to prepare the setting of the compensation of the Chairman of the Board of Directors in the event that the functions of Chairman and Chief Executive Officer are separated;
- to prepare decisions on the compensation of the Chief Executive Officer and any Deputy Chief Executive Officer(s) and to propose, as required, qualitative and quantifiable criteria for determining the variable component of such compensation;
- to assess all the other benefits and compensation awarded to the Chief Executive Officer and if applicable, any Deputy Chief Executive Officer(s);
- to examine proposed stock warrant, stock option and bonus share plans for employees and executives so that the Board of Directors may set the overall and/or individual number of awarded options or shares, as well as the terms and conditions for awarding them;
- to examine the composition of the Board of Directors;
- to examine the candidacies for directorships, having regard to the candidates' business experience and skills, their gender and the extent to which they are representative in economic, social and cultural terms;
- to examine candidacies for the position of Chief Executive Officer and, where applicable, Deputy Chief Executive Officer;
- to obtain disclosure of all useful information relating to the methods of recruitment, compensation and status of the Company's senior executives and its subsidiaries;
- to make proposals for and to provide assessments of the compensation and benefits of non-voting directors;
- to assess the position of each director in light of any relationship they might have with the Company or its subsidiaries that might compromise their freedom of judgment or lead to potential conflicts of interest with the Company;
- to implement the regular evaluation of the Board of Directors.

The Appointments and Compensation Committee has drawn up rules confirming its powers and responsibilities, particularly with regard to implementing and organizing the evaluation of the operation of the Board of Directors, and reviewing compliance with – and the proper application of – the principles of corporate governance and ethics rules, particularly those derived from the Board's Internal rules. Available on the Company's website at: www.mercialys.com.

The Appointments and Compensation Committee, in accordance with the duties assigned to it, annually reviews the composition of the Board of Directors regarding the criteria for good governance, particularly in respect of the balanced representation of men and women and independence in the Board and of the members, but also in terms of the skills, experience, complementary skills and involvement of each member. In particular, it has reviewed the position of each Director in light of any relationship they may have with Group companies that might compromise their freedom of judgment or lead to conflicts of interest.

B. Business activity in 2019



The Committee conducted its annual review of the organization and operation of the Board of Directors and its Specialized committees, as well as a review of the proper application of the principles of corporate governance and of the rules of ethics in accordance with the AFEP-MEDEF Code and the Board's Internal rules. It presented its recommendations to the Board of Directors.

The Committee also reviewed the position of all the directors in light of any connections with Group companies that may compromise their freedom of judgment or engender a conflict of interest, particularly as regards renewing the directorships of Board members.

It reviewed the Corporate Governance Report in accordance with Articles L. 225-37 and L. 225-37-4 of the French Commercial Code.

It was consulted regarding the question of separating the functions of Chairman of the Board of Directors and Chief Executive Officer, and gave the Board of Directors a favorable recommendation.

It was informed about the methods used to determine the 2018 fixed and variable compensation payable to the Chairman and Chief Executive Officer and Deputy Chief Executive Officer (2018 *ex post* compensation policy submitted to the Ordinary General Meeting of April 25, 2019), the results of the 2017 long-term incentive arrangements for the Chairman and Chief Executive Officer and the renewal of the specific annual powers of Senior Management regarding sureties and guarantees, loans and credit facilities, and the issuance of bonds and commercial paper.

Furthermore, the Committee examined the *ex ante* 2019 policy for compensation of the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer, as submitted for approval to the Ordinary General Meeting of April 25, 2019 pursuant to Article L. 225-37-2 of the French Commercial Code, introduced by the Law of December 9, 2016 relating to transparency, anti-corruption action and modernization of the economy ("Sapin II" Law).

The Committee also examined the methods for setting up bonus share plans benefiting all Mercialys group employees, key employees and corporate officers, as well as the associated performance criteria.

The Appointments and Compensation Committee also carried out its annual review of the question of the succession of the executive corporate officer and noted that the presence of a Deputy Chief Executive Officer makes it possible to mitigate the effect of unexpected replacement of the Chief Executive Officer, and to do so in accordance with the provisions of Article L. 225-55, paragraph 2 of the French Commercial Code which stipulates that "when the Chief Executive Officer ceases to carry out or is prevented from carrying out their duties, the Deputy Chief Executive Officers, unless otherwise decided by the Board, keep their functions and responsibilities until the new Chief Executive Officer is appointed."

It was also informed about the methods for allocating compensation paid to members of the Board of Directors and the Specialized committees.

4.1.5 Assessment of the functioning of the Board of Directors

As recommended by the AFEP-MEDEF Code, the Internal rules provide for annual discussion and regular evaluation of the functioning of the Board of Directors by the Appointments and Compensation Committee, tasked with organizing the implementation of this recommendation, assisted by an outside consultant if it so wishes.

In 2017, the Appointments and Compensation Committee entrusted this evaluation to an external consultant who performed this evaluation based on an analysis of the completed questionnaires submitted personally and in confidence by each of the Directors.

The assessment revealed Mercialys' very good governance in respect of both the membership and functioning of the Board. All the Directors declared their satisfaction with the smooth functioning of the Board and of its committees and with the relations between these bodies and the Chairman and Chief Executive Officer of Mercialys and its Deputy Chief Executive Officer.

A few points for improvement were raised in order to help strengthen the Board and its committees, in particular regarding some organizational aspects.

It also stressed that the individual contribution of some Directors could be improved.

The Board of Directors has duly noted this evaluation, noted the proposed areas for improvement, and taken steps in order to further improve its best practices.

In accordance with the recommendations issued as part of this evaluation, since 2018 a schedule has been drawn up for all directors, including a detailed agenda for all meetings. An update on previously submitted projects was also presented to the Investment Committee. In addition, the risk mapping presentation is now regularly reviewed by the Audit, Risks and Sustainable Development Committee.

The next assessment will be carried out in the second half of 2020.

4.1.6 Ethics

The internal rules of the Board of Directors, and particularly section V, spell out the compliance rules to which the Directors are subject. This section was completed and updated in 2016 and early 2017. It indicates that each director must perform their duties in accordance with the rules of independence, ethics, loyalty and integrity. In particular it includes instructions concerning the duty to inform the director, defense of the corporate interest, prevention and management of conflicts of interest, the diligence of directors, the protection of confidentiality, and ownership by the Directors of shares in the Company. Moreover, measures regarding prevention of insider trading were grouped in the Insider trading policy adopted in 2017 and updated in December 2018, and to which the Internal rules specifically refer. These documents may be consulted on the Company's website: www.mercialys.com.

Section V of the Internal rules specifies that, before accepting their nomination, all directors must acquaint themselves with the laws and regulations relating to their position, the applicable good governance practices and codes, and any requirements specific to the Company arising from the articles of association and these internal rules.

Directors have a duty to request the information which they believe necessary to fulfill their role. To this end, they must submit a request to the Chairman of the Board of Directors, within the appropriate time limits, for all useful information required to effectively participate in meetings with respect to the matters on the Board's agenda.

In 2015, the Board of Directors decided to modify or complete its existing internal procedures and thus consolidate the good governance approach. A decision was therefore made to introduce a process of reviewing all regulated agreements and commitments.

Regarding the rules relating to the prevention and management of conflicts of interest, the Internal rules specify that each director is obliged to inform the Board of Directors about any actual or potential conflict in which they may be involved directly or indirectly, and is obliged to abstain from participating in any discussion and from voting on the corresponding resolution. Furthermore, each director shall consult the Chairman of the Board of Directors before becoming involved in any business activity or accepting any position or obligation that may place them in a situation of actual or potential conflict of interest. The Chairman may take these matters to the Appointments and Compensation Committee or the Board of Directors.

4.1.6.1 Procedure for prior review of regulated agreements and commitments by the Audit, Risks and Sustainable Development Committee and the Investment Committee

Mercialys decided to pay particular attention to the agreements between the various companies of the Mercialys group and to the agreements entered into between, on one hand, the companies of the Mercialys group and, on the other, the companies of the Casino group, Mercialys' majority shareholder, and/or the companies that control it.

In this connection and thus targeting conflicts of interest, the Board of Directors has established a systematic review procedure for agreements with related parties (by involving the Audit, Risks and Sustainable Development Committee and the Investment Committee), over and above the procedure for regulated agreements and commitments as provided for by the French Commercial Code.

Thus, the Board of Directors has implemented a prior review procedure by the Audit and Risks Committee or by the Investment Committee, according to the nature of the agreement in question, before presentation to the Board for information or authorization of all agreements starting at the thresholds it has defined, with some exceptions, between Mercialys or its wholly owned subsidiaries and a related-party.

A related-party means: (i) any company solely or jointly and directly or indirectly controlled by Mercialys, with the exception of wholly owned subsidiaries; (ii) any company that has a significant direct or indirect influence on Mercialys; (iii) any company directly or indirectly controlled by a company with a significant influence on Mercialys.

Regulated agreements and commitments entered into by the Company are also subject to this procedure, regardless of their amount. At the request of Senior Management, this procedure may also be applied to any agreement that does not fall within the scope of this procedure, due to its characteristics. The Board of Directors may also, at the request of the Chairman of the Board of Directors, or the Chairman of the Audit, Risks and Sustainable Development Committee, or the Chairman of the Investment Committee, decide to entrust an ad *hoc* Committee with the prior review of an agreement with a specific related-party due to the nature and importance of the proposed transaction.

A specific organization and operational charter for the procedure was established and approved by the Board of Directors, after an opinion from the Audit, Risks and Sustainable Development Committee. The Internal rules of the Board of Directors also include provisions relating to the principle of prior review of the regulated agreements by the Audit, Risks and Sustainable Development Committee and the Investment Committee.

4.1.6.2 Procedure for prior review of ordinary agreements by the Audit, Risks and Sustainable Development Committee and the Investment Committee

In order to transpose EU Directive No. 2017/828 dated May 17, 2017 establishing a mechanism for supervising agreements between listed companies and their "related parties", the law of May 22, 2019 (Pacte Law) has reinforced the procedure for verification of agreements covered by Article L. 225-38.

It encourages Boards of Directors to regularly assess the so-called "ordinary" agreements, entered into under arm's length conditions (new paragraph 2 inserted in Article L. 225-39 of the French Commercial Code):

"*In companies whose shares are admitted to trading on a regulated market, the Board of Directors sets up a procedure making it possible to regularly assess whether the agreements concerning ordinary transactions concluded under arm's length conditions fulfil these terms and conditions. Persons directly or indirectly concerned by one of these agreements must not participate in the assessment.*"

As mentioned in § 4.1.6.1, in order to prevent conflicts of interest and protect non-controlling interests, the Board has adopted a Charter relating to regulated agreements and commitments which, depending on the purpose of the agreement, tasks the Audit, Risks and Sustainable Development Committee or the Investment Committee with prior review of (i) significant agreements between related parties, (ii) agreements described as regulated agreements (from the first euro) and (iii) any other agreement between related parties by virtue of its characteristics, at the request of Senior Management.

At its meeting on December 12, 2019, the Board of Directors decided to assign the legal duty of annual assessment of "unrestricted" agreements to the Audit, Risks and Sustainable Development Committee and the Investment Committee, depending on the purpose of the agreement. The Committee thereby responsible for this task will give a report and its assessment to the Board of Directors when the Board carries out its annual review of prior regulated agreements and commitments.

The Charter for regulated agreements and commitments has therefore been revised so as to incorporate the mechanism for regular assessment of ordinary agreements entered into by Mercialys. The revised Charter comprises:

- a reminder of the main aspects of French law applicable to regulated agreements and commitments;
- a reminder of agreements falling outside the scope of Article L. 225-38 of the French Commercial Code;
- the principles for classifying agreements entered into by the Company, also referring to the criteria adopted by jurisprudence and the CNCC (French Statutory Auditors' association). The criteria will be shared with the Statutory Auditors;
- a typology of ordinary agreements;
- the creation of an annual report from Senior Management to the relevant Committee(s) concerning assessment of the criteria for classifying agreements from Article L. 225-38 of the French Commercial Code and concerning agreements classified as ordinary agreements;
- the assessment work by the relevant Committee, which can make use of any expert opinion and recommend to the Board that a particular agreement should be reclassified as a regulated agreement or an "ordinary agreement" as a result of its analysis table, or that the criteria should be modified.

The Charter is available on the Company's website at: www.mercialys.com.

4.1.6.3 Convictions

To the Company's knowledge, no member of the Board of Directors has, in the past five years:

- been convicted for fraud or been charged and/or been publicly sanctioned by statutory or regulatory authorities;
- been associated as a senior executive with a bankruptcy, receivership or liquidation;
- been banned by a court from acting as a member of an administrative, managerial, or supervisory body of a publicly traded company, or from being involved in the management or conduct of a publicly traded company.

4.1.6.4 Restrictions accepted by the members of the Board of Directors concerning the disposal of their shares

Pursuant to the Company's articles of association, each director should own at least 100 Mercialys shares. However, the minimum shareholding required by the Internal rules of the Board of Directors is greater, since pursuant to the said Rules, each director, whether a physical or legal person or permanent representative, undertakes to hold a number of shares in the Company corresponding to an amount equivalent to at least one year's compensation by virtue of their position as director; these shares may be acquired by means of the said compensation.

Subject to the above, to the best of the Company's knowledge, there are no restrictions on the members of the Board of Directors concerning the disposal of their investment in the Company's equity capital other than the applicable statutory or regulatory provisions, regarding in particular the undertaking to refrain from trading in Mercialys' shares as part of the prevention of misconduct and insider trading.

4.1.6.5 Prevention of misconduct and insider trading

During fiscal year 2016 and early 2017, the Company updated its Internal rules and recommendations following the changes to the legislative and regulatory framework for preventing market abuse with the entry into force on July 3, 2016 of EU regulation no. 596/2014 of April 16, 2014 on market abuse.

On a recommendation from the Appointments and Compensation Committee, the Board of Directors' Internal rules have been amended and an Insider trading policy has been adopted (last updated December 2018). This policy includes in particular a description 1/ of the applicable laws and regulations 2/ the definition of insider information 3/ measures taken by the Company in the context of the prevention of insider trading 4/ obligations of persons with access to insider information and 5/ applicable sanctions.

The policy applies to members of the Board of Directors, executives and persons having close personal relations with them and, more generally, employees likely to have access to sensitive or insider information.

It creates an Insider Trading Committee tasked primarily with addressing all questions relating to the application of the Insider trading policy.

The Insider trading policy, just like the Board of Directors' Internal rules, refers to observance of the prohibition against executing any transactions in the Company's securities and financial instruments:

- within a period of thirty calendar days prior to announcement of an interim financial report or an end of year report that Mercialys is required to publicly disclose;
- starting from the date when a person has insider information and until such information ceases to be insider information, in particular because it has been publicly disclosed.

4.1.6.6 Attendance and accumulation of directorships

The Board of Directors' Internal rules state that Directors are required to devote the necessary time and attention to their duties. They must endeavor to be diligent and attend all Board of Directors Meetings, Annual General Meetings, and meetings of committees of which they are members. The procedures for setting and allocating Directors' compensation adopted by the Company are in accordance with the AFEP-MEDEF Code which recommends that the variable component linked to diligence should be predominant.

It has been verified that no directors whose directorships come up for renewal at the Annual General Meeting are in a position where they are exceeding the guidelines for simultaneous directorships. The Board of Directors' Internal rules remind Directors that they are required to comply with the statutory rules and with the recommendations of the AFEP-MEDEF Code, which state as follows:

- the executive corporate officer shall not hold more than two other directorships in listed companies outside its group, including foreign companies, and shall request the Board's opinion before accepting a new corporate office in a listed company outside the Group;
- directors shall not hold more than four other directorships in listed companies outside the Group, including foreign companies. This recommendation applies at the time of the appointment or of later renewal to the directorship. Each director will inform the Company of any offices held in other French or foreign companies. He or she will inform the Company of any new office or professional responsibility without undue delay.

4.1.7 Conflicts of interest involving directors and Senior Management

The Company has an important business development relationship with the Casino group, its majority shareholder (see chapter 6, p. 297 *et seq.*). The Casino group may decide to favor its own interests over those of the Company. However, in any event, the organization of governance, the manner in which it enters into contracts, and the use of independent appraisals etc., guarantee that the interests of Mercialys are not affected.

Messrs. Jacques Dumas, David Lubek (permanent representative of La Forézienne de Participations) and Michel Savart, directors, hold management positions and/or are members of the corporate bodies of the majority shareholder of Mercialys or of companies that control it, and receive compensation in this capacity.

Apart from these links, there are no potential conflicts of interest between the obligations of any member of the Board of Directors and of Senior Management as regards the Company and his/her private interests.

There are no service provision agreements between the Company and the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer, or any of the directors. Furthermore, apart from Ms. Élizabeth Blaise, none of the corporate officers hold an employment contract with the Company.

The duties conferred on the Audit, Risks and Sustainable Development Committee, the Investment Committee, and the Appointments and Compensation Committee on which the independent directors sit, prevent conflicts of interest. During Investment Committee discussions about a transaction involving the Casino group, the majority shareholder's two representatives take part in the deliberations only in an advisory capacity.

The duties conferred on the Audit, Risks and Sustainable Development Committee and the Investment Committee, on which the majority of members are independent directors, prevent conflicts of interest, particularly through the process of prior examination of regulated agreements and commitments.

Furthermore, to the best of the Company's knowledge, there are no family ties between members of the Company's Board of Directors.

No agreement has been directly or indirectly entered into between a subsidiary of Mercialys and a senior executive or major shareholder of the Company.

The Company has not granted or constituted any loans or guarantees to any members of its Board of Directors.

With the exception of the contracts binding Casino, Guichard-Perrachon and its subsidiaries to Mercialys, (see chapter 6, p. 297 *et seq.*), no other service agreement exists between the Directors and Mercialys.

4.2 Compensation and benefits of Directors and corporate officers

4.2.1 Compensation and benefits of Directors

4.2.1.1 Principles of the compensation policy for Directors

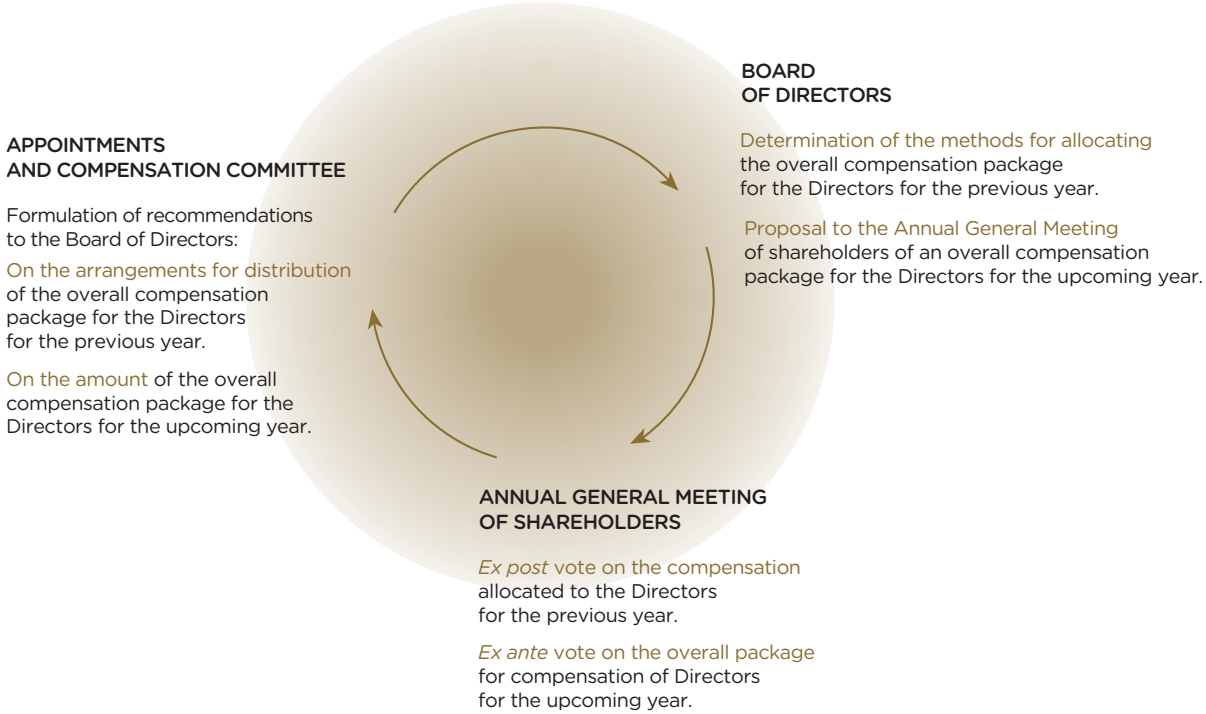
Several years ago, Mercialys introduced a compensation policy for Directors which is intended to be balanced, virtuous and favorable to the Company's corporate interest. Accordingly, the Directors receive compensation in return for sharing their expertise and for their involvement in good governance of the Company, both of which are sources of sustainable development. Mercialys complies scrupulously with the recommendations of the AFEP-MEDEF Code in this domain. In particular it takes all necessary steps to avoid situations leading to potential conflicts of interest, including those that may concern determination of the compensation (the independence of the Directors is assessed annually by the Appointments and Compensation Committee in particular). These reviews are detailed in points 4.1.1, 4.1.6 and 4.1.7 p. 216, 240 and 242.

The principles Mercialys applies to its compensation policy for Directors are:

- **membership of one or more governance bodies**: in addition to their membership of the Board of Directors, the Directors' participation in Specialized committees gives rise to allocation of an additional compensation. The Chairmen of the Committees and of the Board also receive specific compensation in this capacity;
- **the workload and the level of responsibility involved in belonging to Specialized committees: the effort and time Directors devote to the Company are taken into account**. As a result, the Specialized committees do not all entitle Directors to the same level of additional compensation, depending on the number of meetings organized each year and the technical and strategic criticality;
- **attendance**: compensation for directors includes a variable component that is larger than the fixed component, based on their effective individual rate of attendance at Board of Directors' Meetings and Specialized committees. Note that the variable component of compensation for Directors or Committee members who have been absent is not reallocated, except in exceptional circumstances;
- **possibility of exceptional compensation**: in the case of specific events or situations that result in Extraordinary Meetings of the Specialized committees or Board of Directors, additional compensation can be allocated to all or some of the directors.

Mercialys determines and allocates the annual package for compensation of Directors according to the traditional procedure illustrated below:

METHODS FOR DETERMINING THE COMPENSATION POLICY FOR DIRECTORS



4.2.1.2 Compensation of Directors for fiscal year 2019

The Annual General Meeting of April 20, 2016 set the overall amount of the package for compensation allocated to members of the Board of Directors and of the Specialized committees at Euro 325,000, in accordance with the principles of the policy set out above. This amount has remained the same since then, and notably the Annual General Meeting of April 25, 2019 adopted it again.

On the basis of the recommendations of the Appointments and Compensation Committee, the Board of Directors, at its meeting of December 12, 2019, decided to once again adopt the rules used historically to determine allocation of this compensation between members of the Committees and of the Board, as follows:

- the annual unitary amount for compensation of members of the Board of Directors is set at Euro 15,000. This compensation consists of a fixed component and a variable component allocated according to attendance:

	Board of Directors
Fixed annual unitary amount	Euro 5,000
Variable annual unitary amount (for 100% attendance)	Euro 10,000

- additional compensation is paid to members of the Specialized committees. It consists of a fixed component and a variable component. The amounts set for each committee are as follows:

	Investment Committee	Audit, Risks and Sustainable Development Committee	Appointments and Compensation Committee
Fixed annual unitary amount	Euro 4,000	Euro 4,000	Euro 4,000
Variable annual unitary amount (for 100% attendance)	Euro 11,000	Euro 6,000	Euro 6,000
Additional amount paid to the Committee Chairman	Euro 5,000	Euro 5,000	Euro 5,000

Note that:

- the individual or additional compensation indicated above is paid *pro rata temporis* depending on the date when the duties began or ended;
- this compensation is paid in the month following the closing of each fiscal year;
- the individual or additional compensation for members representing or employed by the majority shareholder, the Casino group, or its group of controlled companies, is limited to 50% of the amounts indicated above;
- the corporate officers of Mercialys benefit from an insurance policy taken out by the Company and covering the civil, personal or joint liability of all its senior executives and corporate officers, including those of its subsidiaries, whether directly or indirectly owned. The tax authorities have ruled that this insurance policy covers the risks inherent in corporate officers' activity and that the insurance premium paid by the Company does not, therefore, constitute a taxable benefit.

On this basis, the total gross amount of compensation paid in January 2020 in respect of fiscal year 2019 to members of the Board of Directors and of the Specialized committees totaled Euro 271,711 compared to Euro 288,841 in respect of fiscal year 2018.

The tables below detail the compensation paid by Mercialys in 2018, 2019 and 2020 to each of the directors. It is stipulated that no compensation was paid by the companies it controls, and that the Company is not controlled in the sense of Article L. 233-16 of the French Commercial Code.

Note that the information concerning Mr. Éric Le Gentil, Chairman of the Board of Directors, is shown also in full detail in § 4.2.2.2, B, 2, p. 253.

COMPENSATION PAID TO DIRECTORS IN 2018 AND 2019 (FOR FISCAL YEARS 2017 AND 2018)

(in euros)	**Amounts paid in 2018**	**Amounts paid in 2019**
Stéphanie Bensimon	-	12,649[1]
Victoire Boissier	17,600	24,091
Bernard Bouloc	34,701[2]	-
Anne-Marie de Chalambert	43,889	18,447[4]
Élisabeth Cunin	25,945	29,091
Yves Desjacques	9,296[3]	-
Dominique Dudan	-	25,644[4]
Jacques Dumas	12,500	12,500
Antoine Giscard d'Estaing	13,889	11,250
Marie-Christine Levet	28,889	11,196[1]
David Lubek	768[3]	12,500
Ingrid Nappi	20,167	23,182
Pascale Roque	3,154	24,200
Michel Savart	18,300	20,000
Bruno Servant	30,000	0[5]
Generali Vie	-	14,091[5]
Sub-total excluding Éric Le Gentil, Chairman of the Board of Directors	**259,098**	**238,841**
Éric Le Gentil	50,000	50,000[6]
TOTAL	**309,098**	**288,841**

(1) Resignation of Ms. Marie-Christine Levet on June 7, 2018 / Co-option of Ms. Stéphanie Bensimon on June 7, 2018.

(2) Resignation of Mr. Bernard Bouloc from his position on October 24, 2017 / Co-option of Ms. Pascale Roque on October 24, 2017.

(3) Mr. David Lubek was appointed on November 13, 2017, replacing Mr. Yves Desjacques, as a permanent representative of La Forézienne de Participations.

(4) Non-renewal of Ms. Anne-Marie de Chalambert's directorship at the Annual General Meeting of April 26, 2018 / Appointment of Ms. Dominique Dudan as new director.

(5) Generali Vie changed its compensation policy starting in fiscal year 2018 and now receives its compensation directly in its capacity as Director sitting on the Mercialys Board of Directors. Since this new policy was introduced, Mr. Bruno Servant, the permanent representative of Generali Vie, has waived his share of payment of his compensation in his capacity as member of the Investment Committee.

(6) Mr. Éric Le Gentil benefited from additional compensation amounting to Euro 20,000 payable to the Chairman and Chief Executive Officer up to February 12, 2019. During fiscal years 2017 and 2018, he was not however a member of the Appointments and Compensation Committee.

COMPENSATION PAID TO DIRECTORS IN 2020 (FOR FISCAL YEAR 2019)

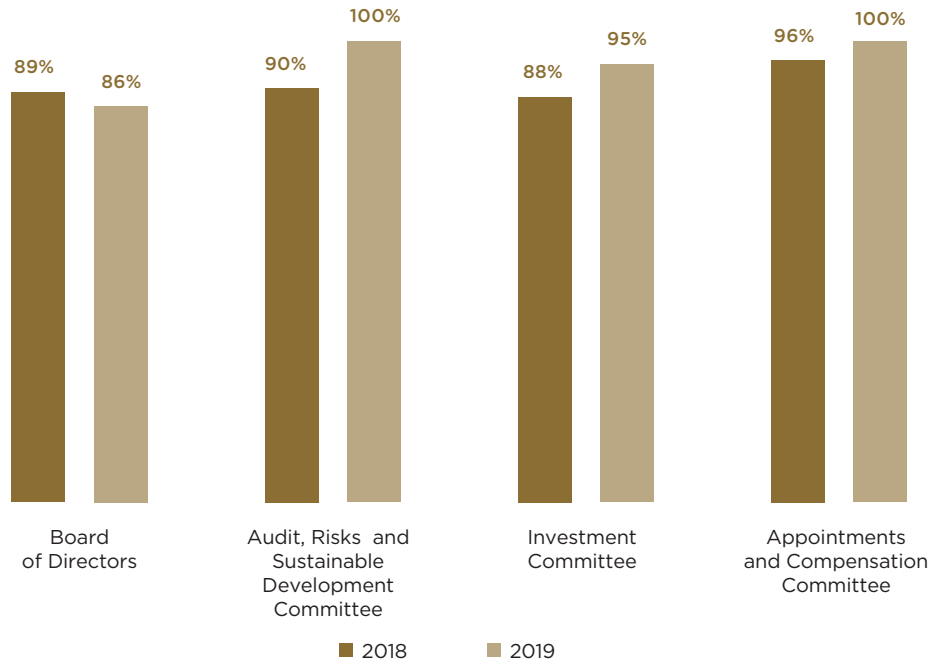
			Specialized Committees						
	Board of Directors		Investment Committee		Audit, Risks and Sustainable Development Committee		Appointments and Compensation Committee		
(in euros)	Fixed component	Variable component	Fixed component	Variable component	Fixed component	Variable component	Fixed component	Variable component	Total
Stéphanie Bensimon	5,000	8,750	-	-	8,425	6,000	-	-	28,175
Victoire Boissier	5,000	8,750	-	-	-	-	4,000	6,000	23,750
Élisabeth Cunin	5,000	8,750	-	-	-	-	9,000	6,000	28,750
Dominique Dudan	5,000	10,000	9,000	11,000	-	-	4,000	6,000	45,000
Jacques Dumas	2,500	5,000	-	-	-	-	2,000	3,000	12,500
David Lubek	2,500	625	2,000	4,125	-	-	-	-	9,250
Ingrid Nappi	5,000	8,750	-	-	4,000	6,000	-	-	23,750
Pascale Roque	5,000	8,750	-	-	4,575	6,000	-	-	24,325
Michel Savart	2,500	5,000	2,000	5,500	2,000	3,000	-	-	20,000
Generali Vie / Bruno Servant	5,000[1]	10,000[1]	0[2]	0[2]	-	-	-	-	15,000
Sub-total excluding Éric Le Gentil, Chairman of the Board of Directors	**42,500**	**74,375**	**13,000**	**20,625**	**19,000**	**21,000**	**19,000**	**21,000**	**230,500**
Éric Le Gentil	7,411[3]	10,000	4,000	11,000	-	-	4,000	4,800	41,211
TOTAL	**49,911**	**84,375**	**17,000**	**31,625**	**19,000**	**21,000**	**23,000**	**25,800**	**271,711**

(1) Generali Vie changed its compensation policy starting in fiscal year 2018 and now receives its compensation directly in its capacity as director sitting on the Mercialys Board of Directors.

(2) Since this new policy was introduced, Mr. Bruno Servant, the permanent representative of Generali Vie, has waived his share of payment of his compensation in his capacity as member of the Investment Committee.

(3) This amount includes Euro 2,411 corresponding to the additional compensation, on a pro rata basis between January 1 and February 12, 2019, of Euro 20,000 up until now payable to the Chairman and Chief Executive Officer, but for which Mr. Éric Le Gentil is no longer eligible since his appointment as Chairman of the Board of Directors on February 13, 2019.

ATTENDANCE RATE AT MEETINGS OF THE BOARD OF DIRECTORS AND SPECIALIZED COMMITTEES



4.2.1.3 Compensation policy for Directors in respect of 2020

In December 2019, at the request of the Appointments and Compensation Committee, a benchmark was drawn up relating to compensation of Directors, which shows that the levels of Mercialys' annual fixed and variable unitary compensation are in compliance with practices observed in peer companies of the same size.

In this context, the Board of Directors intends to propose to the Annual General Meeting of April 23, 2020 that the overall package for annual compensation of the Directors should be kept at Euro 325,000.

It is intended that the historical allocation criteria, indicated in § 4.2.1.2 p. 244 will, subject to any unforeseen events, also remain unchanged in 2020.

4.2.2 Compensation and benefits of executives

4.2.2.1 Principles of the compensation policy for executives

Several years ago, Mercialys introduced a compensation policy for executives which is intended to be balanced, virtuous and aligned with the Company's strategy and such as to contribute to its long-term performance. The Board of Directors is aware of the responsibility associated with setting the compensation and objectives of the executives, and has therefore decided to adopt best practice in the industry, ensuring that the compensation policy will motivate executives, secure their loyalty and reward their performance.

Accordingly, Mercialys complies with the recommendations defined by the AFEP-MEDEF Code when determining the compensation policy for its executives, *i.e.*: exhaustiveness, balance between the components of compensation, benchmarking, coherence, intelligibility of the rules and measure.

Its approach is based on three structuring principles:

1. objective recognition of performance;
2. convergence of internal and external interests;
3. Valuing sustainability dimensions.

Objective recognition of performance	Valuing sustainability dimensions	Convergence of internal and external interests
• Compensation linked to performance of the Company, via predominance of the variable component in the executives' compensation package • Predominance of quantifiable criteria within the annual and long-term variable compensation of executives	• Presence of quantifiable CSR criteria in the annual variable compensation of executives since 2018 • Introduction of a quantifiable CSR criterion in the long-term variable compensation of executives in 2020(1)	• Alignment of the interests of executives and shareholders: long-term variable compensation paid in the form of shares subject to the criteria of performance, service and ownership • Internal fairness: differences in compensation over time between executives and employees moderate and stable

(1) Subject to approval of the 2020 compensation policy by the Ordinary General Meeting of April 23, 2020.

The Board of Directors reviews the compensation policy annually in the light of these criteria, after assessment by the Appointments and Compensation Committee, and the policy is then submitted for a vote by the Annual General Meeting of shareholders in accordance with the applicable legislation (*ex ante* vote).

In addition to this annual review, the compensation policy voted upon *ex ante* by the Annual General Meeting may, exceptionally, be revised during the year. If an unforeseen event were to occur, the Appointments and Compensation Committee could propose duly justified amendments to the Board of Directors. The Board will assess whether these amendments are justified and will submit this amended policy for approval by the shareholders in accordance with the steps set out below.

It should not be forgotten that Mercialys, in which 64% and 60% of the members of the Board of Directors and Appointments and Compensation Committee respectively are independent, has put in place the necessary procedures to avoid conflicts of interest within its governance bodies (see § 4.1.1, 4.1.6 and 4.1.7 p. 216, 240 and 242) and, in particular, situations that may arise in the determination of the compensation of its executives.

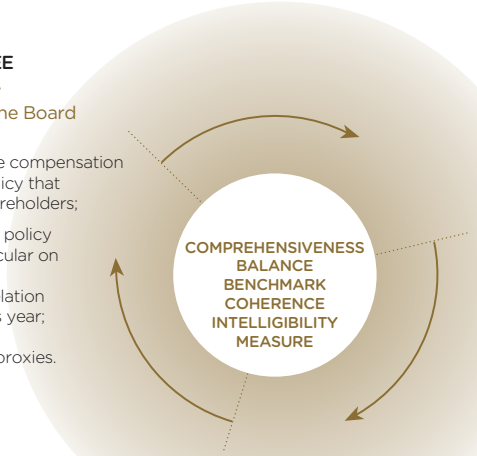
PRINCIPLES AND METHODS FOR DETERMINING THE COMPENSATION POLICY FOR EXECUTIVES

APPOINTMENTS AND COMPENSATION COMMITTEE

Draws up the compensation policy for executives and proposes it to the Board of Directors. Its proposals concern:

On the one hand, determination of the compensation for the elapsed year, in light of the policy that was subject to an *ex ante* vote by shareholders;

On the other hand, the compensation policy for the upcoming year, based in particular on
1. the Company's strategic priorities;
2. the performance of executives in relation to the criteria adopted in the previous year;
3. changes in sectoral practices;
4. discussions with shareholders and proxies.



BOARD OF DIRECTORS

Examines the proposals from the Appointments and Compensation Committee and submits the compensation and policies to a vote by the shareholders, in particular:

Decides upon the compensation for the elapsed year in accordance with the policy that was subject to an *ex ante* vote by the Annual General Meeting

Sets the methods of the compensation policy for the upcoming year, in particular the criteria and objectives for the short and long-term variable compensation

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Approves or rejects the compensation and policies proposed by the Board of Directors:

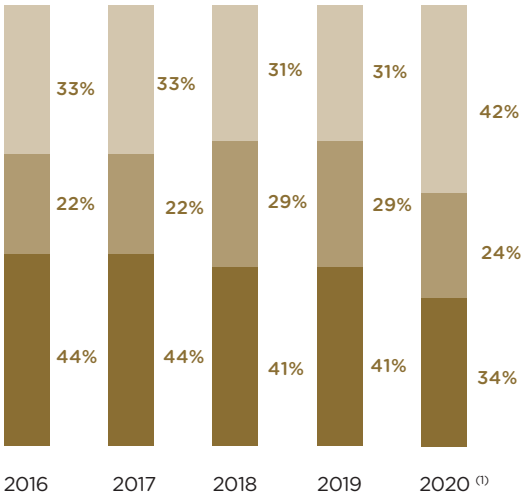
Vote *ex post* on the compensation allocated to the executives for the elapsed year

Vote *ex ante* on the policy for compensation of executives for the upcoming year

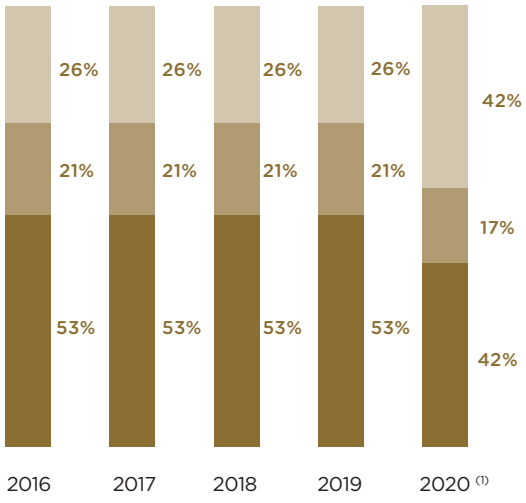
CHANGES IN THE STRUCTURE OF THE TOTAL TARGET COMPENSATION FOR EXECUTIVES

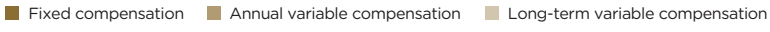
(On the basis of the compensation policy in respect of the indicated year)

(CHAIRMAN)-CHIEF EXECUTIVE OFFICER



DEPUTY CHIEF EXECUTIVE OFFICER





(1) Subject to approval of the 2020 compensation policy by the Ordinary General Meeting of April 23, 2020.

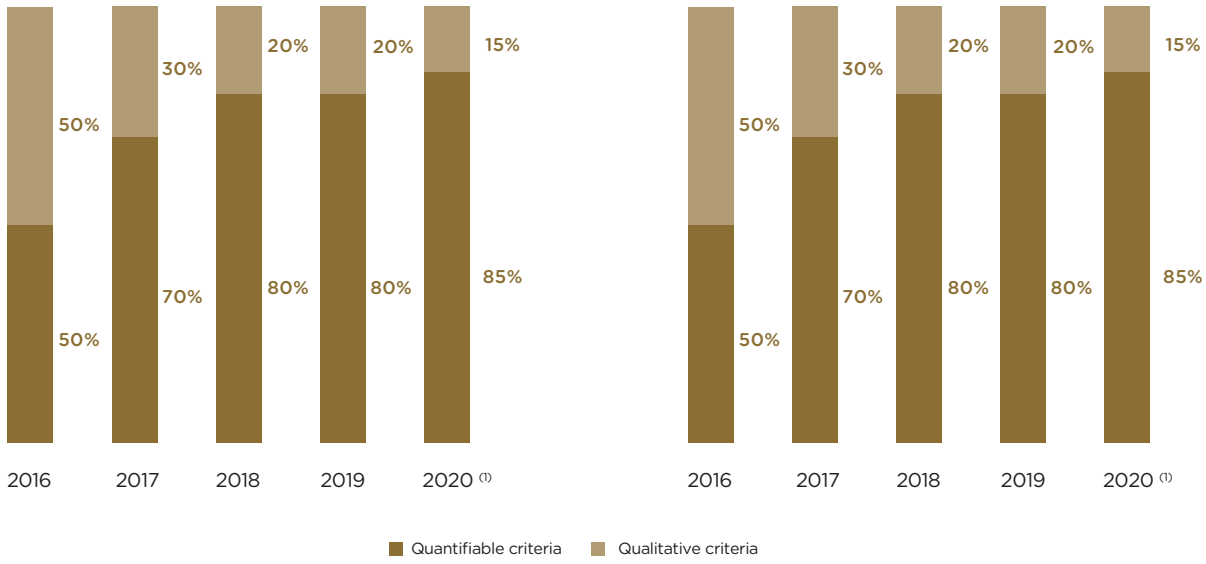
CHANGES IN THE CRITERIA FOR ANNUAL VARIABLE COMPENSATION OF EXECUTIVES

(On the basis of the compensation policy in respect of the indicated year)

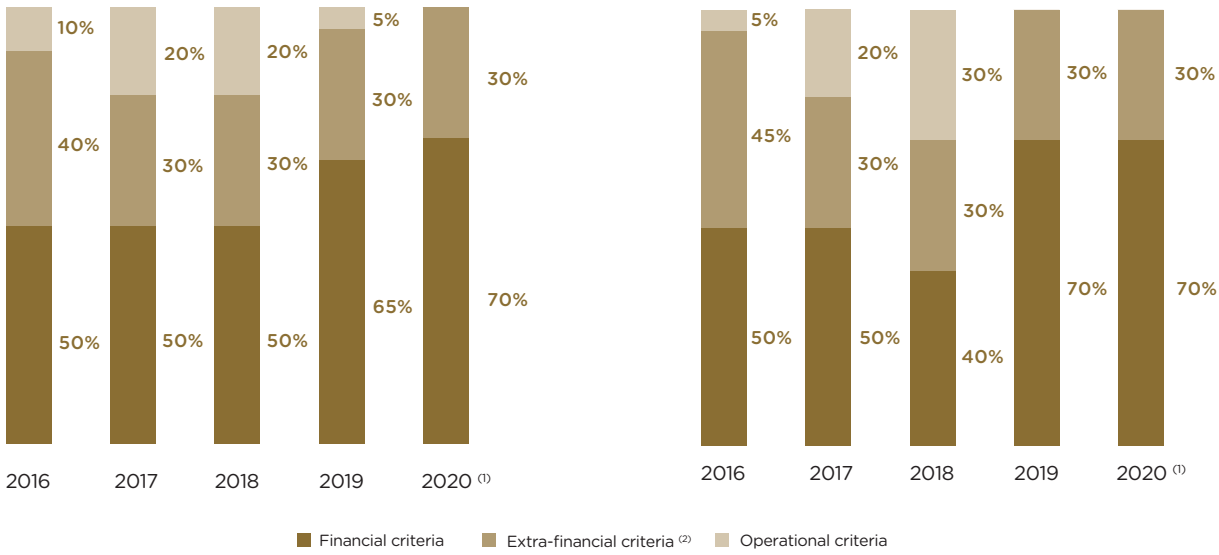
(CHAIRMAN)-CHIEF EXECUTIVE OFFICER

DEPUTY CHIEF EXECUTIVE OFFICER

BY NATURE



BY TYPE



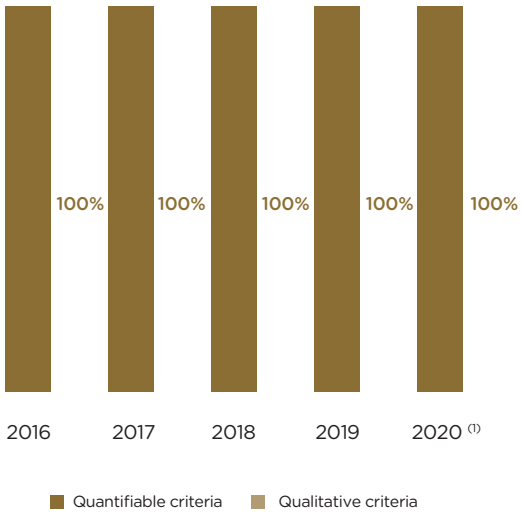
(1) Subject to approval of the 2020 compensation policy by the Ordinary General Meeting of April 23, 2020.
(2) Of which within the extra-financial criteria: 10% CSR criteria in 2018 and 2019 and 15% in 2020.

CHANGES IN THE CRITERIA FOR LONG-TERM VARIABLE COMPENSATION OF EXECUTIVES

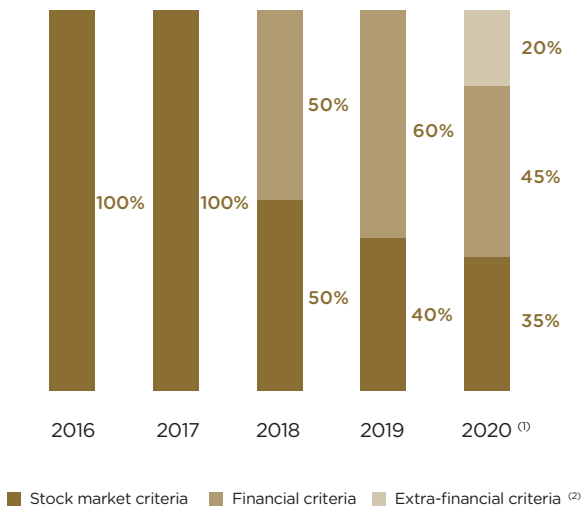
(On the basis of the compensation policy in respect of the indicated year)

(CHAIRMAN)-CHIEF EXECUTIVE OFFICER AND DEPUTY CHIEF EXECUTIVE OFFICER

BY NATURE

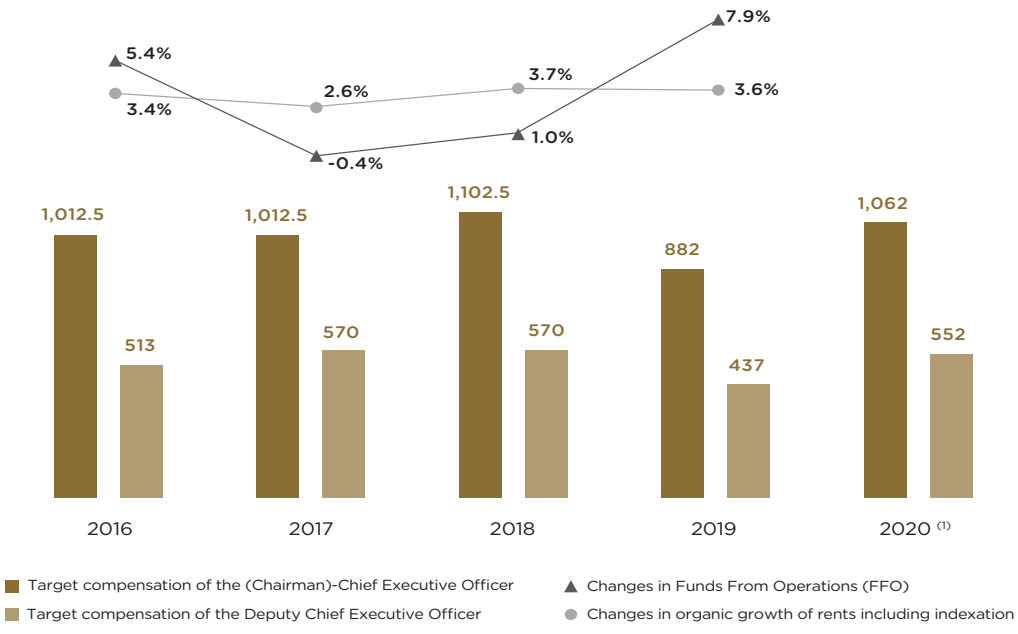


BY TYPE



CHANGES IN COMPANY PERFORMANCE AND TARGET COMPENSATION POLICIES FOR EXECUTIVES

(in euro thousands)



(1) Subject to approval of the 2020 compensation policy by the Ordinary General Meeting of April 23, 2020.
(2) The extra-financial criteria introduced into long-term variable compensation in 2020 relate entirely to CSR.

CHANGES IN DIFFERENCES IN COMPENSATION BETWEEN EMPLOYEES AND SENIOR EXECUTIVES AND NON-EXECUTIVES

Compensation equity ratios (amounts paid in respect of the indicated year)

Average ratios	2015	2016	2017	2018	2019
Chairman and Chief Executive Officer	13.54	18.93	19.63	16.82	-
Chairman of the Board of Directors	-	-	-	-	16.31
Chief Executive Officer	-	-	-	-	11.05
Deputy Chief Executive Officer	7.15	6.52	9.49	7.50	6.72

Median ratios	2015	2016	2017	2018	2019
Chairman and Chief Executive Officer	15.54	23.08	23.94	18.63	-
Chairman of the Board of Directors	-	-	-	-	18.71
Chief Executive Officer	-	-	-	-	12.68
Deputy Chief Executive Officer	8.21	7.95	11.58	8.31	7.71

Calculation methodology

In accordance with the AFEP guidelines dated January 28, 2020 concerning compensations multiples, and to accurately reflect the changes in governance that have come into effect at Mercialys since 2015[1], the information is presented in respect of the positions.

The compensation equity ratios presented are calculated using the following methodology:

- Year N average ratio = compensation paid in year N in respect of the position/average compensation paid in year N to employees (excluding executives and interns);
- Year N median ratio = compensation paid in year N in respect of the position/median of compensation paid in year N to employees (excluding executives and interns).

Compensation paid in year N consists of the following elements, in the numerator and the denominator:

- Fixed salaries paid during year N, including employee's and employer's social security contributions;
- Variable salaries paid during year N, including employee's and employer's social security contribution[2];
- Exceptional compensation paid during year N, including employee's and employer's social security contributions;
- Bonus shares allocated definitively during year N[3];
- Compensation in respect of directorships paid in year N, including employer's and employee's social security contributions.

Explanation of the main changes

The change observed in 2016 for the Chairman and Chief Executive Officer is due to the payment of his allowances for taking up the position, allocated in 2013 but paid after a period of three years.

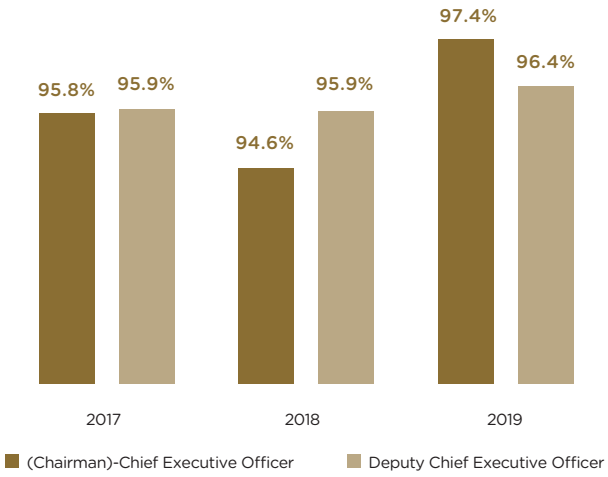
The changes observed in 2017 for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer are due to the fact they received long-term variable compensation.

Finally, the 2019 equity ratio of the Chairman of the Board of Directors includes the annual variable compensation paid in respect of his office of Chairman and Chief Executive Officer in 2018. In accordance with the applicable regulations, this variable compensation was paid to him following *ex post* approval by the Annual General Meeting of April 25, 2019.

The overall analysis of compensation equity ratios above demonstrates that the compensation of Mercialys executives is reasonable. In addition to contributing to social cohesion within the company, these levels of compensation correspond broadly to the recommendations of the *proxies*, leading to very strong support from the shareholders observed for several years at the Annual General Meetings when these resolutions were voted upon.

CHANGES IN THE LEVEL OF POSITIVE VOTING ON THE COMPENSATION POLICY FOR EXECUTIVES AT ANNUAL GENERAL MEETINGS

(Vote on the compensation policy for the current year at the Annual General Meeting held in the indicated year, it being specified that Mercialys holds its Annual General Meeting in April)



(1) In April 2016, Mr. Vincent Ravat took over from Mr. Vincent Rebillard in the position of Deputy Chief Executive Officer. It is considered that a single position was available during the year, and that it was occupied by two successive executives. In 2019, following the separation of the positions of Chairman and Chief Executive Officer, Mr. Éric Le Gentil was appointed Chairman of the Board of Directors, Mr. Vincent Ravat was appointed Chief Executive Officer, and Ms. Élizabeth Blaise was appointed Deputy Chief Executive Officer. A pro rata temporis arrangement was applied to the compensation of Ms. Élizabeth Blaise as Deputy Chief Executive Officer, a new corporate officer.
(2) The annual variable compensation paid during year N corresponds to the compensation payable in respect of year N-1.
(3) The shares awarded definitively in year N correspond to the plans in previous years. The share valuation is defined on the basis of the closing stock exchange price on the definitive vesting dates.

4.2.2.2 Compensation policy of the Chairman of the Board of Directors, non-executive corporate officer, in respect of the fiscal year 2019

A. Reminder of the principles and criteria for determining, distributing and allocating the components of compensation of the Chairman of the Board of Directors in 2019

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the compensation package and benefits of any kind, attributable for 2019 to the Chairman of the Board of Directors, were submitted for the approval of the Ordinary General Meeting of April 25, 2019 (12th Resolution).

At this Meeting on April 25, 2019, the shareholders approved the compensation policy thereby proposed for the Chairman of the Board of Directors.

A reminder is provided below of the 2019 compensation policy for the Chairman of the Board of Directors. The way in which this policy was followed is set out in point B below.

You are reminded that this compensation was set after consideration of the benchmark studies analyzed by the Appointments and Compensation Committee and the tasks assigned to the Chairman of the Board of Directors outside the general duties provided for by law, which are as follows:

- relations with major shareholders and with major financial and/or industrial partners;
- participation in the development of strategy and oversight of its implementation;
- interface between the Board of Directors and Senior Management.

The compensation of the Chairman of the Board of Directors consists of fixed compensation and compensation due to his Board membership and his participation in the Investment Committee and the Appointments and Compensation Committee:

- annual fixed compensation: Euro 225,000;
- compensation due his Board membership: according to the rules applicable in the Company, as set out in § 4.2.1.1, p. 243 *et seq*.

This compensation was paid to him as from February 13, 2019, the date he was appointed in his capacity as Chairman of the Board of Directors. Up until February 12, 2019, Mr. Éric Le Gentil was compensated in his capacity as Chairman and Chief Executive Officer.

The Chairman of the Board of Directors receives no variable compensation in cash or securities.

Furthermore, it is specified that Mr. Éric Le Gentil keeps the benefit of the bonus share plans which were awarded to him in his capacity as Chairman and Chief Executive Officer, provided that he is still a corporate officer at the end of the vesting period.

Finally, in view of his previous executive positions, the Chairman of the Board of Directors is subject to a non-competition clause, which terminated the previous clause binding him to the Company in his capacity as Chairman and Chief Executive Officer. In this respect, he may benefit, as a result of this clause, from a monthly compensation equivalent to one-twelfth of 50% of his fixed annual compensation in his capacity as Chairman of the Board of Directors, it being specified that the Company may decide to waive application of the non-competition clause or to reduce its duration. If the Company implements the clause, payment of the allowance would be made in installments during the period of the non-competition obligation, and would apply for a maximum period of one year. This allowance will not be paid if Mr. Éric Le Gentil exercises his entitlement to retire. In any case, no allowance may be paid to him beyond the age of 65.

B. Details of the compensation awarded in respect of fiscal year 2019 or paid in respect of the same fiscal year to Mr. Éric Le Gentil, Chairman of the Board of Directors

1. Summary table of compensation payable by Mercialys and the companies it controls or which control it

The compensation and benefits of any kind payable by Mercialys to Mr. Éric Le Gentil for fiscal years 2018 and 2019 are as follows; it being specified that he receives no compensation from the companies controlled by Mercialys and that Mercialys is not controlled as defined by Article L. 233-16 of the French Commercial Code. Furthermore, it is specified that following the separation of the positions of Chairman of the Board of Directors and Chief Executive Officer on February 13, 2019, the reading of the two fiscal years is not comparable:

TABLE 1 – AFEP-MEDEF CODE

(in euros)	Fiscal year 2019	Fiscal year 2018
Compensation allocated in respect of the fiscal year (see § 2, below)	265,000	1,205,021
Valuation of multi-annual variable compensation awarded during the fiscal year	-	-
Valuation of options awarded during the fiscal year	-	-
Valuation of bonus shares awarded(1)	268,549	268,549
TOTAL	**533,549**	**1,473,570**

(1) Potential valuation of the shares awarded, not yet vested, under plans 24 and 27 and subject to a condition of presence as a corporate officer as well as performance conditions over 3 years (see § 6 below).

2. Compensation paid by Mercialys and the companies it controls

Mr. Éric Le Gentil received the following compensation and benefits of any kind from the Company in his capacity as Chairman of the Board of Directors and Chief Executive Officer in, and in respect of, fiscal years 2018 and 2019:

TABLE 2 – AFEP-MEDEF CODE

	Fiscal year 2019		Fiscal year 2018	
(in euros)	Amounts awarded(7)	Amounts paid(8)	Amounts awarded(7)	Amounts paid(8)
Fixed compensation(1)(2)	225,000(3)	302,762(3)	452,755	452,755
Annual variable compensation(1)(3)	-	504,630	504,630(3)	344,250
Multi-annual variable compensation(1)	-	70,313	70,313	184,140
Exceptional compensation(4)	-	112,500	112,500	175,000
Compensation allocated on account of the directorship	40,000(5)	50,000	50,000	50,000
Benefits in kind(6)	-	14,823	14,823	14,823
TOTAL	**265,000**	**1,055,028**	**1,205,021**	**1,220,968**

(1) Gross compensation before social security contributions and tax.

(2) The amounts indicated also include paid leave.

(3) Mr. Éric Le Gentil was appointed Chairman of the Board of Directors on February 13, 2019, and his compensation as Chairman of the Board of Directors for the fiscal year 2019 was therefore less than Euro 225,000. However, up until February 12, 2019, Mr. Éric Le Gentil received his compensation as Chairman and Chief Executive Officer, and so the amount paid included compensation as Chairman and Chief Executive Officer and compensation as Chairman of the Board of Directors, during the 2019 fiscal year.

(4) See § 5 below.

(5) In accordance with the compensation policy as approved by the Annual General Meeting of April 25, 2019, the Chairman of the Board of Directors lost the benefit of the additional annual compensation of Euro 20,000 which was previously paid to the Chairman and Chief Executive Officer. Since Mr. Éric Le Gentil was Chairman and Chief Executive Officer up until February 12, 2019, this additional compensation was calculated on a pro rata basis for 2019, resulting in a payment of Euro 41,211 in respect of 2019, paid in January 2020.

(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees.

(7) Compensation allocated in respect of the fiscal year, regardless of the date of payment.

(8) Compensation paid during the fiscal year, regardless of the allocation date.

Mr. Éric Le Gentil does not receive any compensation, or benefits of any kind whatsoever from companies controlled by Mercialys.

3. Annual variable compensation

Mr. Éric Le Gentil ceased receiving annual variable compensation on February 13, 2019. In April 2019, he received annual variable compensation in the amount of Euro 504,630 corresponding to his positions as Chairman and Chief Executive Officer in 2018.

4. Long-term variable compensation – Obligation to hold Mercialys shares

As Chairman and Chief Executive Officer, Mr. Éric Le Gentil benefited from long-term variable compensation arrangements.

Under the arrangements of March 11, 2014, Mr. Éric Le Gentil received the sum of Euro 326,188 in March 2017 and, in accordance with the obligation to reinvest, acquired 17,400 shares (Euro 289,000, *i.e.*, the allotted amount, net of payroll taxes) corresponding to an amount exceeding the obligation set by the Board of Directors' Meeting of March 11, 2014 (Euro 162,000). Under the arrangements of March 23, 2015, he received the sum of Euro 184,140 in April 2018 at the end of the Annual General Meeting and acquired, pursuant to the reinvestment obligation, 6,400 shares (Euro 105,216) *i.e.* an amount in excess of the obligation set by the Board of Directors on March 23, 2015 (Euro 66,000). Under the arrangements of March 11, 2016, he received the sum of Euro 70,313 in April 2019 at the end of the Annual General Meeting and acquired, pursuant to the reinvestment obligation, 3,000 shares (Euro 38,870) *i.e.* an amount in excess of the obligation set by the Board of Directors on March 11, 2016 (Euro 35,156).

Mr. Éric Le Gentil is required to hold the number of shares corresponding to the various reinvestment obligations described above, throughout the term of his directorship.

5. Exceptional compensation

The Board of Directors decided, on February 13, 2019 to change the 2018 compensation policy to be able to pay Mr. Éric Le Gentil exceptional compensation to be fully paid by Casino, Guichard-Perrachon as part of the disposal process by Casino, Guichard-Perrachon of all or some of its investment in the capital of Mercialys. The sale by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys constituted a significant special circumstance for the Company which required major involvement by the Chairman and Chief Executive Officer during the 2018 fiscal year. This compensation amounting to Euro 112,500 was paid following approval by the Ordinary General Meeting on April 25, 2019.

6. Stock warrants or stock options and bonus shares awarded by the Company and/or the companies it controls

No stock warrants or stock options were awarded in 2019 by the Company and/or companies that it controls to Mr. Éric Le Gentil.

Mr. Éric Le Gentil is the beneficiary of two bonus share plans, according to the following criteria and arrangements:

TABLE 6 – AFEP-MEDEF CODE

	Bonus shares awarded to Mr. Éric Le Gentil				
No. and date of plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method adopted for the consolidated financial statements	Vesting date	Availability date	Performance conditions
Plan 24, of 04/27/2017	19,269[1]	Euro 97,116	04/27/2020	04/28/2022[2]	YES[3]
Plan 27, of 04/26/2018	21,673[4]	Euro 171,433	04/26/2021	04/27/2023[2]	YES[5]
TOTAL	**40,942**	**EURO 268,549**			

(1) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Mr. Éric Le Gentil will be 28,904 shares corresponding to a valuation of Euro 145,676.

(2) The Board of Directors has set at 50% the number of bonus shares definitively awarded which the beneficiary is required to hold in registered form until the end of his corporate mandate within Mercialys.

(3) Bonus shares become vested only if the beneficiary (in the capacity of corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of two performance criteria: 1/ the absolute performance of the Company's share price, including dividends (Total Shareholder Return - TSR) measured as an annual average between January 1, 2017 and December 31, 2019, for 25% of the initial award; and 2/ the relative performance of the Company's share price including dividends (Total Shareholder Return – TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for 75% of the initial award.

(4) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Mr. Éric Le Gentil will be 32,509 shares corresponding to a value of Euro 257,146.

(5) Bonus shares become vested only if the beneficiary (in the capacity of corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of three performance criteria: 1/ the relative performance of the Company's share price, including dividends (Total Shareholder Return - TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1 2018, measured between January 1, 2018, and December 31, 2020, for 50% of the initial award; 2/ organic growth of rental revenues, including Casual Leasing, excluding indexation, measured as the three-year annual average between January 1, 2018 and December 31, 2020, for 25% of the initial award; and 3/ FFO growth (excluding the carrying cost of the 2019 debt financing, for fiscal year 2018) measured as the three-year annual average between January 1, 2018 and December 31, 2020, for the remaining 25% of the initial award.

In his capacity as Chairman of the Board of Directors, a non-executive corporate officer, Mr. Éric Le Gentil no longer benefits from a bonus share plan.

7. Employment contract, special pension plans, severance pay and non-competition clause

TABLE 11 – AFEP-MEDEF CODE

Employment contract		Supplementary pension plan		Allowances or benefits payable or likely to be payable, due to termination of, or a change in, duties		Compensation linked to a non-competition clause	
Yes	No[1]	Yes	No[2]	Yes	No	Yes[3]	No
	❖		❖		❖	❖	

(1) In accordance with the provisions of the AFEP-MEDEF Code, Mr. Éric Le Gentil, as Chairman of the Board of Directors, does not hold an employment contract with Mercialys.

(2) Mr. Éric Le Gentil does not benefit from any supplementary pension plan. He is included in the mandatory group pension plan (ARRCO and ARGIC) and the benefit plan covering all the Company's employees.

(3) Finally, in view of his previous executive positions, the Chairman of the Board of Directors is subject to a non-competition clause, which terminated the previous clause binding him to the Company in his capacity as Chairman and Chief Executive Officer. In this respect, he may benefit, as a result of this clause, from a monthly allowance equivalent to one-twelfth of 50% of his fixed annual compensation in his capacity as Chairman of the Board of Directors, it being specified that the Company may decide to waive application of the non-competition clause or to reduce its duration. If the Company implements the clause, payment of the allowance would be made in installments during the period of the non-competition obligation, and would apply for a maximum period of one year.

Note that the AFEP-MEDEF tables which do not appear in the foregoing pages do not apply to Mr. Éric Le Gentil for the fiscal year 2019, namely:

- table 3, on compensation received by non-executive corporate officers;
- table 4, on the stock warrants or stock options awarded in the fiscal year to each executive corporate officer by the issuer and by any Group company;
- table 5, on the stock warrants or stock options exercised in the fiscal year by each executive corporate officer;
- table 7, on performance shares that have vested during the fiscal year in favor of each executive corporate officer;
- table 8, on the history of granted stock warrants and stock options;
- table 9, on the history of performance share grants;
- table 10, summarizing multi-year variable compensation.

4.2.2.3 Compensation policy for the Chairman of the Board of Directors, non-executive corporate officer, in respect of the fiscal year 2020

Board of Directors' report on the compensation policy for theChairman of the Board of Directors for fiscal year 2020

(Eighth Resolution of the Ordinary General Meeting of April 23, 2020)

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the compensation package and benefits of any kind, attributable for 2020 to the Chairman of the Board of Directors, must be submitted for the approval of the Ordinary General Meeting of April 23, 2020.

In this connection, the Board of Directors, at its meeting on February 12, 2020, established, on the basis of the recommendations of the Appointments and Compensation Committee, the determining principles and the structure of compensation of the Chairman of the Board of Directors. This compensation was set after consideration of the tasks assigned to the Chairman of the Board of Directors outside the general duties provided for by law, which are as follows:

- relations with major shareholders and with major financial and/or industrial partners;
- participation in the development of strategy and oversight of its implementation;
- interface between the Board and Senior Management.

The compensation of the Chairman of the Board of Directors consists of fixed compensation in respect of his position as Chairman, plus specific compensation paid for his participation in the Investment Committee and the Appointments and Compensation Committee:

- annual fixed compensation: Euro 225,000;
- compensation in his capacity as Director: according to the rules applicable in the Company, as set out in § 4.2.1.1, p 243 *et seq*.

The Chairman of the Board of Directors does not receive variable compensation either in cash or shares, other than the variable component included in his compensation as a director.

Furthermore, it is specified that Mr. Éric Le Gentil keeps the benefit of the bonus share plans which were awarded to him in his capacity as Chairman and Chief Executive Officer, provided that he is still a corporate officer at the end of the vesting period.

Finally, in view of his previous executive positions, the Chairman of the Board of Directors is subject to a non-competition clause, which will terminate on December 31, 2020. In this respect, he may benefit, as a result of this clause, from a monthly allowance equivalent to one-twelfth of 50% of his annual fixed compensation in his capacity as Chairman of the Board of Directors, it being specified that the Company may decide to waive application of the non-competition clause or to reduce its duration. If the Company implements the clause, payment of the allowance would be made in installments during the period of the non-competition obligation, and would apply for a maximum period of one year. This allowance will not be paid if Mr. Éric Le Gentil exercises his entitlement to retire.

4.2.2.4 Compensation of the Chief Executive Officer in respect of fiscal year 2019

A. Principles and criteria for determining, distributing and awarding the compensation components of the Chief Executive Officer in 2019

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the compensation package and benefits of any kind attributable for 2019 to the Chief Executive Officer in respect of his corporate term of office, were submitted for approval by the Annual General Meeting on April 25, 2019 (13th Resolution).

At the Ordinary General Meeting of April 25, 2019, the shareholders approved the principles and criteria for determining and awarding the compensation of the Chief Executive Officer. These principles adhere to the recommendations of the AFEP-MEDEF Code, and are detailed in § 4.2.2.1 p. 247 *et seq.*

A reminder is provided below of the 2019 compensation policy for the Chief Executive Officer. The way in which this policy was followed is set out in point B below.

Fixed compensation

Appointed Chief Executive Officer on February 13, 2019, it was decided, after consideration of the benchmark studies analyzed by the Appointments and Compensation Committee, to increase Mr. Vincent Ravat's fixed compensation from Euro 300,000 to Euro 360,000 with respect to his new functions.

This compensation was due as from February 13, 2019.

Mr. Vincent Ravat is no longer bound by any employment contract, his employment contract with Mercialys Gestion having expired at the end of the Annual General Meeting of April 25, 2019.

With regard to the annual variable compensation and long-term compensation, the Board of Directors decided, on the proposal of the Appointments and Compensation Committee, to align this compensation policy with that granted in 2018 to the serving Chief Executive Officer.

Annual variable compensation

It was proposed to the Annual General Meeting to maintain the variable compensation mechanism put in place in 2018, which included a CSR objective.

The variable compensation is therefore structured around two types of objectives:

1. quantitative objectives, weighted at 80%, of which 1 CSR objective at 10%; and
2. managerial objectives, weighted at 20%.

As indicated above, to align the variable compensation with that of the former Chief Executive Officer, the decision was made to increase the annual variable compensation of the Chief Executive Officer to 70% of his fixed annual compensation (compared to 40% in 2018 in his capacity as Deputy Chief Executive Officer) if the objectives set are achieved. This rate can reach up to 140% of this fixed annual compensation (compared to 80% in 2018 in his capacity as Deputy Chief Executive Officer) if the objectives are exceeded.

The selected criteria, and their weighting in determining the variable compensation, are as follows:

		% of the fixed compensation		
		Minimum	**Target**	**Maximum**
Quantitative objectives Mercialys (80% of the total variable compensation)	FFO growth	0%	17.5%	35.0%
	Organic growth excluding indexation	0%	10.5%	21.0%
	EBITDA margin	0%	10.5%	21.0%
	Reduction in emissions (scopes 1 and 2: energy consumption and refrigerant leaks) as part of the 2030 carbon strategy (-47% between 2017 and 2030)	0%	7.0%	14.0%
	Footfall spread in Mercialys centers as compared to the total CNCC market	0%	3.5%	7.0%
	Buyback and partial refinancing of the 2023 bond issue to extend the duration (without carrying cost impact)	0%	7.0%	14.0%
Managerial objectives (20% of the total variable compensation)		0%	14.0%	28.0%
TOTAL VARIABLE AS % OF FIXED COMPENSATION		**0%**	**70.0%**	**140.0%**

For each quantitative criterion, a minimum threshold of achievement has been set, along with a target level corresponding to the objectives of Mercialys for a performance that meets objectives, and a level of outperformance of the targets. Variable compensation is calculated in a linear fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, payment of the variable portion of the compensation due for fiscal year 2019, after determining the amount based on the achievement of the objectives defined above, is conditional upon approval by the Ordinary General Meeting to be held on April 23, 2020.

Long-term compensation

In order to associate the Chief Executive Officer over the long-term with the Company's shareholding performance, the Board of Directors has decided, subject to compliance with the provisions of Article L. 225-197-6 of the French Commercial Code, on the principle of bonus share awards.

Bonus shares may only be granted to executive corporate officers if the Company grants one of the following benefits to its employees and to at least 90% of employees in its subsidiaries:

- stock options and/or stock warrants;
- bonus shares;
- the introduction of an incentive agreement or statutory profit-sharing agreement. For companies that already have such an agreement in place, the first allocation authorized by the Annual General Meeting held after the introduction of the Law of December 3, 2008, requires that each company (listed company and relevant subsidiaries) amend the calculation methods relating to one of these agreements, or pay a supplementary incentive or profit-sharing amount.

This award represents a target of 75% of the fixed salary (*i.e.* Euro 270,000) and could represent up to 112.5% of the fixed salary (*i.e.* Euro 405,000) in the event that the performance conditions are exceeded.

The bonus shares awarded will only be fully vested by the Chief Executive Officer at the end of a three-year vesting period, subject to conditions of presence (in his capacity as corporate officer) and of company performance. This performance is assessed over all three years, on the basis of the following criteria and evaluation tables:

1. The relative performance of the Mercialys share, including dividend (*Total Shareholder Return* – TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2019, measured between January 1, 2019 and December 31, 2021, for 40% of the initial award:

Ranking of the three-year average annual TSR of Mercialys compared with the companies comprising the index	Multiplier
[0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80 to 100%]	0%

The Mercialys ranking will be obtained by dividing the Mercialys ranking in the index by the number of companies constituting the index as of January 1, 2019.

2. Organic growth of rental revenues, including Casual Leasing, excluding indexation, measured as the three-year annual average between January 1, 2019 and December 31, 2021, for 20% of the initial allocation.

At the end of the three-year period, the number of shares vested in respect of this performance criterion will be determined, in accordance with the average obtained, using the table presented below, it being understood that the multiplier value will change on a linear basis between the defined limits:

Three-year average annual organic growth in rental revenues	Multiplier
2.00%	0%
2.30%	100%
2.60% or more	150%

3. FFO growth measured as the three-year annual average between January 1, 2019 and December 31, 2021, for the remaining 40% of the initial award.

At the end of the three-year period, the number of shares vested in respect of this performance criterion would be determined, in accordance with the average obtained, using the table presented below, it being understood that the multiplier value will change on a linear basis between the defined limits:

Annual three-year average FFO growth	Multiplier
2.00%	0%
3.00%	100%
4.00% or more	150%

The bonus shares awarded in 2019 will only become the beneficiary's property after a vesting period lasting three years which will end in 2022.

At the end of this three-year vesting period, the Chief Executive Officer will be required to keep 100% of his shares for a period of at least two years after they are fully vested, and thereafter to hold 50% of them as registered shares until the termination of his position as corporate officer.

Furthermore, in accordance with the provisions of the final sub-paragraph of Article 24.3.3 of the AFEP-MEDEF Code, the Chief Executive Officer undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Other compensation components

The Chief Executive Officer does not benefit from any supplementary pension plan. He participates in the mandatory group supplementary pension plan (ARRCO and AGIRC) and in the pension plan in force within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit of any kind, except a company car.

No severance allowance shall be paid to the Chief Executive Officer resulting from the termination of, or change in, his position.

The Chief Executive Officer may also benefit from an indemnity relating to a non-competition clause. In the event of termination of his position, the Chief Executive Officer will be bound by a non-competition and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application of this clause. In exchange, the Chief Executive Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation, which will be paid in installments during its term. This clause terminates the previous non-competition clause binding Mr. Vincent Ravat in his capacity as Deputy Chief Executive Officer.

B. Details of the compensation, in respect of the 2019 fiscal year, of Mr. Vincent Ravat, Chief Executive Officer until February 13, 2019

1. Summary table of compensation payable by Mercialys and the companies it controls or which control it

The compensation and benefits of any kind payable by Mercialys and the companies it controls to Mr. Vincent Ravat for fiscal year 2019 are as follows. It should be remembered that Mercialys is not controlled within the meaning of Article L. 233-16 of the French Commercial Code. Furthermore, it is specified that following the appointment of Mr. Vincent Ravat as Chief Executive Officer on February 13, 2019, the reading of the two fiscal years is not comparable:

TABLE 1 – AFEP-MEDEF CODE

(in euros)	Fiscal year 2019	Fiscal year 2018
Compensation allocated in respect of the fiscal year (see § 2, below)	784,967	584,043
Valuation of multi-annual variable compensation awarded during the fiscal year	-	-
Valuation of options awarded during the fiscal year	-	-
Valuation of bonus shares awarded(1)	259,557	119,360
TOTAL	**1,044,524**	**703,403**

(1) Potential valuation of the shares awarded, not yet vested, under plans 24, 27 and 30 and subject to a condition of presence as a corporate officer as well as performance conditions over 3 years (see § 5 below).

2. Compensation paid by Mercialys and the companies it controls

Mr. Vincent Ravat received the following compensation and benefits of all kinds from the Company in his capacity as Chief Executive Officer in, and in respect of, fiscal year 2019:

TABLE 2 – AFEP-MEDEF CODE

	Fiscal year 2019		Fiscal year 2018	
(in euros)	Amounts awarded(7)	Amounts paid(8)	Amounts awarded(7)	Amounts paid(8)
Fixed compensation(1)(2)	360,000	316,439	200,404	200,404
Annual variable compensation(1)(3)	412,650	124,960	124,960	115,200
Multi-annual variable compensation(4)	-	-	-	-
Exceptional compensation(5)	-	108,340	75,000	-
Compensation allocated on account of the directorship	-	-	-	-
Benefits in kind(6)	12,317	12,317	13,347	13,347
TOTAL	**784,967**	**562,056**	**413,711**	**328,951**

(1) Gross compensation before social security contributions and tax. As of February 13, 2019, the fixed compensation for Mr. Vincent Ravat in his capacity as Chief Executive Officer will be Euro 360,000 per year instead of Euro 300,000 that he received as Deputy Chief Executive Officer.

(2) The amounts indicated also include paid leave.

(3) The methods for determining variable compensation are restated in the 2019 compensation policy, as approved at the Ordinary General Meeting of April 25, 2019, under § 4.2.2.4, A, p. 256 et seq., and clarifications are provided in § 3 below. It should be noted that the payment of this amount will be subject to the approval of the fifth resolution presented to the Annual general meeting of April 23, 2020.

(4) Mr. Vincent Ravat does not benefit from any multi-annual compensation but benefits from a bonus share allocation plan.

(5) See § 4 below.

(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees and company car.

(7) Compensation allocated in respect of the fiscal year, regardless of the date of payment.

(8) Compensation paid during the fiscal year, regardless of the allocation date.

In addition, up to April 25, 2019, Mr. Vincent Ravat performed the duties of Director of Operations, letting and marketing at Mercialys Gestion. The amounts of compensation and benefits of all kinds due for the period ended in 2019 in this respect were as follows:

TABLE 2 – AFEP-MEDEF CODE

	Fiscal year 2019		Fiscal year 2018	
(in euros)	Amounts awarded[7]	Amounts paid[8]	Amounts awarded[7]	Amounts paid[8]
Fixed compensation[1][2]	-	54,372	102,193	102,193
Annual variable compensation[1][3]	-	62,480	62,480[3]	57,600
Multi-annual variable compensation[1][4]	-	-	-	-
Exceptional compensation[5]	-	16,660	-	25,000
Compensation allocated on account of the directorship	-	-	-	-
Benefits in kind[6]	-	-	5,659	5,659
TOTAL	**0**	**133,512**	**170,332**	**190,452**

(1) Gross compensation before social security contributions and tax.
(2) The amounts indicated also include paid leave.
(3) The methods for determining the variable compensation are given in § 4.2.2.4, A, p. 256 et seq., and details are provided in § 3 below.
(4) Mr. Vincent Ravat does not benefit from any multi-annual compensation but benefits from a bonus share allocation plan.
(5) See § 4 below.
(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees and company car.
(7) Compensation allocated in respect of the fiscal year, regardless of the date of payment.
(8) Compensation paid during the fiscal year, regardless of the allocation date.

3. Annual variable compensation

The variable compensation of Mr. Vincent Ravat for fiscal year 2019 was determined by the Board of Directors at its meeting of February 12, 2020, on the proposal of the Appointments and Compensation Committee, applying the criteria in the table below:

			% of the fixed compensation			
			Minimum	Target	Maximum	Actual
Quantitative objectives Mercialys (80% of the total variable compensation)	FFO growth	Value of the indicator	0%	17.5%	35.0%	35.0%
				4.5%		7.9%
	Organic growth excluding indexation	Value of the indicator	0%	10.5%	21.0%	14.7%
				1.5%		1.7%
	EBITDA margin	Value of the indicator	0%	10.5%	21.0%	21.0%
				84.0%		85.0%
	Reduction in emissions (scopes 1 and 2: energy consumption and refrigerant leaks) as part of the 2030 carbon strategy (-47% between 2017 and 2030)	Value of the indicator	0%	7.0%	14.0%	14.0%
				-3.0%		-7.2%
	Footfall spread in Mercialys centers as compared to the total CNCC market	Value of the indicator	0%	3.5%	7.0%	6.2%
				240bps		270bps
	Buyback and partial refinancing of the 2023 bond issue to extend the duration (without carrying cost impact)	Value of the indicator	0%	7.0%	14.0%	0.0%
				100M€		0M€
Managerial objectives (20% of the total variable compensation)			0%	14.0%	28.0%	23.8%
TOTAL VARIABLE AS % OF FIXED COMPENSATION			**0%**	**70.0%**	**140.0%**	**114.6%**

More specifically, considering the rate of achievement of the managerial criteria, the Board of Directors deemed that Mr. Vincent Ravat, while supporting the Company's economic model by extremely demanding operating standards and strong financial discipline, was able to redirect the strategy to incorporate new development focuses and thus prepare the company to seize future growth opportunities.

This variable compensation will be paid subject to the approval of the 6th Resolution proposed to the Company's Ordinary General Meeting on April 23, 2020 (see chapter 8, p. 341).

4. Exceptional compensation

The Board of Directors, at its meeting of February 14, 2017 and on the recommendation of the Appointments and Compensation Committee, decided to recognize Mr. Vincent Ravat's exceptional contribution to the success of the Toulouse Fenouillet project implementation, opened on November 8, 2016, by awarding him an extraordinary cash bonus of Euro 100,000, half of it paid in February 2017 and the other half to be paid in February 2019, subject to his continued employment.

In accordance with the provisions governing the distribution of Mr. Vincent Ravat's compensation package, Mercialys paid Mr. Vincent Ravat the sum of Euro 33,340 and Mercialys Gestion paid him the sum of Euro 16,660 in February 2017. This distribution will be identical for the amount received in February 2019, in view of his continued employment at that date.

The Board of Directors decided, on February 13, 2019 to change the 2018 compensation policy to be able to pay Mr. Vincent Ravat exceptional compensation fully paid by Casino, Guichard-Perrachon as part of the disposal process by Casino, Guichard-Perrachon of all or some of its equity interest in Mercialys. The sale by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys constituted a significant special circumstance for the Company which required the major involvement of the Deputy Chief Executive Officer during the 2018 fiscal year. This compensation amounting to Euro 75,000 was paid following approval by the Ordinary General Meeting on April 25, 2019.

5. Stock warrants or stock options and bonus shares awarded by the Company and/or the companies it controls

In 2019, Mr. Vincent Ravat, as Chief Executive Officer, was the beneficiary of a bonus share plan by the Company, as described below (Plan 30).

It is also stated that Mr. Vincent Ravat was the beneficiary in 2014 and 2016, of bonus share plans which were awarded to him as an employee, prior to his appointment as Deputy Chief Executive Officer (see chapter 7, § 7.2.5.3, p. 332 *et seq.*).

Mr. Vincent Ravat is also the beneficiary of three bonus share plans according to the following criteria and arrangements:

TABLE 6 – AFEP-MEDEF CODE

	Bonus shares awarded to Vincent Ravat				
No. and date of the plan	**Number of shares awarded during the fiscal year**	**Valuation of the shares according to the method adopted for the consolidated financial statements**	**Vesting date**	**Availability date**	**Performance conditions**
Plan 24, of 04/27/2017	8,564[1]	€43,163	04/27/2020	04/28/2022[2]	YES[3]
Plan 27, of 04/26/2018	9,633[4]	€76,197	04/26/2021	04/27/2023[2]	YES[5]
Plan 30, of 04/25/2019	21,339[6]	€140,197	04/25/2022	04/25/2024[2]	YES[7]
TOTAL	**39,536**	**€259,557**			

(1) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Mr. Vincent Ravat will be 12,846 shares corresponding to a valuation of Euro 64,744.

(2) The Board of Directors has set at 50% the number of bonus shares definitively awarded which the beneficiary is required to hold in registered form until the end of his corporate mandate within Mercialys.

(3) Bonus shares become vested only if the beneficiaries (in the capacity of corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of two performance criteria: 1/ the absolute performance of the Company's share price, including dividend, (Total Shareholder Return - TSR), measured as an annual average between January 1, 2017 and December 31, 2019, for 25% of the initial award; and 2/ the relative performance of the Company's share price including dividend (Total Shareholder Return – TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for 75% of the initial award.

(4) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Mr. Vincent Ravat will be 14,450 shares corresponding to a valuation of Euro 114,299.

(5) Bonus shares become vested only if the beneficiary (in the capacity of corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of three performance criteria: 1/ the relative performance of the Company's share including dividend (Total Shareholder Return – TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1 2018, measured between January 1, 2018 and December 31, 2020, for 50% of the initial award. 2/ organic growth of rental revenues, including Casual Leasing, excluding indexation, measured as the three-year annual average between January 1, 2018 and December 31, 2020, for 25% of the initial award; and 3/ FFO growth (excluding the carrying cost of the 2019 debt financing, for fiscal year 2018) measured as the three-year annual average between January 1, 2018 and December 31, 2020, for the remaining 25% of the initial award.

(6) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Mr. Vincent Ravat will be 31,994 shares corresponding to a valuation of Euro 210,200.

(7) Bonus shares become vested only if the beneficiary (in the capacity of corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of three performance criteria: 1/ the relative performance of the Mercialys share including dividend (relative Total Shareholder Return) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2019, measured between January 1, 2019 and December 31, 2021, for 40% of the initial award, 2/ organic growth in rental revenues, including Casual Leasing, excluding indexation, measured as an annual average over three years between January, 1 2019 and December 31, 2021, for 20% of the initial award, and 3/ growth in FFO measured as an annual average over three years between January 1, 2019 and December 31, 2021, for the remaining 40% of the initial award.

No shares became available in fiscal year 2019.

6. Employment contract, special pension plans, severance pay and non-competition clause

TABLE 11 – AFEP-MEDEF CODE

Employment contract		Supplementary pension scheme		Allowances or benefits payable or likely to be payable, due to termination of, or a change in, duties		Compensation linked to a non-competition clause	
Yes	No	Yes	No[1]	Yes	No	Yes[2]	No
	❖		❖		❖	❖	

(1) Mr. Vincent Ravat does not benefit from any supplementary pension plan. He is included in the mandatory group pension plan (ARRCO and ARGIC) and the benefit plan covering all the Company's employees.

(2) Mr. Vincent Ravat may benefit from a payment linked to a non-competition and non-solicitation clause that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application of such clause. In exchange, he would be paid a monthly sum equivalent to one-twelfth of 50% of his annual fixed compensation. This compensation will be paid in installments during his term of office.

As mentioned for Mr. Éric Le Gentil on p. 255, note that the AFEP-MEDEF tables which do not appear in the foregoing pages do not apply as regards to Mr. Vincent Ravat's compensation.

Pursuant to the provisions of Article L. 225-100, III, of the French Commercial Code, the Ordinary General Meeting of April 23, 2020 is called to approve the fixed, variable and exceptional components of the compensation package and the benefits of any kind paid or awarded in respect of the previous fiscal year to the Chief Executive Officer for his mandate in fiscal year 2019. Details and comments about this information can be found in chapter 8, appendix 2, p. 358 *et seq*.

4.2.2.5 Compensation policy regarding the Chief Executive Officer in respect of fiscal year 2020

Board of Directors' report on the compensation policy for the Chief Executive Officer for fiscal year 2020

(Ninth Resolution of the Ordinary General Meeting of April 23, 2020)

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the compensation package and benefits of any kind attributable for 2020 to the Chief Executive Officer in respect of his corporate term of office must be submitted for approval by the Ordinary General Meeting on April 23, 2020.

In this connection, the Board of Directors, at its meeting on February 12, 2020, established, on the basis of the recommendations of the Appointments and Compensation Committee, the determining principles and the structure of compensation of the Chief Executive Officer for 2020.

I. Principles

The Board of Directors refers to the principles of the AFEP-MEDEF Code for determining the compensation of the executive corporate officers: completeness, balance among the compensation components, benchmark, consistency, intelligibility of the rules and measurement. Details of its approach are given in § 4.2.2.1 p. 247 *et seq*.

The Board of Directors ensures in particular that the compensation policy is aligned with the company's corporate interest and the interest of the shareholders and stakeholders. The performance indicators selected for the variable compensation component must be in line with the Mercialys' strategy.

II. Compensation components of the Chief Executive Officer

Fixed compensation

As of February 13, 2019, the compensation for Mr. Vincent Ravat in his capacity as Chief Executive Officer was set at Euro 360,000 per year and will not be changed in 2020.

Annual variable compensation

It is proposed to maintain the 2019 variable compensation mechanism, which notably includes a CSR objective. In order that Mercialys continues to follow best market practices it is, however, proposed that the proportion of qualitative criteria should continue its reduction and change from 20% to 15%.

The variable compensation would therefore be structured around two types of objectives:

1. quantifiable objectives, weighted at 85%, of which two CSR objectives at 15%; and
2. qualitative objectives, weighted at 15%, focused on Human Resources.

The target annual variable compensation of the Chief Executive Officer would remain at 70% of his annual fixed compensation if the objectives set are achieved. It would reach 140% of his annual fixed compensation in the case that these objectives are exceeded.

The selected criteria, and their weighting in determining the variable compensation, would be as follows:

		% of the fixed compensation		
		Minimum	**Target**	**Maximum**
Quantifiable objectives (85% of the total variable compensation)	FFO growth	0%	14.0%	28.0%
	Organic growth including indexation	0%	10.5%	21.0%
	EBITDA margin	0%	10.5%	21.0%
	Reduction in greenhouse gas emissions as part of the Mercialys climate strategy (scopes 1 and 2)	0%	3.5%	7.0%
	GRESB classification of Mercialys (at constant methodology)	0%	7.0%	14.0%
	Disposal of assets during the fiscal year *(in millions of euros)*	0%	7.0%	14.0%
	Mandatory debt maturity management	0%	7.0%	14.0%
Qualitative objectives (15% of the total variable compensation)	Human Resources Management: change in employee satisfaction and commitment (measured by an employee survey)	0%	10.5%	21.0%
TOTAL VARIABLE AS % OF FIXED COMPENSATION		**0%**	**70.0%**	**140.0%**

For each quantitative criterion, a minimum achievement threshold is set, as well as a target level corresponding to Mercialys' objectives for a performance that meets objectives, and a performance level that exceeds the target. Variable compensation is calculated in a linear or graduated fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, payment of the variable portion of the compensation for 2020 fiscal year, after determination of its amount based on the achievement of the objectives defined above, will be conditional on the approval by the Company's Ordinary General Meeting to be held in 2021.

Long-term compensation

In order to associate the Chief Executive Officer over the long-term with the Company's shareholding performance, the Board of Directors has decided, subject to compliance with the provisions of Article L. 225-197-6 of the French Commercial Code, on the principle of bonus share awards.

Bonus shares may only be granted to executive corporate officers if the Company grants one of the following benefits to its employees and to at least 90% of employees in its subsidiaries:

- stock options and/or stock warrants;
- bonus shares;
- the introduction of an incentive agreement or statutory profit-sharing agreement. For companies that already have such an agreement in place, the first allocation authorized by the Annual General Meeting held after the introduction of the Law of December 3, 2008, requires that each company (listed company and relevant subsidiaries) amend the calculation methods relating to one of these agreements, or pay a supplementary incentive or profit-sharing amount.

This award would represent a target of 125% of the annual fixed compensation (*i.e.* Euro 450,000) if the defined objectives are achieved, and up to 187.5% of the annual fixed compensation if each criteria is exceeded. In any case, the combination of these 3 criteria would in any event be capped at 160% of the annual fixed compensation (*i.e.* Euro 576,000) in order to comply with best market practices.

Bonus shares will only be fully vested by the Chief Executive Officer at the end of a three-year vesting period, subject to conditions of presence (in his capacity as corporate officer), it being specified that in the case that his term of corporate office is not renewed (excluding resignation or dismissal), the Board of Directors may decide to maintain the benefit of the plan. Adding the company's performance conditions, this performance is assessed over the full three years based on the following criteria and evaluation tables:

1. the relative performance of the Mercialys share, including dividend (Total Shareholder Return – TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2020, measured between January 1, 2020 and December 31, 2022, for 35% of the initial award:

Ranking of the three-year average annual TSR of Mercialys compared with the companies comprising the index	**Multiplier**
[0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80 to 100%]	0%

The Mercialys ranking will be obtained by dividing the Mercialys ranking in the index by the number of companies constituting the index as of January 1, 2020.

2. An extra-financial criterion, namely the Company's CDP rating (Carbon Disclosure Project), for 20% of the initial award:

   At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the table presented below:

CDP (1 rating per year)	Multiplier
Rating once > B on a constant standard	0%
Rating twice > B on a constant standard	100%
Rating 3 times > B on a constant standard	150%

3. FFO growth measured as the three-year annual average between January 1, 2020 and December 31, 2022, for the remaining 45% of the initial award.

   At the end of the three-year period, the number of shares vested in respect of this performance criterion will be determined using the table presented below, it being understood that the multiplier value will be calculated on a linear basis between the defined limits:

Annual three-year average FFO growth	Multiplier
0.00%	0%
1.00%	100%
2.00% or more	150%

The bonus shares awarded in 2020 will only become the beneficiary's property after a vesting period lasting three years which will end in 2023.

At the end of this three-year vesting period, the Chief Executive Officer will be required to keep 100% of his shares for a period of at least two years after they are fully vested, and thereafter to hold 50% of them as registered shares until the termination of his position as corporate officer.

Furthermore, in accordance with the provisions of the final sub-paragraph of Article 25.3.3 of the AFEP-MEDEF Code, the Chief Executive Officer undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Other compensation components

The Chief Executive Officer does not benefit from any additional pension plan. He participates in the mandatory group supplementary pension plan (ARRCO and AGIRC) and in the pension plan in force within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit of any kind, except a company car.

No severance allowance shall be paid to the Chief Executive Officer resulting from the termination of, or change in, his position.

The Chief Executive Officer may also benefit from an indemnity relating to a non-competition clause. In the event of termination of his position, the Chief Executive Officer will be bound by a non-competition and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application of this clause. In exchange, the Chief Executive Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation, which will be paid in installments during its term.

4.2.2.6 Compensation of the Deputy Chief Executive Officer in respect of fiscal year 2019

A. Principles and criteria for determining, distributing and awarding the compensation components of the Deputy Chief Executive Officer in 2019

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the compensation package and benefits of any kind attributable for 2019 to the Deputy Chief Executive Officer in respect of her corporate term of office, were submitted for approval by the Ordinary General Meeting on April 25, 2019 (14th Resolution).

At the Ordinary General Meeting of April 25, 2019, the shareholders approved the principles and criteria for determining and awarding the compensation of the Deputy Chief Executive Officer. These principles adhere to the recommendations of the AFEP-MEDEF Code, and are detailed in § 4.2.2.1 p 247 *et seq.*

A reminder is provided below of the 2019 compensation policy for the Deputy Chief Executive Officer. The way in which this policy was followed is set out in point B below.

Fixed compensation

After her appointment as Deputy Chief Executive Officer on February 13, 2019, it was decided to set her fixed compensation at the sum of Euro 230,000.

This compensation is due as from February 13, 2019.

Deputy Chief Executive Officer keeps her employment contract as Chief Financial Officer. Accordingly, her annual fixed and variable compensation is divided into two parts, half on the basis of her corporate function and half on the basis of her employment contract.

Annual variable compensation

Similarly to the compensation of the Chief Executive Officer, it was proposed to maintain the variable compensation mechanism set up in 2018, which included a CSR objective.

The variable compensation is therefore structured around two types of objectives:

1. quantitative objectives, weighted at 80%, of which one CSR objective at 10%; and
2. managerial objectives, weighted at 20%.

The variable compensation of the Deputy Chief Executive Officer may represent 40% of her fixed annual compensation if the objectives set are achieved and may equal up to 80% of her fixed annual compensation if these objectives are exceeded.

The selected criteria, and their weighting in determining the variable compensation, are as follows:

		% of the fixed compensation		
		Minimum	**Target**	**Maximum**
Quantitative objectives Mercialys (80% of the total variable compensation)	FFO growth	0%	6.0%	12.0%
	Organic growth excluding indexation	0%	4.0%	8.0%
	EBITDA margin	0%	6.0%	12.0%
	Reduction in emissions (scopes 1 and 2: energy consumption and refrigerant leaks) as part of the 2030 carbon strategy (-47% between 2017 and 2030)	0%	4.0%	8.0%
	Asset disposals during the fiscal year	0%	4.0%	8.0%
	Increase in the debt hedging with a maximum budget (Euro 500,000)	0%	4.0%	8.0%
	Buyback and partial refinancing of the 2023 bond issue to extend the duration (without carrying cost impact)	0%	4.0%	8.0%
Managerial objectives (20% of the total variable compensation)		0%	8.0%	16.0%
TOTAL VARIABLE AS % OF FIXED COMPENSATION		**0%**	**40.0%**	**80.0%**

For each quantitative criterion, a minimum threshold of achievement has been set, along with a target level corresponding to the objectives of Mercialys for a performance that meets objectives, and a level of outperformance of the targets. Variable compensation is calculated in a linear fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, payment of the variable portion of the compensation due for 2019 fiscal year, after determining the amount based on the achievement of the objectives defined above, is conditional upon the approval by the Ordinary General Meeting to be held in 2020.

Long-term compensation

In order to associate the Deputy Chief Executive Officer over the long term with the Company's shareholding performance, the Board of Directors has decided, subject to compliance with the provisions of Article L. 225-197-6 of the French Commercial Code (as mentioned p. 262 for the Chief Executive Officer), on the principle of bonus share awards.

This award represents a target of 50% of the fixed salary (*i.e.* Euro 115,000) and could represent up to 75% of the fixed salary (*i.e.* Euro 172,500) in the event that the performance conditions are exceeded.

The bonus shares awarded will only be fully vested by the Deputy Chief Executive Officer at the end of a three-year vesting period, subject to conditions of presence (in her capacity as corporate officer and/or employee) and of company performance. This performance is assessed over all three years, on the basis of the following criteria and evaluation tables:

1. the relative performance of the Mercialys share, including dividend (Total Shareholder Return – TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2019, measured between January 1, 2019 and December 31, 2021, for 40% of the initial award:

Ranking of the three-year average annual TSR of Mercialys compared with the companies comprising the index	**Multiplier**
[0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80 to 100%]	0%

The Mercialys ranking will be obtained by dividing the Mercialys ranking in the index by the number of companies constituting the index at the date decided.

2. Organic growth of rental revenues, including Casual Leasing, excluding indexation, measured as the three-year annual average between January 1, 2019 and December 31, 2021, for 20% of the initial allocation.

   At the end of the three-year period, the number of shares vested in respect of this performance criterion would be determined, in accordance with the average obtained, using the table presented below, it being understood that the multiplier value will change on a linear basis between the defined limits:

Three-year average annual organic growth in rental revenues	Multiplier
2.00%	0%
2.30%	100%
2.60% or more	150%

3. FFO growth measured as three-year annual average between January 1, 2019 and December 31, 2021, for the remaining 40% of the initial award.

   At the end of the three-year period, the number of shares vested in respect of this performance criterion would be determined, in accordance with the average obtained, using the table presented below, it being understood that the multiplier value will change on a linear basis between the defined limits:

Annual three-year average FFO growth	Multiplier
2.00%	0%
3.00%	100%
4.00% or more	150%

The bonus shares awarded in 2019 will only become the beneficiary's property after a vesting period lasting three years which will end in 2022.

At the end of this three-year vesting period, the Deputy Chief Executive Officer will be required to keep 100% of her shares for a period of at least two years after they are fully vested, and thereafter to hold 50% of them as registered shares until the termination of her corporate office and/or her position.

Furthermore, in accordance with the provisions of the final sub-paragraph of Article 24.3.3 of the AFEP-MEDEF Code, the Deputy Chief Executive Officer undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Moreover, it should be noted that Ms. Élizabeth Blaise is the beneficiary of bonus share plans which were awarded to her as a Mercialys employee, prior to her appointment as Deputy Chief Executive Officer.

Other compensation components

The Deputy Chief Executive Officer does not benefit from any supplementary pension plan. She participates in the mandatory group supplementary pension plan (ARRCO and AGIRC) and in the pension plan in force within the Company for all employees. She also benefits from senior executive unemployment insurance. She does not receive any other benefit of any kind.

No severance allowance shall be paid to the Deputy Chief Executive Officer resulting from the termination of, or change in, her position.

The Deputy Chief Executive Officer may also benefit from an indemnity relating to a non-competition clause. In the event of the termination of her position, the Deputy Chief Executive Officer would be bound by a non-competition and non-solicitation obligation that would apply for a period not to exceed the time of her employment in the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application of such clause. In exchange, the Deputy Chief Executive Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of her annual fixed compensation as a corporate officer which will be paid in installments during its term.

B. Details of the compensation, in respect of the 2019 fiscal year, of Ms. Élizabeth Blaise, Deputy Chief Executive Officer as of February 13, 2019

1. Summary table of compensation payable by Mercialys and the companies it controls or which control it

The compensation and benefits of any kind payable by Mercialys and the companies it controls to Ms. Élizabeth Blaise for fiscal year 2019 are as follows. It should be remembered that Mercialys is not controlled within the meaning of Article L. 233-16 of the French Commercial Code.

TABLE 1 – AFEP-MEDEF CODE

(in euros)	Fiscal year 2019	Fiscal year 2018
Compensation allocated in respect of the fiscal year (see § 2, below)	375,728	-
Valuation of multi-annual variable compensation awarded during the fiscal year	-	-
Valuation of options awarded during the fiscal year	-	-
Valuation of bonus shares awarded[1]	59,688	-
TOTAL	**435,416**	**-**

(1) Potential valuation of the shares awarded, not yet vested, under plan 30 and subject to a condition of presence as a corporate officer and/or employee as well as performance conditions over 3 years (see § 5 below).

2. Compensation paid by Mercialys and the companies it controls

Ms. Élizabeth Blaise received the following compensation and benefits of all kinds from the Company in her capacity as Deputy Chief Executive Officer in, and in respect of, fiscal year 2019:

TABLE 2 – AFEP-MEDEF CODE

	Fiscal year 2019		Fiscal year 2018	
(in euros)	Amounts awarded[7]	Amounts paid[8]	Amounts awarded	Amounts paid
Fixed compensation[1][2]	115,000	100,434	-	-
Annual variable compensation[1][3]	72,864	-	-	-
Multi-annual variable compensation[4]	-	-	-	-
Exceptional compensation[5]		-	-	-
Compensation allocated on account of the directorship	-	-	-	-
Benefits in kind[6]	-	-	-	-
TOTAL	**187,864**	**100,434**	**-**	**-**

(1) Gross compensation before social security contributions and tax.
(2) The amounts indicated also include paid leave.
(3) The methods for determining variable compensation are restated in the 2019 compensation policy, as approved at the Ordinary General Meeting of April 25, 2019, under § 4.2.2.6, A, p. 263 et seq., and clarifications are provided in § 3 below. It should be noted that the payment of this amount will be subject to the approval of the fifth resolution presented to the Annual General Meeting of April 23, 2020.
(4) Ms. Élizabeth Blaise does not benefit from any multi-annual compensation but benefits from a bonus share allocation plan.
(5) See § 4 below.
(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees.
(7) Compensation allocated in respect of the fiscal year, regardless of the date of payment.
(8) Compensation paid during the fiscal year, regardless of the allocation date.

In addition, Ms. Élizabeth Blaise performs the duties of Chief Financial Officer at Mercialys. The amounts of compensation and benefits of all kinds due for the period ended in 2019 in this respect were as follows:

TABLE 2 – AFEP-MEDEF CODE

	Fiscal year 2019		Fiscal year 2018	
(in euros)	Amounts awarded[7]	Amounts paid[8]	Amounts awarded	Amounts paid
Fixed compensation[1][2]	115,000	126,279	-	-
Annual variable compensation[1][3]	72,864	117,325	-	-
Multi-annual variable compensation[4]	-	-	-	-
Exceptional compensation[5]	-	48,500	-	-
Compensation allocated on account of the directorship	-	-	-	-
Benefits in kind[6]		-	-	-
TOTAL	**187,864**	**292,104**	**-**	**-**

(1) Gross compensation before social security contributions and tax.
(2) The amounts indicated also include paid leave.
(3) The methods for determining the variable compensation are given in § 4.2.2.6, A, p. 263 et seq., and details are provided in § 3 below.
(4) Ms. Élizabeth Blaise does not receive any multi-annual compensation.
(5) See § 4 below.
(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees.
(7) Compensation allocated in respect of the fiscal year, regardless of the date of payment.
(8) Compensation paid during the fiscal year, regardless of the allocation date.

3. Annual variable compensation

The variable compensation of Ms. Élizabeth Blaise for fiscal year 2019 was determined by the Board of Directors at its meeting of February 12, 2020, on the proposal of the Appointments and Compensation Committee, applying the criteria in the table below:

			% of the fixed compensation			
			Minimum	**Target**	**Maximum**	**Actual**
Quantitative objectives (80% of the total variable compensation)	FFO growth	Value of the indicator	0%	6.0%	12.0%	12.0%
				4.5%		7.9%
	Organic growth excluding indexation	Value of the indicator	0%	4.0%	8.0%	5.6%
				1.5%		1.7%
	EBITDA margin	Value of the indicator	0%	6.0%	12.0%	12.0%
				84.0%		85.0%
	Reduction in emissions (scopes 1 and 2: energy consumption and refrigerant leaks) as part of the 2030 carbon strategy (-47% between 2017 and 2030)	Value of the indicator	0%	4.0%	8.0%	8.0%
				-3.0%		-7.2%
	Asset disposals during the fiscal year	Value of the indicator	0%	4.0%	8.0%	5.8%
				100M€		122M€
	Increase in the debt hedging with a maximum budget (Euro 500,000)	Value of the indicator	0%	4.0%	8.0%	8.0%
				75%		86%
	Buyback and partial refinancing of the 2023 bond issue to extend the duration (without carrying cost impact)	Value of the indicator	0%	4.0%	8.0%	0.0%
				100M€		0M€
Managerial objectives (20% of the total variable compensation)			0%	8.0%	16.0%	12.0%
TOTAL VARIABLE AS % OF FIXED COMPENSATION			**0%**	**40.0%**	**80.0%**	**63.4%**

More specifically, considering the rate of achievement of the managerial criteria, the Board of Directors deemed that Ms. Élizabeth Blaise obtained tangible results in the implementation of control procedures, strict management of risks and the re-internalization of support functions, a momentum which should continue in 2020.

This compensation will be paid subject to the approval of the 7th resolution proposed to the Company's Ordinary General Meeting on April 23, 2020 (see chapter 8, p. 342).

4. Exceptional compensation

To compensate Ms. Élizabeth Blaise's involvement, as Chief Financial Officer, in the process of disposal by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys, a process that constituted a significant special circumstance for the Company and required the major involvement of the Deputy Chief Executive Officer during the 2018 fiscal year, Ms. Élizabeth Blaise received exceptional compensation. This compensation amounting to Euro 48,500, received in respect of her employment contract, was paid in 2019.

5. Stock warrants or stock options and bonus shares awarded by the Company and/or the companies it controls

In 2019, Ms. Élizabeth Blaise, as Deputy Chief Executive Officer, was the beneficiary of a bonus share plan by the Company, as described below (Plan 30).

It is also stated that Ms. Élizabeth Blaise was the beneficiary, of bonus share plans which were awarded to her as an employee, prior to her appointment as Deputy Chief Executive Officer (see chapter 7, § 7.2.5.3, p. 332 *et seq.*).

TABLE 6 – AFEP-MEDEF CODE

	Bonus shares awarded to Ms. Élizabeth Blaise				
No. and date of the plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method adopted for the consolidated financial statements	Vesting date	Availability date	Performance conditions
Plan 30, of 04/25/2019	9,085[1]	€59,688	04/25/2022	04/25/2024[2]	YES[3]
TOTAL	**9,085**	**€59,688**			

(1) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Ms. Élizabeth Blaise will be 13,627 shares corresponding to a valuation of Euro 89,529.

(2) The Board of Directors has set at 50% the number of bonus shares definitively awarded which the beneficiary is required to hold in registered form until the end of his corporate mandate within Mercialys.

(3) Bonus shares become vested only if the beneficiary (in the capacity of corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of three performance criteria: 1/ the relative performance of the Mercialys share including dividend (relative Total Shareholder Return) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2019, measured between January 1, 2019 and December 31, 2021, for 40% of the initial award, 2/ organic growth in rental revenues, including Casual Leasing, excluding indexation, measured as an annual average over three years between January 1, 2019 and December 31, 2021, for 20% of the initial award, and 3/ growth in FFO measured as an annual average over three years between January 1, 2019 and December 31, 2021, for the remaining 40% of the initial award.

No shares became available in fiscal year 2019.

6. Employment contract, special pension plans, severance pay and non-competition clause

TABLE 11 – AFEP-MEDEF CODE

Employment contract		Supplementary pension scheme		Allowances or benefits payable or likely to be payable, due to termination of, or a change in, duties		Compensation linked to a non-competition clause	
Yes[1]	No	Yes	No[2]	Yes	No	Yes[3]	No
❖			❖		❖	❖	

(1) In accordance with the provisions of the AFEP-MEDEF Code, Ms. Élizabeth Blaise, as Chief Financial Officer, holds an employment contract with Mercialys SA

(2) Ms. Élizabeth Blaise does not benefit from any supplementary pension plan. She is included in the mandatory group pension plan (ARRCO and ARGIC) and the benefit plan covering all the Company's employees.

(3) Ms. Élizabeth Blaise may benefit from a payment linked to a non-competition and non-solicitation clause that would apply for a period not to exceed the time of her employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application of such clause. In exchange, she would be paid a monthly sum equivalent to one-twelfth of 50% of her annual fixed compensation. This compensation will be paid in installments during her term of office.

As mentioned for Mr. Éric Le Gentil on p. 255, note that the AFEP-MEDEF tables which do not appear in the foregoing pages do not apply as regards to Ms. Élizabeth Blaise's compensation.

Pursuant to the provisions of Article L. 225-100, III, of the French Commercial Code, the Ordinary General Meeting of April 23, 2020 is called to approve the fixed, variable and exceptional components of the compensation package and the benefits of any kind paid or awarded in respect of the previous fiscal year to the Deputy Chief Executive Officer for her mandate in fiscal year 2019. Details and comments about this information can be found in chapter 8, appendix 3, p. 360 *et seq*.

4.2.2.7 Compensation policy regarding the Deputy Chief Executive Officer in respect of fiscal year 2020

Board of Directors' report on the policy for the Deputy Chief Executive Officer for fiscal year 2020

(Tenth Resolution of the Ordinary General Meeting of April 23, 2020)

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the compensation package and benefits of any kind, attributable for 2020 to the Deputy Chief Executive Officer in respect of her corporate term of office must be submitted for approval by the Ordinary General Meeting on April 23, 2020.

In this connection, the Board of Directors, at its meeting on February 12, 2020, established, on the basis of the recommendations of the Appointments and Compensation Committee, the determining principles and the structure of compensation of the Deputy Chief Executive Officer for 2020.

I. Principles

The Board of Directors refers to the principles of the AFEP-MEDEF Code for determining the compensation of the executive corporate officers: completeness, balance among the compensation components, benchmark, consistency, intelligibility of the rules and measurement. Details of its approach are given in § 4.2.2.1 p. 247 *et seq*.

The Board of Directors ensures in particular that the compensation policy is aligned with the company's corporate interest and the interest of the shareholders and stakeholders. The performance indicators selected for the variable compensation component must be in line with Mercialys' strategy.

In accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors deliberates without the interested party being present.

II. Compensation components of the Deputy Chief Executive Officer

Fixed compensation

Following the benchmark surveys carried out by the Appointments and Compensation Committee, it was decided to set the fixed compensation of the Deputy Chief Executive Officer at the sum of Euro 265,000.

Deputy Chief Executive Officer keeps her employment contract as Chief Financial Officer. Accordingly, her annual fixed and variable compensation will continue to be divided into two parts, half on the basis of her corporate function and half on the basis of her employment contract.

Annual variable compensation

It is proposed to maintain the 2019 variable compensation mechanism, which notably includes a CSR objective. In order that Mercialys continues to follow best market practices, it is, however, proposed that the proportion of quality criteria should continue its reduction and change from 20% to 15%.

The variable compensation would therefore be structured around two types of objectives:

1. quantifiable objectives, weighted at 85%, of which two objectives, CSR and extra-financial communication, at 15%; and
2. qualitative objectives, weighted at 15%, related to the gradual reintegration of support functions and related people organization.

The target annual variable compensation of the Deputy Chief Executive Officer would remain set at 40% of her annual fixed compensation if the objectives set are achieved. It could reach 80% of her annual fixed compensation in the case that these objectives are exceeded.

The selected criteria, and their weighting in determining the variable compensation, would be as follows:

		% of the fixed compensation		
		Minimum	**Target**	**Maximum**
Quantifiable objectives (85% of the total variable compensation)	FFO growth	0%	8.0%	16.0%
	Organic growth including indexation	0%	6.0%	12.0%
	EBITDA margin	0%	6.0%	12.0%
	Reduction in greenhouse gas emissions as part of the Mercialys climate strategy (scopes 1 and 2)	0%	2.0%	4.0%
	EPRA and *Grands Prix de la Transparence* (at constant methodology)	0%	4.0%	8.0%
	Disposal of assets during the fiscal year *(in millions of euros)*	0%	4.0%	8.0%
	Mandatory debt maturity management	0%	4.0%	8.0%
Qualitative objectives (15% of the total variable compensation)	Gradual reintegration of support functions and related people organization	0%	6.0%	12.0%
TOTAL VARIABLE AS % OF FIXED COMPENSATION		**0%**	**40.0%**	**80.0%**

For each quantitative criterion, a minimum achievement threshold is set, as well as a target level corresponding to Mercialys' objectives for a performance that meets objectives, and a performance level that exceeds the target. Variable compensation is calculated in a linear or graduated fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, payment of the variable portion of the compensation for 2020 fiscal year, after determination of its amount based on the achievement of the objectives defined above, will be conditional on the approval by the Company's Ordinary General Meeting to be held in 2021.

Long-term compensation

In order to associate the Deputy Chief Executive Officer over the long term with the Company's shareholding performance, the Board of Directors has decided, subject to compliance with the provisions of Article L. 225-197-6 of the French Commercial Code (as mentioned on p. 262 for the Chief Executive Officer), on the principle of bonus share awards.

This award would represent a target of 100% of the annual fixed compensation (*i.e.* Euro 265,000) if the defined objectives are achieved, and up to 150% of the annual fixed compensation if each criteria is exceeded. The sum of the 3 criteria would in any event be capped at 130% of the annual fixed compensation (*i.e.* Euro 344,500), in order to comply with best market practices.

Bonus shares will only be fully vested by the Deputy Chief Executive Officer at the end of a three-year vesting period, subject to conditions of presence (in her capacity as corporate officer and/or employee). Adding the company's performance conditions, this performance is assessed over the full three years based on the following criteria and evaluation tables:

1. the relative performance of the Mercialys share, including dividend (Total Shareholder Return – TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2020, measured between January 1, 2020 and December 31, 2022, for 35% of the initial award:

Ranking of the three-year average annual TSR of Mercialys compared with the companies comprising the index	Multiplier
[0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80 to 100%]	0%

   The Mercialys ranking will be obtained by dividing the Mercialys ranking in the index by the number of companies constituting the index as of January 1, 2020.

2. An extra-financial criterion, namely the Company's CDP rating (Carbon Disclosure Project), for 20% of the initial award:

   At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the table presented below:

CDP (1 rating per year)	Multiplier
Rating once > B on a constant standard	0 %
Rating twice > B on a constant standard	100 %
Rating 3 times > B on a constant standard	150 %

3. FFO growth measured as the three-year annual average between January 1, 2020 and December 31, 2022, for the remaining 45% of the initial award.

   At the end of the three-year period, the number of shares vested in respect of this performance criterion will be determined using the table presented below, it being understood that the multiplier value will be calculated on a linear basis between the defined limits:

Annual three-year average FFO growth	Multiplier
0.00 %	0 %
1.00 %	100 %
2.00 % or more	150 %

The bonus shares awarded in 2020 will only become the beneficiary's property after a vesting period lasting three years which will end in 2023.

At the end of this three-year vesting period, the Deputy Chief Executive Officer will be required to keep 100% of her shares for a period of at least two years after they are fully vested, and thereafter to hold 50% of them as registered shares until the termination of her position as corporate officer.

Furthermore, in accordance with the provisions of the final sub-paragraph of Article 25.3.3 of the AFEP-MEDEF Code, the Deputy Chief Executive Officer undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Moreover, it should be noted that Ms. Élizabeth Blaise is the beneficiary of bonus share plans which were awarded to her as a Mercialys employee, prior to her appointment as Deputy Chief Executive Officer.

Other compensation components

The Deputy Chief Executive Officer does not benefit from any additional pension plan. She participates in the mandatory group supplementary pension plan (ARRCO and AGIRC) and in the pension plan in force within the Company for all employees.

When appointed by the Board of Directors on February 13, 2019, it was agreed to take out the executive unemployment insurance in favor of Ms. Élizabeth Blaise relating to the compensation received for her office as Deputy Chief Executive Officer. For reasons beyond Mercialys's control, this insurance was not taken out within the agreed deadlines.

As a result, the Company confirmed that from February 2020, it had assumed the contributions and expenses related to the executive unemployment insurance from GSC, for an initial period of 12 months. This insurance cover gives rise to a benefit in kind, which bears the social security expenses and contributions.

It should be noted that if the insurance had been taken out within the agreed deadlines, the 12-month deductible period starting from the date of taking out the required insurance cover would have ended on February 12, 2020.

Under these conditions and taking into account the foregoing, it is specified that in the event of revocation of her term of office by February 28, 2021, the Company undertakes to pay Ms. Élizabeth Blaise an amount, net of social security contributions and income tax, equivalent to the sum that would have been paid to her, net of social security contributions and income tax, by GSC and for a maximum period of 12 months. No deductible period will be applied to the termination of the office for the payment of the allowance.

This allowance will be paid in monthly installments, which will be paid as long as Ms. Élizabeth Blaise is in a state of involuntary loss of professional activity. It will cease to be paid, once any professional activity is resumed. In any case, the allowance will not be paid beyond the 12-month allowance period. It is specified that this allowance will not be due if Ms. Élizabeth Blaise resigns from her office, or if her mandate is transformed into a single employment contract.

She does not receive any other benefit of any kind.

No severance allowance shall be paid to the Deputy Chief Executive Officer resulting from the termination of, or change in, her position.

The Deputy Chief Executive Officer may also benefit from an indemnity relating to a non-competition clause. In the event of the termination of her position, the Deputy Chief Executive Officer would be bound by a non-competition and non-solicitation obligation that would apply for a period not to exceed the time of her employment in the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application of such clause. In exchange, the Deputy Chief Executive Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of her annual fixed compensation, which will be paid in installments during its term.

€1,450M
Drawn debt

1.3%
Average cost of drawn debt

39.5%
LTV excluding transfer taxes

5

RISK FACTORS

5.1 Organization of internal control and risk management 274

5.1.1 Internal control and risk management bodies 274

5.1.2 General principles of internal control and risk management 276

5.1.3 Specific aspects of internal control relating to the accounting and financial information published 278

5.2 Description and management of risks 280

5.2.1 Identification and classification of risks 280

5.2.2 Summary of priority risks 282

5.2.3 Risks related to changes in the majority shareholder's strategy 293

5.2.4 Legal risks 293

5.2.5 Risk relating to the coronavirus (covid-19) epidemic 295

5.1 Organization of internal control and risk management

Mercialys' internal control and risk management systems presented in this chapter were developed in accordance with the reference framework set by the French Financial Markets Authority (AMF). The main due diligence carried out before writing the paragraphs below involved circulating AMF questionnaires and internal questionnaires or conducting internal interviews to identify all the internal control and risk management systems.

These systems constitute an organizational framework that defines: 1/ the players, roles and responsibilities; 2/ a risk management process based on the identification, analysis and treatment of risks, and 3/ the continuous oversight of these systems.

They are notably based on: 1/ a specific organization that is dedicated to risk management through a Risk Prevention Committee, 2/ the internal distribution of procedures, documentation and operating guidelines identified as areas for improvement, and 3/ permanent monitoring through risk assessments (depending on their occurrence and impact), with the associated risk maps updated on a regular basis.

These systems are an integral part of Mercialys' operational and strategic management, and aim to protect the Company against several identified risk categories, ensuring that its development is effectively controlled and sustainable.

5.1.1 Internal control and risk management bodies

Mercialys' internal control and risk management systems, as presented in this chapter, apply to Mercialys and its controlled subsidiaries as defined by the French Commercial Code, in accordance with the AMF reference framework. As indicated by the AMF, the systems are adapted to the specific characteristics of each company and the relationships between the parent company and its subsidiaries.

5.1.1.1 Audit, Risks and Sustainable Development Committee

Mercialys' Executive Leadership Team is responsible for defining, designing and implementing the internal control and risk management systems.

The Board of Directors is informed of the main characteristics of the systems put in place.

To do so, it is supported by the Audit, Risks and Sustainable Development Committee, which is responsible for checking that the Company has appropriate and structured resources in place to identify, detect and prevent risks, anomalies and irregularities in the management of its business. Among other duties, this Committee closely and regularly monitors the internal control and risk management systems.

Within this framework, it issues observations and recommendations on audit work, while carrying out or commissioning any analyses and reviews that it deems appropriate on any internal control and risk management issues.

The Audit, Risks and Sustainable Development Committee is specifically responsible for monitoring the process to prepare financial information and monitoring the efficiency of the Company's internal control and risk management systems. An Audit, Risks and Sustainable Development Committee Charter, available on the Company's website, presents its responsibilities.

Details on the composition, duties and accomplishments of the Audit, Risks and Sustainable Development Committee are also presented in chapter 4, § 4.1.4.1, p. 237 *et seq.*.

5.1.1.2 Risk Prevention Committee

A Risk Prevention Committee was set up in 2016 to specifically address the increased demand for risk monitoring by regulators. This Committee also aims to secure Mercialys' operational and financial processes, offering increased visibility on the handling of its risks.

The Risk Prevention Committee's main mission is to manage the risk control system through a mapping process. Its duties primarily include identifying the risks facing Mercialys, identifying and assessing the procedures in place, implementing a plan to supplement or optimize the handling of risks, and lastly organizing controls to ensure the correct application of procedures.

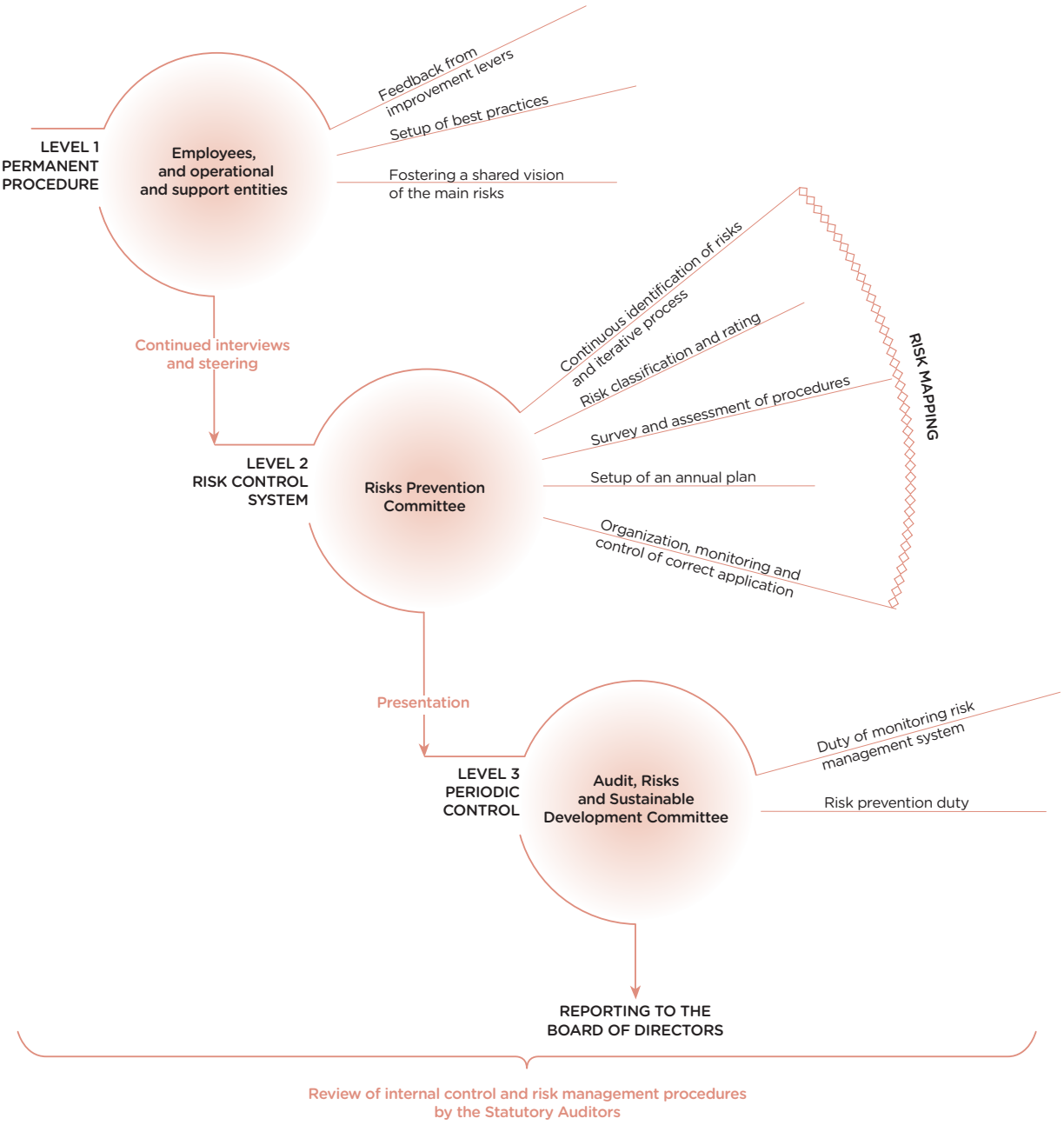
This Committee comprises the Chief Executive Officer, the Deputy Chief Executive Officer and Chief Financial Officer, the Executive Vice-President, the Director of Human Resources, the Head of Internal Control, the Head of CSR and the Director of Compliance and Ethics. Through its members, the Committee has direct access within the departments to not only benefit from the expert position of each manager, but also optimize the approach for the identification, analysis and treatment of risks. The Committee reports directly to the Executive Leadership Team, which further strengthens Mercialys' policy to make risk management an integral part of its strategy.

The Risk Prevention Committee meets once a quarter and reports on its work to the Audit, Risks and Sustainable Development Committee at least once a year. The Management Committee is also kept informed through regular presentations.

5.1.1.3 Employees

Employees and middle managers represent the third line in Mercialys' internal control and risk management system. Mercialys endeavors to include all employees in the risk control system through *ad hoc* presentations, communications for the teams, and through the Risk Prevention Committee, which operates by regularly interviewing heads of departments and/or employees. They are tasked with making the internal control and risk management systems work by improving them continuously. Employees also perform a preventative role through frequent dialogue with the Internal Control Manager regarding potential improvements or the identification of new risks.

OVERVIEW OF THE RISK MANAGEMENT STAKEHOLDERS AND ORGANIZATION



5.1.2 General principles of internal control and risk management

5.1.2.1 Approach and prerequisite

As highlighted by the AMF reference framework, the internal control and risk management systems cannot provide an absolute guarantee that the Company's objectives will be achieved. There are inherent limitations in any system, which may result from a wide range of both internal and external factors.

However, Mercialys works to minimize these risks and all its internal control and risk management systems are covered by a continuous improvement process aimed at ensuring the implementation of best practices within the Company.

Effective internal control and risk management require two preliminary stages:

- firstly, setting and communicating the Company's strategic and financial objectives. Mercialys' strategic and financial objectives are set as part of a three-year plan, which is reviewed in full every year. The definition and updating of this plan are led by Mercialys' Executive Management Team, which is responsible for the Company's key balances, particularly in terms of investments and the allocation of financial resources, as well as monitoring the implementation of the plan;
- secondly, rules of conduct and integrity that are known and respected by everyone. Mercialys has a Code of Ethics and code of conduct, which formalizes its commitments in terms of professional ethics and the resulting guidelines for conduct to be followed by all its employees daily. The code is regularly enhanced and updated, and it is signed each year by employees to reconfirm their commitment to respecting its principles. All employees also receive training each year on specific ethics-related topics. Lastly, a frame of reference for managerial attitudes and behavior has also been set up and distributed to all the Company's managers to guide their actions each day.

5.1.2.2 Operating procedures

	Internal control	Risk management
Definition	Internal control is a set of procedures defined and implemented under the Company's responsibility, allowing it to maintain control over its activities, carry out its operations effectively and use its resources efficiently. It is also designed to take appropriate account of the Company's significant risks that could prevent it from achieving its objectives.	Mercialys' risk management system consists of a series of resources, behavioral practices, procedures and actions that are aligned with its characteristics. It is designed to enable managers to eliminate these risks or to keep them at an acceptable level for the Company.
Objectives	Internal control is specifically intended to ensure: • Legal and regulatory compliance; • Application of the instructions and guidelines given by the Executive Leadership Team; • Correct implementation of procedures, particularly those contributing to the safeguarding of assets; • Reliability of financial information.	Risk management is specifically intended to: • Create and protect the Company's value, assets and reputation; • Secure the Company's decision-making and processes in order to help achieve its objectives; • Help ensure that actions are aligned with the Company's values; • Engage employees around a shared vision of the main risks.

	Internal control	Risk management
Organizational framework	Mercialys' internal control organization complies with the following principles: **1. Responsibility and powers:** Each department head is responsible for organizing its structure and functions to ensure that the separation of duties is respected. This organizational structure is set out in an organization chart. Delegations of signatures are requested by the proxy where a signature cannot be obtained for a specific transaction. Delegations of powers are managed and monitored by the Human Resources Department, liaising with the Casino group Corporate Legal Department, which operates in line with the Service Agreement between Mercialys and the Casino group. **2. Human resources management policy:** Mercialys' human resources policy aims to ensure the effective allocation of its human capital through structured recruitment and career management policies in order to enable it to achieve the objectives set. Its administrative management is handled by the Company's Human Resources Department, supported by the Casino group's human resources shared services centers under the Service Agreement. Mercialys' training policies are focused in particular on management, personal development, human resources and the Company's business activities, as well as ethics and compliance. To ensure employee motivation, the Company's compensation policy is based on a market salary benchmark analysis and aligned with the principles of internal fairness. Lastly, the compliance of managers' practices with the standards for managerial attitudes and behaviors is assessed each year as part of the annual performance review, and is one of the criteria for determining the amount of variable compensation paid. **3. Information systems:** Mercialys has brought the management of its IT network back in-house, before the end of the services provided by the Casino group until June 30, 2020. For this process, Mercialys has been supported by dedicated providers, in order to ensure the security of its data. Alongside this, data are managed by the Casino group in connection with the rental management and technical and administrative management mandates, as well as the accounting services provided. The Casino group uses integrated management software and aligns itself with IT industry standards and processes to ensure that the information systems are adapted for the Company's current and future objectives. They also make it possible to address issues such as physical security, the retention of archived information and the continuity of operations.	Mercialys' Executive Leadership Team and managerial staff are responsible for identifying the specific risks involved with its activities and analyzing their level in order to manage them effectively. The Risk Prevention Committee meets on a quarterly basis. Its activities aim to reduce the risks identified by managers that could prevent the Company from achieving its objectives. In the event of a specific crisis situation, a dedicated unit is ready to intervene, comprising employees and a member of Mercialys' Executive Leadership Team, as well as key staff and Executive Management representatives from the rental manager. Under the Service Agreement, Mercialys keeps the Casino group Insurance Department informed of changes and developments that might modify the assessment of its risks. This department is responsible for taking out and managing Mercialys' insurance policies. This insurance cover is either included in the Casino group's centralized programs, or set up with dedicated policies. For instance, Mercialys benefits from the programs for property damage, professional liability, construction and executive liability insurance cover. By pooling insurance cover with the Casino group, Mercialys benefits from synergies and savings on its premiums, while enjoying the same cover as other similar-sized companies in the sector. The main risks insured and the corresponding amounts are presented in the table below. The Casino group Insurance Department is also involved in managing claims. All the functions delegated as part of the Service Agreement between Mercialys and the Casino group are subject to processes for control by Mercialys to verify the quality of the services delegated and to update its risk mapping on a yearly basis.
Internal distribution of information	Managers are responsible for distributing relevant information to employees and functional or operational management staff. Procedures that are specific to Mercialys' activities are distributed on a regular basis to the relevant Mercialys' employees and to those concerned by subcontracting activities under the Service Agreement. The timeframes for distributing information within Mercialys allow sufficient time for an effective response. The production of reliable information on time is supported by information systems that are organized to make it possible to optimize activities for the stakeholders concerned.	

	Internal control	Risk management
Monitoring	Internal control and risk management are monitored under the authority of the Executive Leadership Team, based on several bodies. The Executive Leadership Team are regularly informed of potential failings in the internal control and risk management system and this system's suitability for activities, and also monitor the effective implementation of any corrective actions required. Managers perform a supervision role on a day-to-day basis to monitor the effective implementation of the internal control and risk management system. They are responsible for implementing corrective action plans and reporting any major failings to the Executive Leadership Team. The Company's Chief Financial Officer is responsible for monitoring Mercialys' internal control and risk management system, as well as the internal control system for the activities carried out by the Casino group for Mercialys.	

Main risks insured and amounts covered

The levels of insurance cover are adjusted to take into account the claims rate, insurance market constraints or changes in Mercialys' risks. On the date of this Universal Registration Document, no major and/or significant claims had been recorded that were likely to change the current terms of insurance cover and the amounts of insurance premiums and/or the continuation of self-insurance.

Property damage and/or operating loss insurance

The risks covered include property damage and/or operating losses due to fire, explosion, malicious act, collapse, natural event, natural disaster, political violence or rental liability within the limits negotiated on the insurance markets.

Main risks insured and amounts *(in millions of euros)*

Fire, explosion, lightning (direct damage and resulting operating losses – 24 to 48-month compensation period for loss of rent)	400
Building collapse	400
Social unrest, riots	400
Acts of terrorism	148
Natural disasters	400
Neighbor/third-party claims	20
Tenant/occupant claims	20
Loss of use/costs to ensure compliance	50
Loss of rent	50

Third-party liability

This mainly covers personal injury, property damage and/or financial losses caused to third parties through negligence, errors or omissions in services provided by Mercialys or in the operation of its business, subject to a maximum limit of Euro 75 million per claim per year. These programs also cover pollution risks.

Building insurance

This covers the risks that Mercialys could be exposed to as a project manager, in accordance with the regulations and legal requirements for insurance.

The cover limits are consistent with construction industry practices and insurance requirements.

5.1.3 Specific aspects of internal control relating to the accounting and financial information published

The accounting and financial internal control arrangements are designed to ensure:

- the compliance of the accounting and financial information published with the rules applicable;
- the application of the instructions and policies set out by the Executive Leadership Team regarding this information;
- the reliability of the information distributed and used in-house for oversight or control purposes, whenever this information is used to produce the accounting and financial information published;
- the reliability of the financial statements published and other information provided to the market;
- the preservation of assets;
- the prevention and detection of accounting and financial irregularities and fraud, insofar as possible.

The scope for accounting and financial internal control, as presented below, comprises the parent company Mercialys SA and the companies included in its consolidated accounts.

Mercialys uses the Casino group's accounting services to prepare its accounts, in accordance with the Service Agreement between the two companies.

5.1.3.1 Process for the oversight of the accounting and financial organization

A. General organization

In accordance with the Service Agreement signed with the Casino group, and under the control of Mercialys' Financial Department, the teams from the Casino Real Estate Department's Accounting and Management Control Shared Services Center prepare the corporate and consolidated accounting and financial information published by Mercialys.

To be able to provide Mercialys' Board of Directors with an opinion on the proposed financial statements, the Company's Audit, Risks and Sustainable Development Committee reviews the full-year and half-year financial statements and is informed of the Statutory Auditors' conclusions regarding their work.

B. Application and control of accounting and tax rules

The arrangements put in place aim to ensure that the standards applied correspond to the regulations in force and are accessible for everyone involved in the process to prepare accounting and financial data.

Under the Service Agreement, the Casino group Accounting Department monitors emerging regulatory developments in order to understand and anticipate changes in accounting rules that may impact Mercialys' accounting standards.

These changes in accounting standards are analyzed with Mercialys' Statutory Auditors in terms of their impact on the financial statements and their presentation.

In terms of taxation, analyses are performed on the tax position and at the time of specific transactions. These analyses are conducted by Mercialys with support from specialist external advisors. An annual tax review is carried out by an external advisor, which also performs work to monitor emerging developments in terms of legislation, legal precedents and regulations.

5.1.3.2 Processes supporting the preparation of the accounting and financial information published

A. Identification of the risks affecting the preparation of the accounting and financial information published

Mercialys' Financial Department is responsible for identifying risks affecting the preparation of the accounting and financial information published, and overseeing outsourced activities if applicable. It applies the principle for the separation of duties in the corresponding processes and positions the control activities in accordance with the level of risk.

B. Control activities aimed at ensuring the reliability of the accounting and financial information published

Processes for the preparation and consolidation of accounting and financial information

The processes for producing accounting information and approving the financial statements are organized to ensure the quality of the accounting and financial information published. In addition, to produce information within short timeframes, early closing procedures are used with a view to securing the reliability of information.

Processes have been put in place for the close of accounts, with the accounting information produced and controlled by the Casino group's accounting teams under the Service Agreement and by Mercialys' Financial Department.

The IT system is reviewed on a yearly basis by the Statutory Auditors, as part of their audit, focusing in particular on the production of Mercialys' accounting and financial information.

In accordance with legal requirements, Mercialys has two Statutory Auditors, whose appointments were renewed in 2016. As part of their mission, they ensure that the annual financial statements are accurate, comply with accounting rules and principles, and give a true and fair view of the results of operations for the past accounting period, as well as the Company's financial position, assets and liabilities at year-end.

Mercialys' Financial Department is in charge of liaising with external auditors. The Company's Statutory Auditors are appointed with a process that is initiated and controlled by the Audit, Risks and Sustainable Development Committee, in line with the recommendations from the AFEP-MEDEF Corporate Governance Code for listed companies and European regulations (EU regulation 537/2014 and Directive 2014/56), transposed into French law by the Order of March 17, 2016 and applicable since June 17, 2016.

Process for the management of external financial information

Mercialys' financial disclosures are based on compliance with the procedures set by the AMF, including the principle of equal treatment for shareholders. They aim to provide a clear view of the Company's strategy, business model and performance by distributing accurate, reliable and truthful information to the financial community.

More specifically, Mercialys adheres to the EPRA[1] definition of operational, financial and sustainability performance indicators, aligning itself with industry best practices and contributing to the comparability of results between the sector's various operators.

The EPRA Best Practices Recommendations Guidelines can be consulted at:

https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf

The EPRA Sustainability Best Practices Recommendations Guidelines can be consulted at:

https://www.epra.com/application/files/3315/0456/0337/EPRA_sBPR_Guidelines_2017.pdf

(1) EPRA: European Public Real Estate Association.

Financial information is disclosed to the parties concerned in various ways, including:

- the Universal Registration Document;
- the Half-Year Financial Report;
- the press releases on the Company's half-year and full-year results;
- the financial information meetings and conference calls (presentation of the half-year and full-year results);
- the press releases on business for the first and third quarters;
- the General Meeting;
- relations with financial analysts, investors and the financial and general press through a dedicated Communication and Investor Relations Department.

5.2 Description and management of risks

5.2.1 Identification and classification of risks

On a recurring basis, Mercialys reviews the main risks that could have a material impact on its business activities, financial position or results. Risk management is integrated into the Company's decision-making and operational processes.

These risks are identified based on work carried out by the Risk Prevention Committee through interviews with each Company Department, with employees and with service providers. The map prepared on this basis is presented to and approved by the Audit, Risks and Sustainable Development Committee, which ensures that all the risks are covered, monitored and managed.

The risk mapping is reviewed each year and may be modified to reflect the action plans put in place or the new risks identified. This iterative process makes it possible to identify new risks relating to effective or potential changes in the Company's operations or regulations, as well as developments on the commercial real estate market.

5.2.1.1 Risk categories

Mercialys' Risk Prevention Committee has identified 55 risks, which it has broken down into categories in accordance with the ESMA guidelines(1). The breakdown between the eight categories retained is presented in the following table, while noting that Mercialys does not use any subcategories.

	Number of risks
Risks related to the sector	2
Risks related to business activities	17
Risks related to the financial position	2
Risks related to internal control	15
Legal and regulatory risks	8
Governance risks	5
Environmental, social and societal risks	6
Risks related to financial operations underway	0

(1) ESMA31-62-1293 "Guidelines on risk factors under the prospectus regulation".

5.2.1.2 Rating of risks

To ensure the pragmatic management and monitoring of its risks, Mercialys has rated them based on their priority. This prioritization system is based on a rating that includes the two dimensions from the risk mapping matrix, *i.e.* the risk's impact and its probability of occurrence.

Impact

This measures the potential impact of a risk for the Company if it was to occur. When it can be quantified, the impact is expressed as a percentage of Funds From Operations (FFO) or the Net Asset Value (NAV). When it cannot be quantified, it is assessed based on Mercialys' ability to continue rolling out its strategy and operations or in terms of reputational consequences. The impact is split into three levels: low, moderate and high.

To ensure a good level of consistency between the approach for assessing environmental, social and societal risks, based on their materiality after consulting with internal and external stakeholders, and the approach for the Company's other risks, which includes only internal stakeholders, the Risk Prevention Committee decided that the impact of environmental, social and societal risks would now be rated based on their consequences in reputational terms, with the level of rating derived directly from their positioning within the Company's materiality matrix.

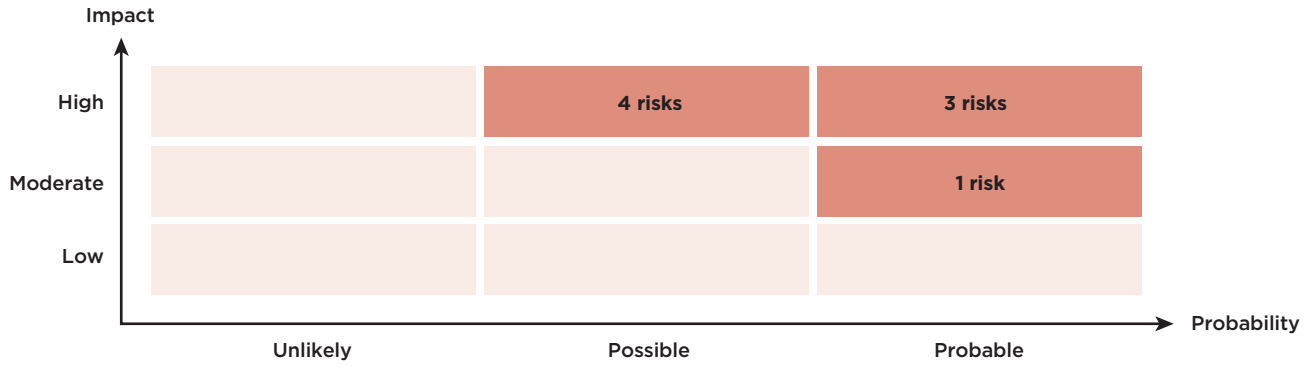
	Low	Moderate	High
Change in FFO	Less than 1% of FFO	From 1% to 5% of FFO	More than 5% of FFO
Change in NAV	Less than 1% of NAV	From 1% to 5% of NAV	More than 5% of NAV
Implementation of the strategy and continuity of operations	Minor obstacles to the deployment of the strategy and operations	Moderate obstacles to the deployment of the strategy and operations	Major obstacles to the deployment of the strategy and operations
Reputation	No media impact or impact with a limited number of stakeholders	Local media impact or impact with certain stakeholders	National media impact or impact with a high number of stakeholders

Probability

The probability is defined as the possibility of a risk occurring, at least once, over different timeframes. In other words, it assesses the plausibility of an event involving a risk occurring. The probability is split into three levels: unlikely, possible and probable.

	Unlikely	Possible	Probable
Probability of at least one occurrence of the risk	Over a timeframe of 4 to 5 years	Over a timeframe of 2 to 3 years	Over a timeframe of 1 year

The priority risks are those with a "moderate" impact and a "probable" probability, or a "high" impact and a "possible" or "probable" probability.



5.2.2 Summary of priority risks

Mercialys rates net risks, *i.e.* it assesses the impact and probability of its gross risks after potential mitigation arrangements and measures being put in place (insurance, cover, controls and procedures, policies, diversification, etc.).

Out of the 55 risks identified by Mercialys, 8 risks, from 3 categories, are classed as priority at December 31, 2019:

Risk category	Risk	Rating of the risk's impact	Rating of the risk's probability	Risk trend
Risks related to the sector	Risk related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market	High (NAV)	Probable	Stable
	Risk related to the competition	High (FFO)	Possible	Stable
	Risk related to new forms of consumption	High (FFO)	Possible	Stable
Risks related to business activities	Risk related to retailer arbitrage and reletting	High (FFO)	Probable	Increase
	Risk related to the safety and security of operations and a deterioration in the portfolio	High (reputation)	Possible	Stable
	Risk related to acquisitions and construction operations	High (NAV)	Possible	Stable
	Risk related to key providers	Moderate (implementation of the strategy and continuity of operations)	Probable	Decrease
Risks related to the financial position	Risk related to interest rates, the cost of debt, liquidity and financing	High (FFO)	Probable	Increase

5.2.2.1 Risks related to the sector

A. Risk related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market

Impact: high / Probability: probable / Trend: stable

Description of the risk

The capitalization rate is a key element for calculating the appraisal value of the assets held by Mercialys. It is determined based on the deemed risk-free rate (*i.e.* the interest rate paid by the French state on its borrowings) and the risk premiums associated with the property investment concerned.

The independent appraisers responsible for valuing the Company's portfolio also base their valuations on the rates seen for recent real estate transactions on the physical commercial property market.

Various assumptions are made during the valuation twice a year (in accordance with AMF recommendations) by the appraisers, taking into account factors such as changes in rent, vacancies and capital expenditure. Any deterioration in these assumptions would have a negative impact on the appraisal value.

Likewise, a significant increase in capitalization rates would result in a drop in the appraisal value of Mercialys' portfolio, as taken into account in the calculation of its Net Asset Value (NAV) and Loan To Value (LTV).

Deteriorations in the rates observed for transactions on the physical real estate market would also have a potentially negative impact on the value of the Company's asset portfolio.

A significant deterioration in the portfolio value would have an unfavorable impact on Mercialys' stock price, as well as potentially its financial rating and the appraisal of its risk profile by financial market operators, and therefore ultimately the cost of its debt.

Risk management and coverage

The factors that drive up capitalization rates are linked primarily to changes in central banks' monetary policies and trends for physical real estate investments. Mercialys anticipates the potential impacts of monetary policies (providing regular updates for Executive Leadership Team members) and performs simulations to assess how interest rate changes will impact the value of its portfolio. It also closely monitors real estate transactions on the market. The portfolio value's sensitivity is updated every six months, based on a 0.5% decrease/increase in the capitalization rate and a 10% increase / decrease in rents.

The risk of a deterioration in the appraisal value, through unfavorable changes in the underlying assumptions, is therefore regularly tracked thanks to the monitoring methods applied and their frequency. In addition, all the assets in Mercialys' portfolio are valued by independent appraisers every six months, which makes it possible to regularly adjust its value if required.

This risk is managed through the arbitrages that Mercialys carries out on a continuous basis on its portfolio of assets, in line with its market vision. The Company's arbitrage strategy is based on selling assets that have reached maturity or are potentially becoming commercially vulnerable, and investing in leading assets in order to consolidate their dominance in their catchment areas and strengthen their valuations. In line with this approach, the Company drastically reduced the size of its portfolio in recent years, from 93 shopping centers and high-street retail assets at end-2010 to 53 at end-2019.

Mercialys' portfolio value came to Euro 3,419.5 million excluding transfer taxes at end-December 2019, compared with Euro 3,528.5 million at end-June 2019 and Euro 3,556.9 million at end-December 2018. The portfolio value excluding transfer taxes is therefore down -3.9% over 12 months (-1.4% like-for-like) and -3.1% over six months (-0.7% like-for-like). The average appraisal capitalization rate came to 5.59% at December 31, 2019, compared with 5.53% at June 30, 2019 and 5.42% at December 31, 2018.

Due to the strong correlation between the capitalization rate and the discount rate in the appraisers' model, the sensitivity test for changes in the capitalization rates also shows the sensitivity to changes in the discount rate.

Based on an assumption for annual appraised net rents of Euro 191.1 million and a capitalization rate of 5.59%:

Sensitivity criteria	**Impact on the appraisal value excluding transfer taxes** *(in millions of euros)*
0.5% decrease in the capitalization rate	+336.1
10% increase in rents	+342.0
0.5% increase in the capitalization rate	(280.9)
10% decrease in rents	(342.0)

Risk trend: stable

This risk is of major structural importance for Mercialys. Regularly selling some of its assets to reinvest part of the capital generated in its portfolio of value-enhancing projects enables the Company to maintain the commercial quality of its portfolio and protect its value.

Nevertheless, the slowdown in the pace of transactions on the physical retail real estate market since 2018 is having an impact on the Company's ability to quickly and easily sell its assets. A moderate upswing in capitalization rates was recorded in 2018 and 2019, with a limited negative impact on the portfolio's appraisal value.

B. Risk related to the competition

Impact: high / Probability: possible / Trend: stable

Description of the risk

Mercialys, through its activity operating shopping centers, captures part of the catchment areas of the cities where it is present. The level of footfall in shopping centers is therefore a key indicator with a positive or negative impact on the Company's economic and financial performance.

In this context, extension, redevelopment or greenfield construction projects, on different scales, that may be launched in the medium term could have a potentially significant adverse impact on footfall for Mercialys' shopping centers, especially if these projects are located in major catchment areas for the Company. This decrease in footfall would translate into a drop in profitability for retailers and would therefore lead to pressure on the rents charged by the Company.

Risk management and coverage

Mercialys manages this risk through two key pillars:

- a regular asset rotation policy, which may lead to sales of sites that are considered to be located in retail areas that are more sensitive to an increase in competition. The Company is therefore gradually focusing its positioning on key areas in cities with demographic and purchasing power trends that are higher than the national average;
- a commercial strategy aiming to further strengthen its sites through (i) medium-sized stores set up to generate additional traffic supporting the entire shopping center, (ii) a retailer mix that is adapted to each catchment area, and (iii) tests for the implementation of new uses of shopping centers (e.g. coworking and meal delivery), with a view to embedding them more effectively within their communities.

Through these measures, Mercialys was able to ensure sustained growth in footfall for its shopping centers from 2014 to 2019, significantly outperforming the national index published by the French national shopping centers council (*Conseil National des Centres Commerciaux*, CNCC). This positive footfall trend has been reflected in the sales trends for retailers present at the sites owned by the Company, which continued to be positive over this period, once again significantly outperforming the national index. This performance has ensured Mercialys' long-term ability to achieve sustained growth in its rents on a like-for-like basis: +3.1% in 2014, +3.4% in 2015, +3.4% in 2016, +2.6% in 2017, +3.7% in 2018 and +3.6% in 2019.

Risk trend: stable

Certain projects may have had a localized impact on footfall trends for certain sites owned by Mercialys. However, the Company has not observed any major, widespread increase in competition in terms of physical commercial property across its portfolio. The good footfall trends for Mercialys' sites in 2019 once again highlight the relevance of its positioning and result in this risk being classed as stable.

C. Risk related to new forms of consumption

Impact: high / Probability: possible / Trend: stable

Description of the risk

The breakdown of Mercialys' rents by business sector shows a high level of diversification. However, at December 31, 2019, two sectors account for more than 20% of contractual rents on an annual basis – personal items and large food stores:

	Dec 31, 2019	Dec 31, 2018
Restaurants and catering	8.1%	7.4%
Health and beauty	11.3%	10.6%
Culture, gifts and sports	14.3%	13.4%
Personal items	31.0%	31.5%
Household equipment	6.4%	6.8%
Food-anchored tenants	26.0%	27.5%
Services	3.0%	2.7%
TOTAL	**100.0%**	**100.0%**

The risk associated with new forms of consumption is primarily reflected in the following elements:

- a significant contraction in revenues for the personal items sector, observed across-the-board from 2008 to 2016. After picking up slightly in 2017 (fashion and textiles consumption in France up +0.6%), the downwards trend continued in 2018 (-2.9% for clothing sales according to Institut Français de la Mode) and 2019 (-1.2% for clothing sales for the year to end-October 2019);
- a paradigm shift for consumption in terms of large food-anchor tenants, benefiting independent retailers and hard discounters, as well as a downwards trend for the percentage of non-food products in their total revenues;
- increased use of e-commerce, which represented 9.1% of the retail sector in France in 2018[(1)], with sustained growth in its revenues.

The two main factors behind a downturn in consumption may affect the profitability of textiles or clothing retailers, resulting in pressure on Mercialys' rents or even contributing to an increase in its vacancy rate.

The development of e-commerce may also impact the profitability of "physical" retailers, which need to make significant investments in terms of IT (to develop their online distribution and improve their inventory management) and marketing in particular.

Risk management and coverage

Mercialys is planning ahead to anticipate the risk related to new forms of consumption through:

- the projects carried out since 2015 to reduce the size of sections in hypermarkets, partly those focused on non-food products, coordinating this with the food operator. These projects have helped realign the hypermarkets around food products and more relevant sizes, while providing the shopping centers with access to additional space, making it possible to welcome a number of specialist retailers, restaurants, etc., helping drive growth in footfall at these sites;
- the constant adaptation of its retailer mix, continuing to target a balanced diversification of sectors within its portfolio, as well as the identification of the most relevant retailers in each sector, particularly in terms of their price positioning;
- the development of customer knowledge, through marketing tools making it possible to provide visitors with offers and information that are closely aligned with their consumption profile, with a view to building loyalty;
- the setting up of tests for new diversified services (meal delivery, sports classes, charity actions, etc.) or cultural activities and events to consolidate the attractive positioning of its shopping centers and further enhance the existing retail offering.

Risk trend: stable

Retailer obsolescence has been a constant feature of the retail sector for the past decade, and the need to adapt the shopping centers is a major strategic element. According to Mercialys, competition from e-commerce is less acute in mid-size cities, where the Company's assets are located and where visits are recurrent, cover short times and involve limited average baskets (comparatively making delivery costs for online purchases very high). In France, it is difficult to obtain authorizations to open large food stores, which supports Mercialys' perception that it would also be possible to welcome alternative tenants in hypermarket units after potentially reducing the spaces allocated. The risk is therefore considered to be stable.

(1) Source: Fevad.

5.2.2.2 Risks related to business activities

A. Risk related to retailer arbitrage and reletting
Impact: high / Probability: probable / Trend: increase

Description of the risk

Mercialys lets space in its shopping malls and medium-sized stores primarily to major national or local retailers.

The impacts associated with these risks concern two key aspects. On the one hand, the profitability of tenant retailers, which may have a temporary negative impact on the recovery rate or rental reversion potential. It may also have a more structural negative impact on Mercialys' rental revenues if insufficient profitability leads to store closures in the centers owned by the Company, against a backdrop of regular arbitrage by retailers concerning their physical points of sale at national level. On the other hand, if retailers leave, the vacancy rate would impact rental revenues during the reletting period. This could last longer when key retail sectors face difficulties, as seen over the past decade for personal items in France for instance.

In terms of diversification, with the exception of the Casino and H&M groups, no single retailer represents more than 2% of Mercialys' rents. However, exposure to the Casino group represents a significant percentage of rents (27.3% at end-2019, 24.2% restating exposure for the 49% interest held by BNP Paribas REIM in two companies owning a total of 10 hypermarkets operated under the Géant brand), split primarily between the hypermarket retailers Géant (21.5% of rents at end-2019) and Monoprix (4.3% of rents at end-2019). If events were to affect the activities of Géant hypermarkets or more generally the activities of Casino, Mercialys' rental revenues and asset values could be impacted.

Mercialys has carried out hypermarket transformations at a number of the Company's sites since 2015, reducing their floorspace and reletting the space vacated by the food operator to benefit the shopping center. In this context, and in accordance with the clauses from the leases between the two companies, Casino and Mercialys are discussing new operations of this type. Under these negotiations, the hypermarket may be awarded a rent reduction, while the space vacated would make it possible to create value alongside this. If it was not possible to reach an agreement with the Casino group, the Casino group could exercise its option to vacate these units with the three-year breaks (reletting) based on the lease dates indicated below. Mercialys would then look at the breakdown of these premises, reviewing the food offering in terms of both its operator and format, and increasing the space allocated to the shopping center.

The lease schedule for Mercialys' two main tenants, *i.e.* the Casino group and H&M, is presented below.

Casino group lease schedule *(main leases: hypermarkets, supermarkets and Monoprix stores)*

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
Saint-Tropez	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
Besançon	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
Puteaux	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Chaville	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Asnières	100%	Monoprix	12/2015	12/2027	3 – 6 – 9 – 12 commercial lease
Marcq-en-Baroeul	100%	Monoprix	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

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

Risk management and coverage

Mercialys limits the insolvency risk and the risk relating to retailer chain closures primarily by diversifying its retailer mix, which is likely to limit the impact of a cancellation at a three-year break.

Furthermore, the risk linked to potential difficulties affecting the food retailers of the Casino group operating on the Company's sites must be put into perspective with the options available for reletting the vacated space. Demand for space for food outlets remains strong in France, in a context in which authorizations to open new stores are still limited.

Mercialys has also put in place procedures to limit the retailer counterparty risk, including:

- a detailed analysis of achievements from a lettings perspective compared with the budget, carried out each month by the Financial Department, Asset Management Department and Lettings Department. The findings are presented to the Management Committee and lead to specific action plans;
- as part of the asset business plans drawn up each year, the occupational cost ratio is analyzed (ratio between the amount of rent including tax, the costs including marketing funds and the work charged back to the retailer, and its revenues including tax) for each site. Any change that may not be in line with the rates usually recorded for activities is subject to a dedicated review of the context for the retailer and tenant. The findings and clarifications are then taken into account on a case-by-case basis by the Lettings and Asset Management teams;
- the setting of rents on a primarily fixed basis (97.6% of Mercialys' contractual rents on an annualized basis are fixed or include a guaranteed minimum rent at December 31, 2019);
- very regular operational procedures for rent collection and monitoring, carried out jointly by the Rental Management, Asset Management, Lettings and Financial Department teams.

In addition, Mercialys plans ahead to anticipate the reletting risk through:

- close tracking of the vacancy rate and associated reletting actions. The quality of the retailers selected is a decisive factor, focusing in particular on their financial health, the relevance of their offering in relation to the catchment area's needs, their locally differentiating features and their effective fit complementing the existing retail mix;
- the creation of a specialist Lettings team (i) for each geographical area, resulting in in-depth knowledge of local retailers, catchment areas and assets and (ii) for each type of space, as the needs and constraints of retailers operating mid-size stores are significantly different from those in small stores. This team is supported by the Asset Management Department, which specifically ensures the financial balance of negotiations, within the broader context of each shopping center's target profitability;
- the asset rotation strategy. Mercialys regularly analyses the positioning of all its assets within their catchment areas, and its ability to maintain a shopping center's strong appeal within this area over the long term is one of the criteria that may result in a site being divested.

Risk trend: increase

France is continuing to see positive trends for consumption over a medium-term cycle, with the resilience of underlying demand for high-quality retail premises, such as those offered by Mercialys, and the duration of the lease portfolio helping secure the Company's rental revenues. The French commercial property system, through lease rights, also offers strong protection for landlords. However, the investments to be made by retailers for their marketing and digital strategies, particularly faced with competition from online operators, are impacting their profitability and even their sustainability. In addition, the long-term difficulties affecting the textiles sector are not easing. Lastly, the Casino group's sales of its Géant brand's business operations show that this brand may be considered less strategic by the Casino group, with potentially significant impacts for Mercialys' rental income. While the recovery rate and vacancy rate are still at satisfactory levels for the Company, the risk is estimated to be increasing.

B. Risk related to the safety and security of operations and a deterioration in the portfolio
Impact: high / Probability: possible / Trend: stable

Description of the risk

As a real estate company, the risk relating to the safety and security of operations and a deterioration in the portfolio may take various forms, including:

- operation of its centers (theft, terrorist attack, assault, etc.);
- work carried out at its centers (fall, injury, etc.);
- activities of certain tenants which may affect the quality of soils, underground water, building structures through roof installations, resulting in a depreciation of the assets due to pollution or related deterioration;
- extreme weather conditions or the presence of parasites (termites, dry rot, etc.) which may damage the structure of buildings.

If it was to occur, this risk could have significant legal and reputational consequences for the Company.

Risk management and coverage

Several types of action are taken to manage this risk:

- safety and security procedures are put in place and regularly reviewed across all the centers, coordinating operations with Mercialys' property manager. The providers associated with these procedures are audited each year by the property manager, and if the property manager considers that the results are not satisfactory, corrective actions are put in place and contracts may be terminated. Mercialys also conducts safety and security audits and ensures that corrective measures are put in place by the property manager, when required;
- crisis management procedures are available and are tested on a regular basis. The Property Management teams also raise retailers' awareness of these issues;
- the property manager ensures the regulatory compliance of tenant activities;
- coordinating operations with Mercialys, the property manager ensures that preventive maintenance measures are rolled out for buildings under multi-year work plans and that work is carried out following specific events (e.g. weather events) in order to guarantee public safety and security;
- Mercialys' shopping centers are regularly audited by its insurers' "fire prevention" engineers, in line with annual priorities, notably determined based on the significance of the assets (all sites are audited at least once every five years). The reports of the insurers' prevention engineers are released after each on-site appraisal, accompanied by recommendations which are followed up on jointly by Mercialys and the Casino group Insurance Department, under the Service Agreement between the two companies;
- lastly, Mercialys has cover through its various insurance policies, calibrated based on the cost of rebuilding assets and the operating losses that could be sustained depending on the various scenarios considered.

Risk trend: stable

Public safety and security at Mercialys' shopping centers are part of the Company's fundamental responsibilities, and it takes all the steps required to ensure the highest level of safety and security for visitors. The Company is therefore particularly vigilant, especially in the context of international terrorism (the Vigipirate Plan's status at end-2019 was "reinforced security, risk of attack") and social movements. In addition, the portfolio's regular maintenance makes it possible to ensure the long-term viability of operations. Lastly, the cover offered by the insurance policies in place is considered to be effectively calibrated in relation to the potential damages for the Company. This risk is therefore considered to be stable.

C. Risk related to acquisitions and construction operations

Impact: high / Probability: possible / Trend: stable

Description of the risk

As part of its growth model, Mercialys implements a dynamic asset rotation strategy, through which assets whose geographical exposure and potential for growth are not considered to be optimal are sold, in order to finance the Company's portfolio of development projects or acquisitions of assets.

Since its initial public offering in 2005, Mercialys has not built any greenfield sites and it does not have any projects for this type of site in its current project portfolio. The portfolio includes redevelopments of existing spaces, extensions and mixed-use projects for high-street sites. The potential demolition and construction operations relating to these projects are carried out under different types of contracts: direct basis or delegated project management, property development contract, etc. These major operations involve different levels of legal responsibility and financial risks, particularly in terms of whether or not they are exposed to budget overruns on the work or the impact of delays with delivering work.

In addition, Mercialys may acquire assets on the market or under the Partnership Agreement signed with the Casino group. In this respect, the Company may be exposed to the consequences of incomplete diligence measures at the time of the acquisition, resulting in tax or financial consequences for instance.

Lastly, for both projects and acquisitions, Mercialys is exposed to the construction risk once the 10-year guarantee period has expired. If applicable, this risk concerns the need to carry out costly work to bring the asset into line with standards or to refurbish it and ensure that it can operate under good conditions. Operating losses may represent an additional cost within this framework.

Risk management and coverage

As a principal for projects managed under delegated project management contracts, Mercialys carries out regular audits and controls to ensure:

- budgetary and financial monitoring: in addition to everyday management by the Asset Management and Delegated Project Management teams through regular project meetings, *ex-post* audits are conducted on the projects delivered the previous year to ensure that all cost overruns are effectively justified (request by the principal, program changes or unexpected constraints). Costings are performed by independent economists for the most significant projects;
- operational and technical monitoring: joint meetings between the Asset Management and Delegated Project Management teams take place regularly to ensure that projects are moving forward correctly and the specifications are being met;
- monitoring of compliance for health and safety risks: while Mercialys holds no direct liability in the event of worksite incidents, there is an image-related risk with a financial impact. This risk is managed by both Mercialys and the Delegated Project Management team through the appointment of a health and safety coordinator. The latter is appointed to coordinate the activities of the various companies from a safety perspective. Note that the presence of this coordinator does not discharge the project manager from its legal responsibilities. Mercialys ensures that its teams regularly visit the projects underway at worksites. In the event of an incident, the Delegated Project Manager is alerted directly and the information is transmitted to Mercialys.

During acquisition processes, Mercialys conducts audits on the assets or the companies holding the assets, covering real estate, tax, accounting and legal aspects, in order to limit the overvaluation risk for the purchase price. These audits are carried out by external advisors (e.g. legal advisors, tax experts, notaries), and coordinated by the Company's in-house teams (Corporate Legal, Real Estate Legal, Financial Department and Asset Management).

Lastly, after the 10-year guarantee periods have ended for the sites acquired or developed, Mercialys ensures that its assets are correctly maintained throughout their lives with the multi-year work plan, which makes it possible to ensure the safety and security of shopping center operations, as well as the balanced distribution of capital expenditure to ensure their long-term viability.

Risk trend: stable

The implementation of Mercialys' development project portfolio is evolving in line with parameters for historical trends. The Company further strengthened its legal expertise for structuring mixed-use projects in the fourth quarter of 2019, and also works with renowned legal and tax advisors to support it with its acquisition and development projects. Partnerships with leading developers are also looked into and contribute to the effective management of this risk. This is therefore estimated to be stable.

D. Risk related to key providers

Impact: moderate / Probability: probable / Trend: decrease

Description of the risk

To effectively carry out its day-to-day management and its development projects, Mercialys works with external providers. There are hundreds of providers, contributing to the high level of overheads, with Euro 16.5 million in 2019 and Euro 17.8 million in 2018.

If one or more of them was to potentially default, this could disrupt the deployment of Mercialys' strategy and the continuity of its operations, particularly when certain services that were previously outsourced are gradually being brought back in-house.

For instance, Mercialys uses various accounting and management software and IT systems, which could result in disruptions if the providers of these services (solution vendors, hosting providers and IT consultants) were to experience difficulties concerning the security, management and recovery of data belonging to Mercialys.

Furthermore, due to Mercialys' historical organizational structure, services provided by Casino group entities still represent nearly 12% of Mercialys' overheads at this stage, resulting in a concentration of the risk related to providers and suppliers for the Company.

For reference, the Casino group provides services to Mercialys under the following agreements entered into between the two groups:

- the Service Agreement, under which some of Mercialys' support functions are still performed by Casino group teams;
- the Partnership Agreement, under which Mercialys benefits from an option for privileged access to the retail real estate development operations carried out by the Casino group;
- the technical and administrative management and rental management mandates signed with Sudeco, a Casino group subsidiary;
- the non-exclusive framework agreement for delegated project management, entered into with another Casino group subsidiary.

Lastly, although it puts in place all necessary due diligence measures in this area, owing to the large number of providers that it works with, Mercialys is still exposed to the risks relating to non-compliance with the General Data Protection Regulation (GDPR) by one or more of them, or even risks linked to any failure to respect the principles of professional ethics and compliance.

Risk management and coverage

Mercialys protects itself against the risks relating to its suppliers by first of all working primarily with providers that have a solid reputation and leading position. This enables it to be supported by leaders on their respective markets, particularly for its accounting and management software. The tools used are developed by the market's major players (including Microsoft, Sopra and SAP), whose long-term viability is not being called into question to date.

In addition to the fact that Mercialys has included clauses relating to business ethics and GDPR compliance in its contracts, these aspects are further strengthened by working with established firms. Due to the legal obligations that these groups generally face in terms of these aspects, they have usually put in place the procedures and investments needed to ensure their own regulatory compliance. In connection with the outsourcing of its real estate management and technical and administrative management activities, Mercialys also receives regular reports from its provider Sudeco concerning the supplier audits that it conducts on behalf of Mercialys.

With regard to the relations for services with the Casino group, the corresponding risk is managed through:

- regular spot-checks, supported by market consultations and benchmarks;
- a contractual commitment by the provider to continue with the technical and administrative management and rental management mandates until December 31, 2022. In case the agent was to default or terminate these agreements before this date, Mercialys took steps in 2019 to ensure that it would be able to appoint alternative providers with globally comparable pricing conditions (Euro 6.5 million paid for 2019 and Euro 6.3 million for 2018);
- the gradual insourcing of part of the support functions considered to be sensitive by the Company:
  - the services relating to fund management, real estate development and real estate legal aspects ended at December 31, 2019,
  - the services relating to real estate management control and IT will end at June 30, 2020 after 12 month notice,
  - the services relating to human resources support will end at December 31, 2020 after 12 months' notice.

As a result, invoicing for the Service Agreement is estimated at Euro 1.3 million for 2020, compared with Euro 2.0 million in 2019 and Euro 2.1 million in 2018.

For the aspects relating to construction work on redevelopments or extensions, the delegated project management framework agreement entered into with the Casino group is not exclusive. Mercialys can therefore work with a number of providers nationwide, once again based on comparable pricing conditions. Mercialys use of this in 2019 was not significant.

Although the Partnership Agreement will continue through to December 31, 2020, Mercialys can carry out projects outside of this agreement, with the percentage of projects depending exclusively on the land owned by Mercialys, representing close to two-third its project portfolio at December 31, 2019.

Risk trend: decrease

The risk relating to the concentration of suppliers and potential defaults by these providers is estimated to be decreasing.

The diligence measures put in place by Mercialys since 2017 to ensure its value chain's compliance with the principles concerning professional ethics and personal data security in particular represent a moderating element.

In addition, the plan to gradually bring the management of certain support functions back in-house and diversify others is regularly and significantly reducing Mercialys' exposure to its leading suppliers and particularly the Casino group.

5.2.2.3 Risks related to the financial position

A. Risk related to interest rates, the cost of debt, liquidity and financing

Impact: high / Probability: probable / Trend: increase

Description of the risk

2019 continued to be marked by an environment with historically low interest rates. A gradual or sudden rise in interest rates would potentially increase the Company's financing cost, through either the cost of existing debt or possible refinancing operations.

Mercialys' bond spreads have widened significantly compared with the levels observed for the financial instruments of leading French real estate companies. This trend may have reflected a perception, among investors, of a risk associated with the concentration of rental exposure around the Casino group and the financial issues facing the latter, which holds 25% of Mercialys' capital.

Mercialys' financial position at end-2019 reflects the following elements:

Financial debt *(in millions of euros)*	**Dec 31, 2019**	**Dec 31, 2018**
Cash	72.0	377.0
Gross financial debt[(1)]	(1,445.2)	(1,855.2)
Net financial debt	**(1,373.2)**	**(1,478.2)**

(1) Including change in the fair value of financial debt, net book value of bond issue costs and premiums, and fair value of bond-backed derivatives.

At December 31, 2019, Mercialys' drawn debt totaled Euro 1,450 million, with the following breakdown:

- a bond for a total nominal amount of Euro 750 million, with a fixed coupon of 1.787%, maturing in March 2023;
- a bond for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- a private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.00%, maturing in November 2027;
- Euro 250 million of outstanding commercial paper bearing interest at a slightly negative average rate.

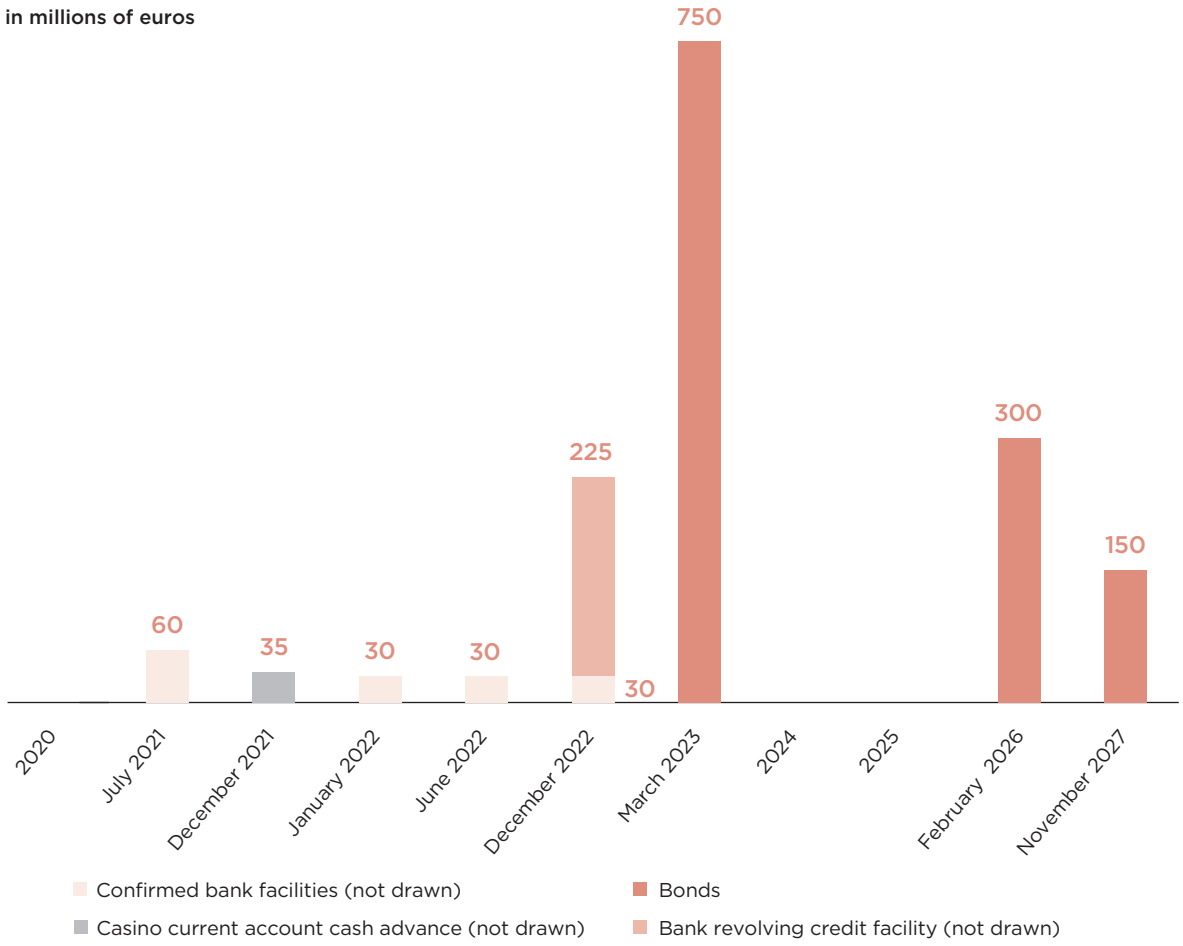
The average maturity of drawn debt was 3.8 years at December 31, 2019, virtually stable compared with December 31, 2018 (3.7 years).

Mercialys also has Euro 410 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. This facility bears interest at EURIBOR + a margin of 125 basis points; if undrawn, it is subject to payment of a 40% non-use fee (for a BBB rating);
- five confirmed bank facilities for a total amount of Euro 150 million, maturing between July 2021 and December 2022. The EURIBOR margin is less than 100 basis points for four of them and equal to 100 basis points for the fifth (for a BBB rating);
- a Casino current account advance for up to Euro 35 million, maturing at December 31, 2021, with the non-use cost representing 40% of the margin.

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 250 million (outstanding at December 31, 2019).

The chart below shows the Group's debt maturity schedule at December 31, 2019 (including undrawn financial resources and excluding commercial paper).



Mercialys' financial position also shows that it is respecting its contractual covenants.

The Loan To Value (LTV) ratio is significantly lower than the contractual covenants (LTV <50% or <55% depending on the different credit lines)

Loan To Value *(in millions of euros)*	**Dec 31, 2019**	**Dec 31, 2018**
Net financial debt	(1,373.2)	(1,478.2)
Appraisal value excluding transfer taxes[1]	3,479.3	3,621.2
Loan To Value (LTV)	**39.5%**	**40.8%**

(1) Including the fair value of investments in associates for Euro 59.7 million in 2019 (Euro 64.4 million in 2018), since the value of the portfolio held by associates is not included in the appraisal value.

The interest coverage ratio (ICR) is 7.4x, significantly higher than the contractual covenant (ICR >2).

Interest coverage ratio *(in millions of euros)*	**Dec 31, 2019**	**Dec 31, 2018**
EBITDA	163.0	157.8
Net finance costs	(22.0)	(31.3)
Interest coverage ratio (ICR)	**7.4x**	**5.0x**

Risk management and coverage

As part of the management of the cost of its debt Mercialys applies a dynamic approach to manage its interest rate hedging policy with a view to:

- maintaining an optimal hedging rate and keeping the debt structure in line with its bank commitments. Fixed-rate debt represented 86% at December 31, 2019, compared with the 55% required by the bank covenants. In connection with its Standard & Poor's financial rating (currently BBB/negative outlook), Mercialys adopts a cautious strategy by preserving significant leeway on its EBITDA/net finance cost ratio (ICR), which was 7.4x at December 31, 2019, versus >2x required by the bank covenant;
- limiting the risk on hedging instruments. Mercialys has defined a list of instruments that it can put in place in view of their associated risk profiles and hedging accounting constraints;
- anticipating the impacts of changes in interest rates. This involves close monitoring and keeping the Executive Leadership Team regularly informed of changes in FED/ECB monetary policies and financial market developments. It also involves sensitivity tests, carried out at least once a year on interest rates in relation to the cost of debt.

The interest rate risk management arrangements also include provisions to:

- limit the choice of banking counterparties. Mercialys only deals with major banks;
- being able to react quickly in the event of significant changes in interest rates through the daily mark-to-market modeling of Mercialys' entire portfolio. The external modeling tools are immediate. As an external valuer, the company Forex provides reports on the entire portfolio and the counterparty risk. Tests are carried out quarterly, with the fair-value modeling of debt based on interest rates.

The risk of an increase in interest rates must be analyzed in connection with the hedging policy put in place by Mercialys through derivative financial instruments. The sensitivity of the Company's pre-tax income to a change in rates is still significant:

Sensitivity criteria	**Impact on pre-tax income** *(in thousands of euros)*
Impact of a +1% change in interest rates	(4,478)
Impact of a -1% change in interest rates	4,167

Risk trend: increase

This risk is of major structural importance for Mercialys and is estimated to be increasing. Expectations for rates to rise could have a negative impact on both the cost of its existing debt and its future refinancing operations. Although Mercialys' financial instruments are not linked to the Casino group's situation, it appears that Mercialys' bond spreads may be volatile depending on the news concerning this major tenant and shareholder, potentially resulting in less favorable credit conditions. However, close monitoring and a debt hedging strategy that can adapt to possible changes in interest rates are in place, with this risk actively controlled through Mercialys' financial solidity and the dynamic management of its hedging policy.

5.2.3 Risks related to changes in the majority shareholder's strategy

Mercialys was created in 1999 by the Casino group. In 2005, looking to manage its real estate portfolio more actively and grow its value, the Casino group transferred part of its real estate assets in France to Mercialys and listed Mercialys on the stock market (Euronext Paris). This partial transfer of assets to Mercialys concerned a number of premises of specialist large stores and shopping centers located at sites anchored by Casino group hypermarkets and supermarkets, as well as cafeterias and certain sites with franchise supermarkets or convenience stores leased to third parties.

Mercialys' initial public offering, by way of a capital increase with a public offering, marked the start of a gradual reduction, over the years, of the interest in Mercialys' capital held by Mr. Jean-Charles Naouri and his controlled companies acting in concert.

According to AMF declaration 220C0427 submitted by this shareholder on January 31, 2020, this concert structure held 29,95% of Mercialys' capital (directly and through assimilation) and 25.48% of its voting rights at January 24, 2020.

As a result of Mercialys' history, there are still a certain number of contractual relations in place between Mercialys and the Casino group. These are presented in detail in chapter 6, § 6.2, p. 298 *et seq*.

The priority risks that may arise due to the existing relations between Mercialys and the Casino group are presented by category in this chapter 5, in accordance with the ESMA methodology, with the following breakdown:

- **Risk related to retailer arbitrage and reletting** (covered in § 5.2.2.2.A): this includes the elements relating to Mercialys' rental exposure to the Casino group (27.3% of annualized rents at end-2019, 24.2% of economic exposure restated for the hypermarkets jointly owned with BNP Paribas REIM) and the potential impact of changes in Casino's positioning for its Géant and Monoprix chains on rents, asset values and financial ratios;
- **Risk related to providers and suppliers** (covered in § 5.2.2.2.D): this includes the elements relating to Mercialys' organizational structure, including the fact that Casino group entities still perform certain support functions for Mercialys under a Service Agreement, whose cost represents nearly 12% of the Company's overheads at end-2019. The technical and administrative management and rental management mandates between the two entities are also covered;
- **Risk related to interest rates, the cost of debt, liquidity and financing** (covered in § 5.2.2.3.A): this explains the potential negative impact on Mercialys' bond spreads linked to certain news concerning the Casino group, with a possible impact on the Company's potential future refinancing operations. Note that the Euro 35 million current account advance between Mercialys and the Casino group at December 31, 2019 (vs. Euro 50 million previously) has not been drawn down by Mercialys to date.

5.2.4 Legal risks

Mercialys holds property in which shopping centers are or will be operated. The Company is therefore obligated to comply not only with tax rules with regard to its corporate status as a listed property company (SIIC) but also with the ordinary rules of French law on building permits, and several specific regulations governing areas such as urban planning for commercial property, public health, the environment, security and commercial leases.

Any substantial modification of the regulations applicable to the Company may affect its operating results and its development and growth potential.

Additionally, as it is customary for owners of shopping centers, the Company cannot guarantee that all its tenants, particularly for properties it has recently acquired, will comply with all applicable regulations relating to, among other things, public health, the environment, safety, commercial planning and operating permits. The Company, as the property owner, could suffer penalties as a result of the failure of its tenants to comply with applicable regulations, and this could affect its earnings and financial position.

5.2.4.1 Risks relating to regulations concerning commercial leases

The Company is subject to regulations concerning commercial leases as part of its business. French legislation on commercial leases is very strict with regard to the lessor. Certain contractual clauses relating to the term, termination, renewal and rent indexation are matters of public policy in France, and owners have only limited leeway to adjust rents according to market conditions.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can only be adjusted every three years to bring it into line with the rental value but without exceeding the change in the quarterly index applicable recorded since the most recent rental adjustment.

Leases for shopping centers often include a variable portion of rents based on the lessee's sales, with a guaranteed minimum rent in order to limit risk for the Company in periods of economic recession. This indexation to the tenants' revenues therefore avoids the regulatory rules for setting the rent. The adjustment of the minimum guaranteed rent based on changes in the ILC (commercial rent index) or ILAT (tertiary rent index) is thence only possible if expressly stipulated in the terms of the contract.

Act No. 2014-626 of June 18, 2014 concerning the craft and retail sectors and micro-enterprises (the "Pinel Act"), published in the Official Journal on June 19, 2014, and Decree No. 2014-1317 of November 3, 2014, published in the Official Journal on November 5, 2014, changed some of the rules concerning commercial leases. The changes to public policy have been incorporated into the commercial leases entered into or renewed by Mercialys since the new rules took effect. Changes to applicable regulations concerning commercial leases could therefore have a negative impact on the valuation of the portfolio, as well as the Company's earnings, business and financial position.

5.2.4.2 Risks relating to regulations on urban development and shopping center construction, safety and operation

The Company's activities are subject to city planning regulations, in particular the system of authorizations for commercial operation. In addition to administrative sanctions for failing to comply with these requirements (such as formal notice from the local governor, subject to a daily fine, to bring the site concerned into line with the authorization given, or a decision to close illegally operating sites to the public until the situation is resolved, also subject to a daily fine), penal sanctions may also be imposed.

Furthermore, as establishments open to the public, certain buildings and shopping centers are subject to fire safety regulations. The city mayor therefore only authorizes sites to open upon receipt of a favorable report by the fire safety commission following a site visit. In addition, the safety commission performs biennial inspections to check on compliance with safety standards and issues a formal report. If regulations are breached, the city mayor or local governor may decide to close the site.

Any regulatory change concerning city planning or safety requirements for establishments open to the public that increases the restrictions or constraints on shopping center development could limit the Company's growth opportunities and outlook. Conversely, any easing of commercial zoning regulations could depress the value of the Company's real estate assets.

The Company, its suppliers, and subcontractors are also bound to comply with various regulations which, if modified, could have significant financial consequences. Tougher building codes, safety regulations, or criteria for obtaining planning permission, building permits (commercial licenses) could also have a negative impact on the Company's margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent in the shopping center business.

5.2.4.3 Risks related to the constraints generated by the tax regime applicable to listed real estate investment companies, to a possible change in the rules regarding that status, or to the loss of that status

Mercialys has enjoyed the tax status applicable to listed property companies (SIIC) since November 1, 2005. It is thus exempt from corporate income tax on most of its business income. Eligibility for this status is conditional on compliance with the obligation to redistribute a large part of its profits. Non-compliance could entail the loss of this fiscal regime.

In addition, the amended Finance Act of 2006 makes eligibility for SIIC tax status conditional on limiting to 60% the portion of the Company's capital and voting rights held, continuously over the fiscal year, by one or several entities acting in concert. As from January 1, 2010, in the event of non-respect of this holding threshold, the Company could be liable to corporate income tax under French law if it exceeds this threshold in a given fiscal year. Since these provisions took effect, the stake held by the Casino group has remained below this threshold.

The loss of SIIC tax status and the corresponding tax savings, or any substantial changes in the rules applicable to such listed property companies, could affect the Company's business, earnings and financial position.

5.2.5 Risk relating to the coronavirus (covid-19) epidemic

This information is not part of the management report validated by the Board of Directors on February 12, 2020.

The beginning of 2020 was marked by considerable uncertainty because of the coronavirus (covid-19) epidemic. It initially affected the Chinese economy, which does not have a direct impact on Mercialys' results since it has no locations outside France. In March, the extension of the pandemic to the rest of the world, particularly Europe and France, led the French government to order the closure of all non-essential businesses as from March 15 until April 15, 2020. However the government decree authorizes essential businesses to continue to operate, including retailers that are Mercialys' tenants: food (all formats, both fresh and frozen produce), mobility (vehicle supplies, maintenance and repair, fuel), information (maintenance and supplies of IT and communication hardware), healthcare (pharmacies, drugstores, funeral services), hygiene (laundries, dry cleaners), press (newspapers, stationery), tobacco, construction (hardware stores, building materials retailers), and finance (banks and insurance companies).

In addition to these closures, on March 16, 2020 the French government ordered measures to enforce a nationwide lockdown of the population, for a period of 15 days. Footfall at Mercialys' sites is severely affected by this public health decision. The vast majority of the leases concluded by the Company include a minimum guaranteed rent or a rent without a variable component (97.6% of the total annual lease amount), which would appear to provide a defense to protect the Company's income. However, if this health emergency were to continue, it could affect the solvency of the retailers, and by extension Mercialys' collection capacity. In addition, the results could include targeted support measures the cost of which cannot be estimated at present. As a result, on the date of filing this Universal Registration Document it is impossible to quantify the impact of this coronavirus crisis on the Company's 2020 performance, results and objectives. The objectives communicated when the 2019 results were published in February 2020 are therefore null and void, and will be updated when the health situation outlook has been clarified.

€469M
Project portfolio over the 2020-2026 period

€26.7M
Potential additional rental income

26
Number of sites involved in these projects

6

ORGANIZATION OF THE MERCIALYS GROUP AND BUSINESS RELATIONSHIPS WITH CASINO GROUP COMPANIES

6.1 Operational organization 298

6.2 Business relationships with Casino group companies 298

6.2.1 Principal leases granted by Mercialys to Casino group companies 299

6.2.2 Partnership Agreement with Casino, Guichard-Perrachon 299

6.2.3 Property management and delegated project management activities 300

6.2.4 Service Agreement with Casino 302

6.2.5 Current Account Cash Advance Agreement with Casino 303

6.2.6 Brand licensing agreement with L'Immobilière Groupe Casino 303

6.2.7 Brand licensing agreement with Casino, Guichard-Perrachon 304

6.2.8 Consulting agreement between Mercialys, L'Immobilière Groupe Casino and Plouescadis 304

6.2.9 AFUL 304

6.3 Mercialys organization chart – Subsidiaries and shareholdings 305

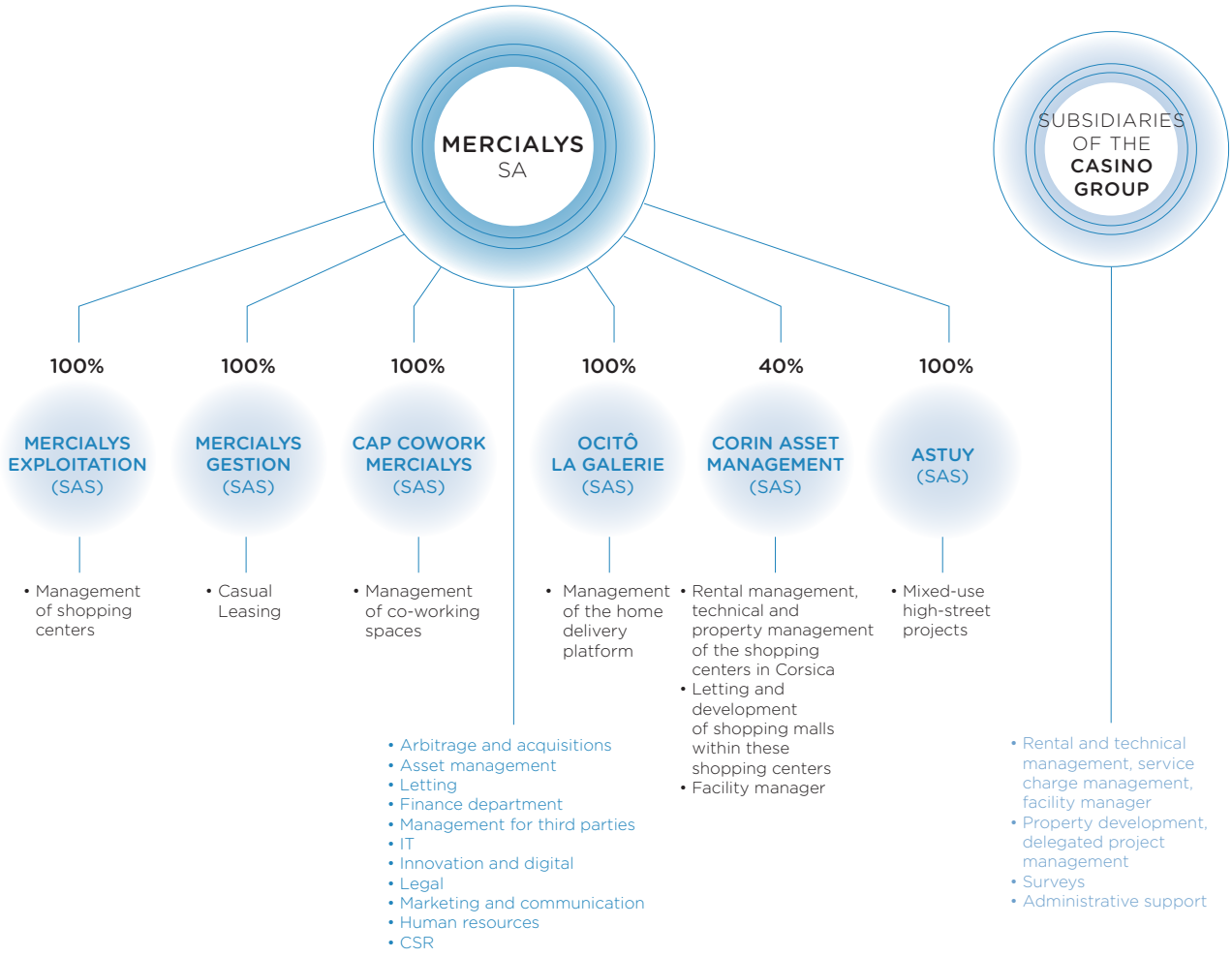
6.3.1 Subsidiaries 306

6.3.2 Shareholdings 309

6.1 Operational organization

Mercialys' operational organization is briefly described in chapter 4, p. 213 et seq. and chapter 5, p. 273. et seq.

The organization chart below shows the operational structure of the Mercialys group and its main business relationships (other than leases) with the Casino group companies.



6.2 Business relationships with Casino group companies

Mercialys has contractual relations with various Casino group companies. The Company has entered into various agreements with other Casino group entities regarding:

- priority access to retail property development projects conducted by the Casino group (excluding food stores) within the scope of the Company's business activity (see § 6.2.2, p. 299 and 300);
- property rental management, technical management and administration of its assets, facility management and delegated project management (see § 6.2.3, p. 300 and 301);
- administrative and financial services (see § 6.2.4, p. 302);
- consulting on shopping center enhancement projects (see § 6.2.8, p. 304).

The main agreements entered into by the Company with Casino, Guichard-Perrachon and the Casino group companies are described below.

Furthermore, at its meeting of February 11, 2015, the Board of Directors of Mercialys, as part of the strengthening of the Company's governance, authorized the introduction of a procedure for the agreements entered into between the companies of the Mercialys group and related parties (see chapter 4, § 4.1.6.1, p. 230).

At its meeting of December 12, 2019, the Board of Directors updated the charter relating to agreements between Mercialys group companies and related parties in order to include a procedure for determining and evaluating ongoing agreements entered into by Mercialys, a requirement of the "Pacte" law of May 22, 2019.

The following agreements have been subject to approval by Mercialys' Board of Directors:

- the Partnership Agreement (see § 6.2.2, p. 299 and 300);
- the Cash Advance Agreement (see § 6.2.5, p. 303);
- the brand licensing agreements (see § 6.2.6 and 6.2.7, p. 303 and 304);
- the Consulting Agreement of March 23, 2015 with L'Immobilière Groupe Casino and Plouescadis (see § 6.2.8, p. 304).

The other agreements relate to standard transactions entered into on normal terms and conditions, as defined in Article L. 225-39 of the French Commercial Code.

6.2.1 Principal leases granted by Mercialys to Casino group companies

Mercialys and its subsidiaries manage leases entered into with various Casino group entities (excluding Casino Restauration): Distribution Casino France, CODIM 2, Floréal and Monoprix, which may use various premises within the Company's shopping centers.

The rents charged in fiscal year 2019 under these leases amounted to Euro 51.2 million, stable compared with 2018.

The terms and conditions of these leases are similar to those of the leases signed with companies that are not part of the Casino group.

Furthermore, in view of the installation of solar panels and solar power plants within the AFUL vehicles holding shopping centers located in Metropolitan France, Reunion Island and Corsica, Mercialys has signed long-term ground leases of between 20 and 23 years with the companies operating the power plants.

Casino Restauration, a wholly owned subsidiary of the Casino group, operates 10 catering outlets (including four cafeterias totaling 4,440 sq.m.) in buildings leased from Mercialys. The terms of leases relating to cafeterias are similar to those of the leases signed with companies that are not part of the Casino group.

Rents invoiced in fiscal year 2019 under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 1.3 million, stable compared with 2018.

6.2.2 Partnership Agreement with Casino, Guichard-Perrachon

The Partnership Agreement (hereinafter the "Agreement") signed on July 2, 2012 by Mercialys and Casino, Guichard-Perrachon was extended in 2014 until December 31, 2017. In January 2017, this Agreement was extended until December 31, 2020, the Annual general meeting having approved this amendment in April 2017.

Three types of project were defined as falling within, or which could fall within, the Agreement's scope of application:

- the "new projects" that may subsequently be included in the Partnership Agreement's scope of application at the request of Mercialys, should Casino decide to launch the development, excluding projects (i) that Casino cannot undertake with Mercialys (due to the fact that it is the only decision-maker) or (ii) that would be included in a broader operation covering assets or projects falling outside the scope (in particular within the framework of a hypermarket or supermarket arbitrage program) and of which the project concerned is not the main purpose;
- "projects to be confirmed", which correspond to "new projects" which have been approved by the governing bodies of parties who undertake to make their best efforts to validate the projects;
- "validated projects", which correspond to "projects to be confirmed" for which an order has been placed.

An accelerated project validation procedure enables both parties to decide to sign directly a deed of sale for greater flexibility.

The Agreement is based on the following principles:

- privileged access for Mercialys to the retail real estate projects developed by Casino and/or its subsidiaries in France in its area of activity (right of priority) and the possibility for Mercialys to propose projects upstream;
- in return, a commitment from Mercialys not to invest in a new project likely to have a material impact on a Casino group food store site (food retail space of 1,000 sq.m.) with a survival clause over a three-year period as from the termination of the Agreement;
- reciprocal commitments which are arranged into several stages to accompany the development of the projects, from the identification of "projects to be confirmed" until the disposal of the projects at their opening;
- valuation of projects on the basis of projected rents capitalized by application of the grid rates outlined in the Agreement, with a 50/50 sharing of any upside/downside at opening with the possibility of backing the asset valuation on the basis of a projected IRR.

The main adjustments made to the Agreement by Mercialys and Casino, on January 31, 2017, included:

- renewal of the Partnership Agreement for a further three years (maturing on December 31, 2020). This extension thus allows Mercialys to continue feeding its development pipeline, particularly on already existing sites which benefit from excellent visibility;
- confirmation of the fast-track project approval procedure, implemented in 2014 on an exceptional basis, by formally defining and drafting its terms of use, which is still subject to the agreement of both parties;
- maintaining the pricing mechanisms (grid or IRR) with the following adjustments:
  - clarifications on how to determine the applicable rate when the grid is used, by explicitly including the large food store (hypermarket) in the calculation,

- use of the surface area of centers after extension to determine the center's category in the grid (instead of the average surface areas before/after extension), which helps to avoid any material threshold impacts that could generate an additional unjustified discount in the valuation of the asset.

To take account of fluctuations in market conditions, capitalization rates applicable within the framework of the Partnership Agreement are revised by the parties concerned twice a year.

Applicable capitalization rates for confirmed orders signed by Mercialys in the second half of 2019 were as follows:

	Shopping centers		Retail parks		
Type of property	Mainland France	Corsica and overseas departments & territories	Mainland France	Corsica and overseas departments & territories	High street
> 20,000 sq.m.	5.6%	6.1%	6.1%	6.5%	5.4%
from 5,000 to 20,000 sq.m.	6.0%	6.5%	6.5%	6.8%	5.7%
< 5,000 sq.m.	6.5%	6.8%	6.8%	7.5%	6.1%

After taking into account changes in the average appraised yield for Mercialys' portfolio compared with June 30, 2019, the capitalization rates applicable for the first half of 2020 are as follows:

	Shopping centers		Retail parks		
Type of property	Mainland France	Corsica and overseas departments & territories	Mainland France	Corsica and overseas departments & territories	High street
> 20,000 sq.m.	5.6%	6.2%	6.2%	6.6%	5.4%
5,000 to 20,000 sq.m.	6.1%	6.6%	6.6%	6.9%	5.7%
< 5,000 sq.m.	6.6%	6.9%	6.9%	7.6%	6.2%

On the date of the sale, the price is adjusted to take into account the actual letting conditions for these properties. Therefore, if there is a positive or negative difference (upside or downside) between the price stated in the order confirmation based on target rental income, and the price calculated when signing the deed of sale based on actual rents set out in the contract, the price will be adjusted upwards or downwards by 50% of the difference observed.

The price of properties with vacancy, when they open to the public, will be calculated taking account of said vacancy, based on target net rental income, stepped rents and rent-free periods determined by mutual agreement between the parties, or if there is no agreement, based on an appraisal in accordance with the conditions of Article 1592 of the French Civil Code.

In addition, the price will be increased by the costs paid by Casino for the delivery and completion of audit procedures relating to the sale of developments.

In 2019, no project was acquired by the Company under the Partnership Agreement.

6.2.3 Property management and delegated project management activities

A non-exclusive framework agreement was signed between Mercialys and L'Immobilière Groupe Casino for delegated project management. To this effect, depending on the projects conducted by Mercialys, Property Development Contracts may be entered into for specific operations, or such operations may be conducted as part of orders under the delegated project management agreement. This non-exclusive framework agreement was the subject of riders in 2018, mainly to take account of legal and regulatory changes (in particular relating to the Sapin II Act) concerning compliance and safety, and to provide details on the stages of the missions to be performed by Sudeco.

Mercialys has entrusted Sudeco — a wholly-owned subsidiary of L'Immobilière Groupe Casino — with the rental management, and technical and administrative property management of practically all of its sites, except the Corsican sites managed by Corin Asset Management (see § 6.3.2, C, p. 309).

Sudeco was created in 1988 and specializes in rental management and real estate administration. It acts primarily for the Company and the Casino group, and for other clients that own shopping centers, most of whom are institutional investors.

Agency contracts governing the rental management services provided by Sudeco to Mercialys have been entered into for each site. Under the contracts, Sudeco acts as Mercialys' agent in providing rental management services. These services include: (i) billing, collecting and issuing receipts for rent and charges due to Mercialys, (ii) ensuring that tenants fulfill their contractual commitments and (iii) on instruction from Mercialys, managing the renewal of expired leases (notice, renewal offers and procedures to set the rents and terms of new leases).

Mercialys and Sudeco have also signed agency contracts on a site-by-site basis for technical and administrative property management.

Under these contracts, Sudeco is in charge of the buildings' administrative management. For private premises, the agent handles all issues relating to technical matters and regulatory controls, as well as relations with administrative authorities such as security services. The agent takes out comprehensive insurance policies for the buildings. The agent is also responsible for implementing the appropriate security and protection measures in the event of a crisis, and manage related claims.

Sudeco also provides special services to Mercialys, such as overseeing and carrying out special alterations and major repairs.

Sudeco's fee under these contracts is a percentage of the rent collected at the end of each calendar quarter. The contracts with Sudeco (for the management of rents and arrears, and technical and administrative management) were renewed ahead of time, with effect from January 1, 2018 for a five-year term. After the initial term, these contracts may be renewed annually for a period of one year. These contracts may not be renewed more than five times. The changes introduced by the renewals mainly consist of general modifications (updates and compliance), or contract-specific changes to provide further specifications on certain missions, and/or exclude others. In addition, clauses were added to cater for regulatory changes (e.g. the General Data Protection Regulation), and to bring Sudeco's obligations into line with Mercialys' CSR strategy and its Code of Ethics and Code of Conduct. In respect of the technical and administrative management mandate, details were added concerning the monitoring of tenants' compliance with the leases' technical, administrative and environmental specifications (CPTAE) and environmental clauses.

When signing these new contracts, no calls for tender were made. However, PricewaterhouseCoopers conducted a benchmarking assignment, the findings of which were presented in February 2015, indicating that, for the services covered by a Sudeco contract, the analysis of billing percentages did not reveal any differences between these practices on the market.

The internal procedure leading to the selection of the subcontractor is based on a dialog between the Asset Management and Letting teams, and Senior Management. Assets held by Mercialys being often interlinked with assets held by the Casino group, choosing Sudeco for this role provides Mercialys with economies of scale.

On the establishment of a charter for related-party agreements in 2015, Mercialys' Audit, Risks and Sustainable Development Committee came to a decision concerning the balance between the parties in the amendments made to the technical and administrative management mandate, rental management contract, and framework agreement for delegated project management.

All contracts, whether they relate to rental management or technical and administrative property management, share the common characteristics described below.

Mercialys reserves the right to commission external audits to evaluate the quality of Sudeco's services, its fees and its compliance with its obligations under each agency contract.

Compensation is provided in the event of early termination of the technical and administrative management contract or rental management contract. Moreover, each of these contracts may be terminated automatically, without compensation, without notice and at the Company's discretion in the event of: (i) non-compliance with the legal and regulatory obligations imposed on Sudeco (professional conduct, financial guarantee), (ii) termination of professional insurance that Sudeco has agreed to maintain for the term of the agency contract and (iii) Sudeco defaulting on its obligations.

The fees paid by the Company and its subsidiaries to Sudeco for its various services in 2019 totaled Euro 6,488,000 compared to Euro 6,333,000 at December 31, 2018 (see chapter 3, note 24.3, p. 168).

Moreover, for Mercialys' property assets organized in an association (AFUL), and jointly owned property in which Mercialys has real estate assets, Sudeco may provide facility and common area management services under site-specific agreements.

Under these agreements, Sudeco divides the general service charges and defines the portion payable by each owner. Sudeco: (i) prepares the projected service charge budget and collects payment, (ii) helps to negotiate and draw up contracts with service providers, (iii) ensures the monitoring and completion of contracted services, (iv) concludes mandatory contracts (safety and electrical equipment inspections) and (v) draws up end-of-year financial statements.

Sudeco receives compensation corresponding to a percentage of the annual service charge budget. As facility manager, Sudeco's fees for overseeing alterations and repairs are based on a scale according to the type of work involved.

The fees payable to Sudeco in the event of a change in the rules of tenure, the rules of procedure or in any other document providing a regulatory framework for shopping centers, are billed separately.

Most facility management contracts between the Company and Sudeco are entered into for an initial term of one year, renewable unless terminated by either party by registered letter with acknowledgement of receipt giving three months' notice.

6.2.4 Service Agreement with Casino

Mercialys entered into a Service Agreement with the Casino group on September 8, 2005, setting out the terms under which the Casino group supplies Mercialys with the support functions necessary for its operations.

In accordance with the provisions of this Services Agreement of December 8, 2005, the parties decided to update the scope of services depending on the changes in their respective models and to create a benchmark in order to define the corresponding fee base.

A new service agreement (the "New Service Agreement") was thus entered into with the Casino group on March 11, 2015, replacing the Services Agreement of December 8, 2005.

The New Service Agreement with Casino group ran until December 31, 2019. It will subsequently be renewed by tacit agreement for a period of twelve (12) months. When signing the New Service Agreement in March 2015, incorporating new ways of billing, no calls for tender were made. A PricewaterhouseCoopers benchmarking assignment was conducted to approve the relevance of the compensation arrangements in view of the new scope for services rendered, as well as practices in other groups. On this basis, in the context of the control procedure in place for Agreements between related parties, the Audit, Risks and Sustainable Development Committee issued a favorable opinion on this New Service Agreement, which was approved by the Board of Directors of Mercialys.

A new benchmark analysis, intended to monitor billing, was requested by the Audit, Risks and Sustainable Development Committee and conducted in the second half of 2016, with the conclusion that the billing method was balanced for Mercialys and Casino.

Under this New Service Agreement, Mercialys received assistance in the following areas:

- in administrative management: legal, human resources, insurance and tax issues;
- in accounting and finance: accounts, preparation of the company financial statements and the consolidated annual and semi-annual financial statements, financial engineering and transactions, analysis and monitoring of financial risks, management of bank and cash transactions, assistance in the management of the financial structure, management and renewal of bank and bond financing, management of interest rate risk;
- in real estate: fund management and property development;
- in information technology: hardware and software assistance, maintenance and upgrading of tools, applications and infrastructure, operation of IT systems, access to hotline support, management of computer equipment, management of telephone subscriptions and equipment, as well as specific IT studies and developments in project mode, on a case-by-case basis.

An annual flat fee is charged for the provision of administrative management, accounting-finance, real estate and IT services (excluding studies and bespoke development and management of computer equipment which will be outsourced). It is revised each year by mutual consent between the parties, on the basis of costs budgeted by Casino, at the latest by November 30 of the then current year. The parties may decide to adjust the amount of the flat fee in the fourth quarter of each year.

Should the parties fail to agree on a revised amount, the fee is equal to the amount paid the previous year, for identical services.

In situations liable to give rise to the risk of a conflict of interest with the Company, the service provider must take appropriate steps, in consultation with Mercialys, to safeguard Mercialys' interests.

An annual flat fee is charged for the provision of legal, tax, human resources, insurance, accounting, consolidation, centralization, management control, cash management and IT services (excluding studies and bespoke development and the management of PCs and laptops). The fee is reviewed each year by mutual consent based on Casino's budgeted costs.

Mercialys may arrange qualitative and financial benchmarking of the services provided. Casino has agreed to take the results of any such study into account to offer the Company improved service quality and/or better value for money.

The cost of special services, such as current account agreements, rental management, service charge management and occupancy agreements, is provided for under specific agreements.

For services agreed on a case-by-case basis, such as outsourced project management or property development agreements, or assistance from the Casino group's Studies and Expansion unit, the service provider's fee is set by mutual agreement on a case-by-case basis based on the market price.

The parties may terminate all or part of this new Agreement at any time, ending the performance of one or more services, without being required to pay compensation, subject to the provision of 12 months' notice by registered letter with acknowledgment of receipt.

For 2019, services invoiced amounted to Euro 2,011,000, excluding taxes, compared with Euro 2,080,000 excluding tax in 2018 (see chapter 3, note 24.5, p. 168). The drop is attributable to the adjustment of the resources allocated to corporate legal affairs.

In December 2018, Mercialys terminated some of the services under this Agreement (real estate legal support, property development assistance, and fund management). This termination took effect at the end of a 12-month period, *i.e.* December 31, 2019. As of June 30, 2019, Mercialys had terminated the property management and IT control services. This termination will also be effective at the end of a 12-month notice period, *i.e.* June 30, 2020. At the end of 2019, Mercialys terminated the provision of human resources support services. This termination will be effective at the end of a 12-month notice period, *i.e.* at the end of 2020.

Consequently, the services continuing in 2020 concern support in administrative management (legal aspects of company management, human resources, insurance and taxation), accounting, and finance and cash management.

As such, billing under the Service Agreement is estimated at Euro 1.3 million for 2020.

6.2.5 Current Account Cash Advance Agreement with Casino

On July 25, 2012, Mercialys and Casino, Guichard-Perrachon signed a Current Account Cash Advance Agreement with a maturity of three years, enabling Mercialys to benefit from a confirmed advance from Casino of Euro 50 million. By an amendment dated February 26, 2015, this Agreement was extended until December 2017 and Casino Finance replaced Casino, Guichard-Perrachon in its rights and obligations.

This advance is composed of two tranches as follows:

- a first tranche capped at Euro 10 million, available on the same day, bearing interest at 1-month Euribor plus a margin of 60 basis points, revisable annually based on Casino's discounted refinancing costs (Margin A);
- a second tranche in a maximum amount of Euro 50 million, available within three days, bearing interest at 1-month, 2-month or 3-month Euribor plus a margin of 85 basis points, revisable annually, depending on Casino's discounted refinancing costs (Margin B);
- a non-use fee of 40% of the margin, in line with the revolving credit facility set up by Mercialys with its banks.

By amendment No. 1 to the amending deed of said Agreement, signed on February 14, 2017, Mercialys and Casino Finance decided to extend this Agreement until December 2019. In this way, this advance would continue to be included in the liquidity ratio calculated by Standard & Poor's and contribute to Mercialys' BBB/stable outlook rating. In addition, they decided to adapt the terms and conditions as follows, given Casino's cost of borrowing:

- the tranche capped at Euro 10 million bearing interest at 1-month Euribor (with a 0% floor) plus a margin of 40 basis points, reduced by 20 basis points;
- the margin for the Euro 50 million tranche had increased to 95 basis points, given that Casino's RCF drawdown costs had increased.

In connection with the procedure for regulated agreements and commitments, these changes were examined by Mercialys' Audit, Risks and Sustainable Development Committee, which issued a favorable opinion, and were subsequently approved by the meeting of Mercialys' Board of Directors on December 14, 2016.

The Board of Directors, at its meeting of December 12, 2018, authorized the signing of amendment No. 2 to the amending deed of said Agreement between Mercialys and Casino Finance for the purpose of extending the Agreement until December 2020 so that the current account cash advance continues to be included in the liquidity arrangements taken into account by rating agency Standard & Poor's. The terms of the Agreement are unchanged. Amendment No. 2 to the amending deed of the Agreement was signed on January 18, 2019.

At its meeting of December 12, 2019, the Board of Directors authorized the signing of amendment No. 3 to the Current Account Cash Advance Agreement, extending it until December 31, 2021, with the amount being revised down from a maximum of Euro 50 million to Euro 35 million. The associated conditions were also reviewed, taking into account Casino's cost of borrowing:

- for the tranche capped at Euro 10 million, interest at 1-month Euribor (with a 0% floor) plus a margin of 110 basis points, revisable annually on the basis of Casino's discounted refinancing costs (Margin A);
- for the tranche in a maximum amount of Euro 35 million, interest at 1-month, 2-month or 3-month Euribor plus a margin of 370 basis points, revisable annually, depending on Casino's discounted refinancing costs (Margin B);

The other provisions of the Agreement are unchanged. Amendment No. 3 was signed on December 18, 2019.

For 2019, the amount paid by Mercialys for the undrawn portion of this line amounted to Euro 193,000, excluding taxes, unchanged from that paid in 2018.

6.2.6 Brand licensing agreement with L'Immobilière Groupe Casino

Mercialys concluded on September 8, 2005 a brand licensing agreement with L'Immobilière Groupe Casino. Under the terms of this agreement, L'Immobilière Groupe Casino grants a non-exclusive right for Mercialys to use, free of charge, the "Cap Costières" trademark, filed with the Institut National de la Propriété Industrielle (the French national institute of industrial property rights) on October 14, 2002 and registered in Class 35 under number 023 188 709, renewed in 2012.

This license is granted *intuitu personae*, only for France and for an initial period of 10 years, renewable from year to year by tacit agreement. Each party retains the right to terminate the agreement subject to three months' prior notice.

If L'Immobilière Groupe Casino wishes to sell the brand, Mercialys has a priority purchase right, which it must exercise within 30 days.

In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, this agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

6.2.7 Brand licensing agreement with Casino, Guichard-Perrachon

On May 24, 2007 Mercialys entered into a brand licensing agreement with Casino Guichard-Perrachon, under the terms of which Casino grants Mercialys, free of charge, a non-exclusive right to use the French brands listed below:

Brand	Registration date	Renewal declaration date	Registration number	Classes
BEAULIEU (name)	Jan 23, 2006	Jan 06, 2016	06 3 405 097	16, 35 and 36
BEAULIEU... pour une promenade (color visual)	Mar 21, 2006	Jan 07, 2016	06 3 417 884	5, 16, 35 and 36
NACARAT (name)	Jan 20, 2006	Jan 22, 2016	06 3 404 612	16, 35 and 36
NACARAT (color visual)	Jan 27, 2006	Jan 22, 2016	06 3 406 367	16, 35 and 36

This license is granted *intuitu personae*, only for France and for an initial period of 10 years, renewable thereafter from year to year by tacit agreement. Each party retains the right to terminate the agreement, subject to three months' notice.

If Casino wishes to sell one or more of the brands, Mercialys has a right of first refusal, which it must exercise within thirty days. In the event of serious misconduct, or if either party fails to fulfill some or all of its obligations, this agreement may be terminated at any time without compensation or notice if the situation has not been rectified eight days after service of formal notice to do so.

6.2.8 Consulting agreement between Mercialys, L'Immobilière Groupe Casino and Plouescadis

On March 23, 2015, Mercialys, L'Immobilière Groupe Casino and Plouescadis signed a document amending the advisory services framework agreement (the "Advisory services framework agreement") incorporating the arrangements set out on the Agreement on July 27, 2007 along with all the terms and conditions which remain unchanged.

Mercialys, in its capacity as service provider, undertakes to provide operational services for the completion of shopping center enhancement projects. These services may cover asset management duties, letting assignments on operating or planned sites (excluding projects completed in connection with of the Partnership agreement between Mercialys and Casino), as well as wider marketing activities.

Billing in respect of this Advisory services framework agreement varies from one year to the next. A review clause is thus provided at the end of the year to adjust the billing to the scope of work effectively completed and to determine the billing for the subsequent year. Billing is based on time spent by Mercialys' asset management teams on the determination and implementation of projects completed by the Casino group.

The parties decided to end this agreement on December 31, 2018.

A new, fixed-term agreement, of an initial term of 6 (six) months, running from January 1 to June 30, 2019, was signed between Mercialys and L'Immobilière Groupe Casino for asset management services provided by Mercialys teams for projects managed on behalf of L'Immobilière Groupe Casino and/or its subsidiaries.

This Agreement is renewed tacitly for a further 6 (six) months, unless terminated by either of the parties by registered letter with acknowledgment of receipt, with the understanding that the total duration of the Agreement may not exceed 48 months. Under this Agreement, Mercialys received compensation in the amount of Euro 97,200 in 2019.

This new Agreement was entered into under normal conditions; it is a standing agreement.

6.2.9 AFUL

Among the real estate assets transferred by L'Immobilière Groupe Casino in October 2005, a very large number are subdivided and organized into *Associations Foncières Urbaines Libre* ("AFUL" or Available Urban Land Associations), in which each member has a number of votes proportionate to the surface area in the buildings it owns. Depending on the type of decisions to be taken, the AFUL Annual general meetings may decide on a simple majority vote, on an absolute majority vote, on a two-thirds majority vote, or on a unanimous vote.

As a general rule, decisions of the Annual general meeting are taken by a simple majority, *i.e.* the majority of the votes cast by members attending or represented.

However, an absolute majority of the vote of all AFUL members is required for permission to erect a sign, install a retailer or introduce pay parking. Failing absolute majority in the vote, another General meeting may be called, at which decisions can be taken by simple majority.

Decisions relating to refurbishment work, new facilities, extension of parking lots and outdoor access to parking lots or to the enforcement of provisions (other than for the collection of charges) contained either in the descriptive statement of subdivision by volume or in the internal regulations of the shopping center, shall be approved by a majority of the members of the AFUL representing at least two-thirds of the votes. Decisions relating to the amendment of these two documents shall also be taken by a two-thirds majority vote. Finally, decisions relating to a change in the allocation of service charges not caused by a change in the building's subdivision by volume must be taken by a unanimous vote of the members of the AFUL.

6.3 Mercialys organization chart – Subsidiaries and shareholdings

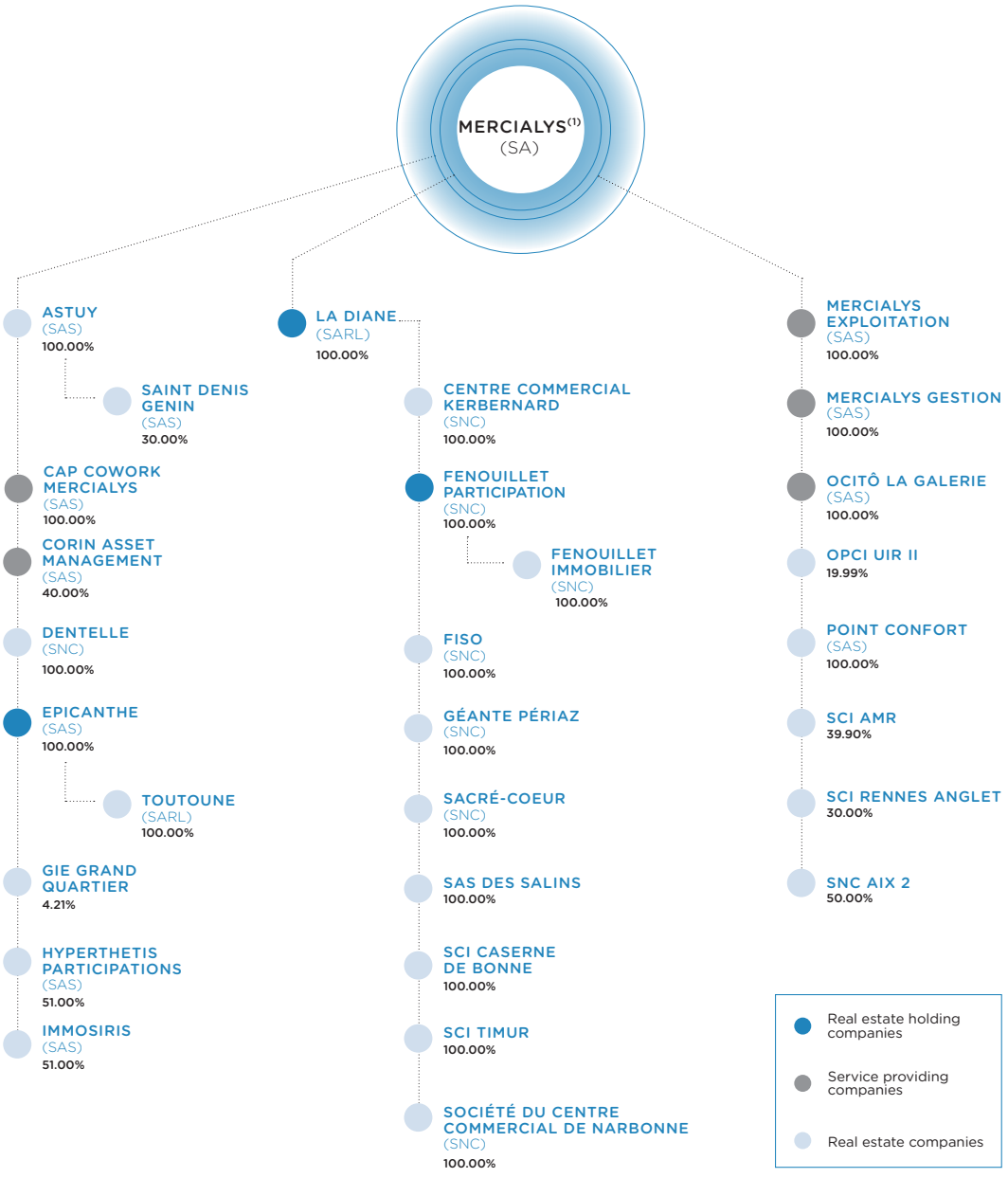
The chart below shows the structure of the Mercialys group.

During the previous fiscal year, shareholdings in eight subsidiaries (all based in France) were transferred from Mercialys SA to SARL La Diane, which has the status of a Real Estate Investment Trust (REIT).

Cap Cowork Mercialys and Ocitô la Galerie were incorporated in 2019, and are wholly owned by Mercialys SA. These two companies respectively house the co-working activities currently being tested at two sites, as well as the business of delivering food from site restaurants, also undergoing tests at the end of 2019. Saint-Denis Genin was incorporated in 2019, with Astuy as a 30% shareholder. This company is majority owned by Panhard Développement and is carrying out a mixed development project.

A table showing the subsidiaries and shareholdings can be found in chapter 3, note 24, p. 198 and 199. In addition to revenue generated and earnings for the year, the table also shows, for each company, shareholders' equity, the Net Asset Value of the securities, and dividends received.

MERCIALYS GROUP ORGANIZATION CHART AT DECEMBER 31, 2019



(1) Direct and indirect ownership
The percentages shown correspond to the percentages of Mercialys Group's capital ownership

6.3.1 Subsidiaries

6.3.1.1 Service companies

A. Mercialys Gestion, SAS

Mercialys Gestion is responsible for the management of large shopping centers, the letting of shopping malls and the development of Casual Leasing.

The company reported revenue, excluding taxes, of Euro 13.6 million for the fiscal year ended December 31, 2019, compared with Euro 11.9 million in 2018. The net income for the year was a profit of Euro 1,293,000, compared with a profit of Euro 123,000 in 2018.

B. Mercialys Exploitation, SAS

The activity of this subsidiary, incorporated on December 3, 2015, is the commercial operation of shopping centers.

The company reported revenue, excluding taxes, of Euro 4.3 million for the fiscal year ended December 31, 2019, compared with Euro 4 million at December 31, 2018. The net income for the year was a profit of Euro 377,000, compared with a loss of Euro 187,000 in 2016.

C. Cap Cowork Mercialys, SAS

This subsidiary, incorporated on June 7, 2019, operates co-working spaces (letting of offices and private or shared workspaces necessary for the exercise of the co-working activity, meeting and reception rooms) and provides services associated with the co-working activity to users of this activity.

The company did not generate any revenue or earnings in the fiscal year ended December 31, 2019.

D. Ocitô La Galerie, SAS

This subsidiary, incorporated on June 7, 2019, provides a full range of services in the field of home, workplace and take-away catering, putting customers in contact with partner restaurants using any digital medium (website, mobile app, etc.), and the use of digital platforms (internet, apps, etc.) designed to put partner merchants in contact with customers in order to market products and services to be collected or produced in shops or delivered to the customer's home or predefined locations.

The company did not generate any revenue in the fiscal year ended December 31, 2019. The net income for the year 2019 was a loss of Euro 4,600.

6.3.1.2 Real estate companies

A. Dentelle, SNC

Dentelle owns various parcels of land in Puy-en-Velay and Vals-près-le-Puy (Haute-Loire), on which a 6,100 sq.m. net floor area retail park was built and opened in 2013 adjacent to the Géant Casino hypermarket.

The company reported revenue, excluding taxes, of Euro 352,000 for the fiscal year ended December 31, 2019, compared with Euro 380,000 in 2018. The net income for the year was a profit of Euro 145,000, compared with a profit of Euro 185,000 in 2018.

B. Fiso, SNC

This subsidiary, which became part of the Group on July 30, 2008, lets the real estate it owns at the Istres and Angers shopping centers, comprising 42 and 116 retail units respectively. It also owns a stake in OPCI UIR II.

The company reported revenue, excluding taxes, of Euro 1.9 million for the fiscal year ended December 31, 2019, compared with Euro 2.1 million in 2018. The net income for the year was a profit of Euro 1.1 million, compared with a profit of Euro 1.2 million in 2018.

C. Géante Périaz, SNC

Géante Périaz owns properties attached to a complex in Seynod (Haute-Savoie) where an extension to the shopping center, representing the creation of 4,900 sq.m. of gross leasable area and 32 stores was completed and opened to the public on October 20, 2010.

The company reported revenue, excluding taxes, of Euro 1.4 million for the fiscal year ended December 31, 2019, unchanged from that of 2018. The net income for the year was a profit of Euro 703,000, compared with a profit of Euro 557,000 in 2018.

D. Hyperthetis Participations, SAS

Hyperthetis Participations is 51% owned by Mercialys and 49% by OPCI SPF2 Hyperthe, and owns nine hypermarkets: Aix-en-Provence, Angers, Brest, Nîmes, Niort, Fréjus, Istres, Narbonne and Vals-près-le-Puy.

The company reported revenue, excluding taxes, of Euro 14.9 million for the fiscal year ended December 31, 2019, compared with Euro 14.6 million in 2018. The net income for the year was a profit of Euro 5.0 million, compared with Euro 7.8 million in 2018.

An agreement was signed between the partners of Hyperthetis Participations to organize the Company's governance. The agreement provides for a lock-up period for the Company's shares ending on April 30, 2022, except in the case of free transfers as defined in the agreement.

The Casino group has a call option on the Company's shares and real estate assets. This latter option may be exercised only once, and covers all the real estate assets.

Mercialys has a call option on all SPF 2 Hyperthe securities and on that company's real estate assets.

Additionally, the partners have a reciprocal call option if one of them no longer benefits from the exemption regime set out in Article 208 C of the French General Tax Code, either temporarily or permanently. Upon the exercise of this option, the partner who no longer benefits from the regime will not be obliged to compensate the company for any prejudice suffered by it due to the loss of the tax exemption regime. However, if the reciprocal option is not exercised, the partner that no longer benefits from the regime must compensate the company for any prejudice suffered by it because of the loss of this exemption regime.

At the end of the lock-up period, each partner has a right of first refusal, followed by a tag-along right.

Hyperthetis Participations and Mercialys have entered into a services agreement, with a brand licensing agreement.

E. Immosiris, SAS

This company is 51% owned by Mercialys and 49% by OPCI Real Estate Access Fund, managed by BNP Paribas REIM France, and owns the shopping center in Clermont-Ferrand, as well as the adjacent hypermarket.

The company reported revenue, excluding taxes, of Euro 7.5 million for the fiscal year ended December 31, 2019, unchanged from that of 2018. The net income for the year was a profit of Euro 6.3 million, also unchanged from that of 2018.

An agreement was signed between the associates of Immosiris to organize the company's governance. The agreement provides for a lock-up period for the company's shares ending on April 30, 2023, except in the case of free transfers as defined in the agreement.

Mercialys has a liquidity clause on all the shares held by Real Estate Access Fund. This option may be exercised only in the event of a change of manager or change of control in Real Estate Access Fund, or in the event of the entry by a competitor into the capital of Real Estate Access Fund, or new investors.

The agreement also schedules the exercise of a call option on the hypermarket to the benefit of Casino (or one of its affiliates).

Additionally, the partners have a reciprocal call option if one of them no longer benefits from the exemption regime set out in Article 208 C of the French General Tax Code, either temporarily or permanently. Upon the exercise of this option, the partner who no longer benefits from the regime will not be obliged to compensate the company for any prejudice suffered by it due to the loss of the tax exemption regime. However, if the reciprocal option is not exercised, the partner that no longer benefits from the regime must compensate the company for any prejudice suffered by it because of the loss of this exemption regime.

At the end of the lock-up period, each partner has a right of first refusal, followed by a tag-along right.

Lastly, Real Estate Access Fund has a pre-emptive right in the event of the sale of the shopping center occurring subsequent to or after the exercise, by Casino (or one of its affiliates), of the call option on the hypermarket.

Furthermore, a service agreement and an asset management agreement were signed by Immosiris and Mercialys.

F. Point Confort, SAS

This subsidiary is the owner of a 1,500 sq.m. extension to the Aurillac shopping center.

It also holds stakes in Fiso SNC, Société du Centre Commercial de Narbonne SNC, SNC Dentelle, SNC Géante Périaz, SCI Timur, SCI Caserne de Bonne, SNC Kerbernard, SNC Fenouillet Participation, SNC Sacré-Cœur and OPCI UIR II.

The company reported revenue, excluding taxes, of Euro 467,000 for the fiscal year ended December 31, 2019, compared with Euro 478,000 in 2018. The net income for the year was a loss of Euro 856,000, compared with a profit of Euro 311,000 in 2018.

G. SAS des Salins

SAS des Salins owns the shopping center extension at the Fréjus site on Allée des Hirondelles, comprising 23 stores, acquired in July 2012, and five retail units in the Zone Industrielle de la Bouriette, an industrial estate in Carcassonne.

The company reported revenue, excluding taxes, of Euro 1.4 million for the fiscal year ended December 31, 2019, stable compared with 2018. The net income for the year was a profit of Euro 969,000, compared with Euro 925,000 in 2018.

H. SCI Caserne de Bonne

This subsidiary, which became part of the Group on December 31, 2010, owns the La Caserne de Bonne shopping center in Grenoble, comprising retail units with a combined GLA of 19,100 sq.m.: nine large and medium-sized stores including Monoprix, Au Vieux Campeur and Décathlon, 40 stores, of which six restaurants, 1,100 sq.m. of office space and 300 parking spaces. The center, which opened in September 2010, is part of a larger scheme to redevelop 8.5 hectares of a former military base, including 850 housing units, an apart-hotel, a four-star hotel, student accommodation, a cinema, a swimming pool, a school and two parks.

The company reported revenue, excluding taxes, of Euro 5.5 million for the fiscal year ended December 31, 2019, compared with Euro 5.4 million in 2018. The net income for the year was a profit of Euro 2.2 million, compared with Euro 2.1 million in 2018.

I. Société civile immobilière Timur

Timur owns the parking lots at the Sainte-Marie Duparc shopping center in Reunion Island, as well as a retail complex with a GLA of around 15,500 sq.m. including service areas, restaurants and retail space.

The company reported revenue, excluding taxes, of Euro 5.8 million for the fiscal year ended December 31, 2019, compared with Euro 5.7 million in 2018. The net income for the year was a profit of Euro 4,0 million, compared with Euro 3.8 million in 2018.

J. Société du Centre Commercial de Narbonne, SNC

This subsidiary, which became part of the Group on July 30, 2008, lets the real estate it owns within the Narbonne shopping center, comprising 29 retail units.

The company reported revenue, excluding taxes, of Euro 1.3 million for the fiscal year ended December 31, 2019, compared with Euro 1.1 million in 2018. The net income for the year was a profit of Euro 987,000, compared with Euro 884,000 in 2018.

K. Centre Commercial Kerbernard, SNC

This company owns most of the retail units at the Géant Casino shopping center in Brest, together with the parking lots. In December 2017, the company changed its legal structure from a property investment company (SCI) to a general partnership (SNC).

In December 2017, SARL La Diane acquired the 50 shares (1,69% of the capital) held by a minority partner. It thus wholly owns this subsidiary.

The company reported revenue, excluding taxes, of Euro 4 million for the fiscal year ended December 31, 2019, compared with Euro 4.1 million in 2018. The net income for the year was a profit of Euro 2.8 million, compared with Euro 3 million in 2018.

L. Astuy, SAS

Astuy was incorporated on August 3, 2016. The company's purpose is to take over property development projects, especially based around Monoprix high-street assets. It owns 30% of SAS Saint-Denis Genin.

The company recorded a net loss of Euro 3,800 at December 31, 2019, unchanged from December 31, 2018.

M. Fenouillet Immobilier, SNC and Fenouillet Participation, SNC

Fenouillet Immobilier owns the extension to the Toulouse Fenouillet shopping center. This project was developed by Foncière Euris within the context of a partnership with Mercialys.

Fenouillet Participation wholly owns Fenouillet Immobilier. At the end of 2016, Mercialys exercised the fair value option it held on the shopping center extension project. Mercialys previously owned 10% of the shares in Fenouillet Participation.

At December 31, 2016, Mercialys owned 100% of the shares. These shares were transferred to SARL La Diane in 2017.

Fenouillet Immobilier reported revenue of Euro 5.9 million for the fiscal year ended December 31, 2019, compared with Euro 5.5 million in 2018. The net income for the year was a profit of Euro 1,533,000, compared with Euro 935,000 in 2018.

Fenouillet Participation ended 2019 with a profit of Euro 931,000, compared with Euro 152,000 in 2018.

N. Sacré-Cœur, SNC

This company was acquired by SARL La Diane on December 28, 2017. It did not conduct any business between this date and December 31, 2017. Sacré-Cœur owns the extension to the Cap Sacré-Cœur shopping center, located in the municipality of Le Port, in Reunion Island. This 9,200 sq.m. extension housing 45 new stores was inaugurated on November 6, 2018.

The company reported revenue, excluding taxes, of Euro 3,436,000 for the fiscal year ended December 31, 2019, compared with Euro 1,125,000 in 2018. The net income for the year was a profit of Euro 2,335,000, compared with Euro 900,000 in 2018.

O. Toutoune, SARL

This company owns an 8-hectare plot in Reunion Island. The company did not generate any revenue in the fiscal year ended December 31, 2019, or in 2018. The company recorded a net loss of Euro 466,000 at December 31, 2019, compared to a net loss of Euro 24,000 at December 31, 2018.

6.3.1.3 Real estate holding companies

A. La Diane, SARL

Since 2017, La Diane has equity interests in nine real estate companies. It also owns a stake in OPCI UIR II.

In December 2017, the legal structure of the company was changed from a property investment company (SCI) to a limited liability company (SARL). This company has the status of a *Société d'Investissement Immobilier Côtée* (Real Estate Investment Trust).

The company did not generate any revenue in the fiscal year ended December 31, 2019, or in 2018. The net income for the year was a profit of Euro 14.4 million, compared with a profit of Euro 16.3 million in 2018.

B. Epicanthe, SAS

In October 2015, Mercialys acquired the simplified joint stock company Epicanthe.

In November 2015, Epicanthe SAS acquired the shares of SARL Toutoune, owner of an 8-hectare plot in Saint-André in Reunion Island.

The company reported a loss of Euro 14,000 for the fiscal year ended December 31, 2019, compared to Euro 14,000 at December 31, 2018.

6.3.2 Shareholdings

A. SNC Aix 2

Under the terms of the Partnership Agreement, Mercialys acquired the Casino group's stake in SNC Aix 2 on December 2, 2013. This company is now jointly owned by Mercialys and the Altarea Group.

SNC Aix 2 has developed the proposed extension of the Aix-en-Provence shopping center, allowing for the accommodation of 28 new stores. The extension opened to the public in two phases: one in May 2014 and the other in April 2015.

The company reported revenue, excluding taxes, of Euro 2.2 million for the fiscal year ended December 31, 2019, compared with Euro 2.1 million in 2018. The net income for the year was a profit of Euro 866,000, compared with a profit of Euro 754,000 in 2018.

B. SCI AMR

In April 2013, Mercialys formed a partnership with Amundi when it set up SCI AMR, 43.4% owned by Mercialys and 56.6% by OPCIMMO (a collective investment scheme specializing in real estate and open to the general public, managed by Amundi), to which Mercialys sold or transferred four shopping centers: Paris Saint-Didier, Montauban, Valence 2 and Angoulême. The SCI AMR also acquired the Niort and Albertville sites, sold by Mercialys, on December 29, 2016. Following this transaction, and the entry of two SCPIs into the capital of SCI AMR, Mercialys' holding was reduced to 39.9%.

An agreement was signed by the associates of SCI AMR to organize the governance of the Company.

On December 29, 2016 the partners signed an amendment to the original agreement specifically to include the two new assets, Niort and Albertville, to incorporate both SCPIs but also to extend the term of the SCI, initially set at 10 years. The partners also amended the rendez-vous clause, in order to rule on the extension of the company's term within eight years of December 29, 2016. The extension of the Company's term requires a reinforced majority decision of two-thirds. If a minority partner were to refuse the extension, said partner has the right to sell its holding based on a price determined according to a NAV calculation. In the event of disagreement between the partners, the company will be liquidated.

The agreement provides for a right of refusal in the event of partial or total transfer of the shares of one or more of the partners.

Mercialys also has an asset management mandate, a letting mandate and a mandate for the exclusive communication of mutual interests.

The company reported revenue, excluding taxes, of Euro 9.6 million (recognized rents) for the fiscal year ended December 31, 2019, compared with Euro 9.7 million in 2018. The net income for the year was a loss of Euro 9.6 million, compared with a profit of Euro 3 million in 2018.

C. Corin Asset Management, SAS

Corin Asset Management is jointly owned by Mercialys and Corin, which owns 60% of the share capital.

It provides rental, technical and property management services for the five Corsican shopping centers of which Mercialys acquired 60% of the undivided property rights in December 2006 and January 2007. It is also responsible for letting and developing the shopping arcades in these centers and manages the co-ownership contract between Corin and Mercialys.

Corin Asset Management's articles of association provide for a non-transferable shares clause. This period ended on September 19, 2015.

There is a right of first refusal in the event of the sale of shares to third parties other than the partners and the companies in their group, proportional to each shareholder's equity interest, irrespective of the shares offered.

Three contracts were entered into between Corin Asset Management and the group of owners of five shopping centers in Corsica (of which Mercialys holds 60% of the undivided property rights): a contract for the management of rents and charges, a technical and management mandate, and a contract concerning asset management and letting.

The company reported revenue, excluding taxes, of Euro 1.1 million for the fiscal year ended December 31, 2019, compared with Euro 1.2 million in 2018. The net income for the year was a loss of Euro 27,000, compared with a profit of Euro 107,000 in 2018.

D. OPCI UIR II

In July 2011, Mercialys and Union Investment, a German fund manager active in the real estate market, created an OPCI fund named OPCI UIR II, designed to acquire mature retail properties as opportunities arise on the market.

The fund is 19.99%-owned by Mercialys. In 2011, it acquired the shopping arcade within the Bordeaux-Pessac shopping center.

Mercialys and Union Investment entered into a shareholder agreement which provides that:

- Mercialys had a call option from July 1, 2014, to July 28, 2014;
- Mercialys had a "lock-up period" put option from July 8, 2011 to January 1, 2016;
- Union Investment had a put option from May 31, 2014 to June 30, 2014.

The partners have preferential subscription rights in the event of a partial or total transfer of the shares of one or more of the partners.

The shareholder agreement also provides for a total or proportional joint exit right and a drag-along right.

An asset management mandate, a letting mandate and an exclusive communication of mutual interest mandate exist between Mercialys and UIR II.

For the fiscal year ended December 31, 2018, OPCI UIR II reported revenue, excluding taxes, of Euro 5.4 million (real estate income recognized). The net income for the year was a profit of Euro 1.4 million.

E. SCI Rennes Anglet

SCI Rennes Anglet was established on June 15, 2016. It owns and operates the sites at Rennes and Anglet. It is 30% owned by Mercialys and 70% owned by L'Immobilière Groupe Casino. On July 31, 2018, L'Immobilière Groupe Casino acquired the shares previously held by OPCI SEREIT France following the exercise of a call option on the company's shares by Distribution Casino France in January 2018.

The company reported revenue, excluding taxes, of Euro 1.7 million for the fiscal year ended December 31, 2019, compared with Euro 3.3 million in 2018. The net income for the year was a profit of Euro 1.1 million, compared with a loss of Euro 4.5 million in 2018.

On July 31, 2018, a new partnership agreement was signed between Mercialys and L'Immobilière Groupe Casino in the presence of SCI Rennes Anglet with the primary aim of organizing the company's governance and share movements.

The agreement provides for a lock-up period for the company's shares ending June 30, 2022 (inclusive), except in the event of "free" transfers as defined in the agreement.

Following this lock-up period, any plan by one of the partners to sell its shares will be subject to a right of first offer to the other partner. Mercialys has a tag-along right.

A tag-along obligation also exists at the end of the lock-up period, if L'Immobilière Groupe Casino receives a bid from a third party to purchase all the Company's shares. Mercialys has a right of first refusal.

The agreement provides the partner L'Immobilière Groupe Casino with a right of first refusal over the other assets located on the site of the property complexes.

F. Saint-Denis Genin, SAS

This subsidiary, incorporated on December 13, 2019, is involved, within the framework of a property transaction to be carried out on land located in Saint-Denis – Boulevard Anatole France, square Pierre-de-Geyter and rue Genin, registered under section BJ 115, in (i) the acquisition of all property assets and rights and carrying out all demolition, construction, extension, restructuring, development, improvement, renovation, maintenance or other work, (ii) managing real estate programs and property development for all types of buildings, whatever their nature and whatever their purpose, (iii) developing of all types of land and fitting out all types of property complexes, and (iv) marketing and selling (individually or in blocks) of all property assets and rights, whether off plan or completed, and in the event of sale, managing by any means the financial proceeds of such sale or sales. In accordance with its articles of association, the company will close its first fiscal year on December 31, 2020. It is 30%-owned by Astuy.

€1.15
Total dividend per share proposed for 2019

€0.47
Interim dividend paid in respect of 2019

9.3%
Yield on 2019 year-end share price

7

STOCK MARKET INFORMATION AND SHARE CAPITAL

7.1 Stock market information 314

7.1.1 Market for Mercialys shares 314
7.1.2 Share buyback program 316
7.1.3 Dividend policy 318
7.1.4 Communication policy 319
7.1.5 2020 financial calendar 321

7.2 Share capital and shareholdings 322

7.2.1 Amount of and changes in share capital over the last five years 322
7.2.2 Authorized share capital not issued – Authorizations granted to the Board of Directors 323
7.2.3 Ownership of share capital and voting rights 324
7.2.4 Securities not representing share capital 332
7.2.5 Stock options, stock warrants and bonus share awards 332

7.1 Stock market information

7.1.1 Market for Mercialys shares

Mercialys shares have been listed on Compartment A of the Euronext Paris stock exchange (ISIN code: FR0010241638 – Ticker symbol: MERY) since October 12, 2005. They have been eligible for the *Service à Règlement Différé* (French Deferred Settlement Service) since February 26, 2008.

Mercialys is part of the SBF 120 index, as well as various indices specific to the real estate sector (EPRA, IEIF) and SRI (notably the Gaia index).

Over the years, the Company has also issued five bonds, four of which are still outstanding and one of which was redeemed at maturity on March 26, 2019:

Date of issue	Date of maturity	Amount	Coupon	ISIN code	Listing
March 23, 2012	March 26, 2019	Euro 479.7 million	4.125%	FR0011223692	Luxembourg
December 2, 2014	March 31, 2023	Euro 550.0 million	1.787%	FR0012332203	Paris (Euronext)
November 27, 2015[1]	March 31, 2023	Euro 200.0 million	1.787%	FR0012332203	Paris (Euronext)
November 3, 2017	November 3, 2027	Euro 150.0 million	2.000%	FR0013293362	Paris (Euronext)
February 27, 2018	February 27, 2026	Euro 300.0 million	1.800%	FR0013320249	Paris (Euronext)

(1) Extension of bond issued in 2014.

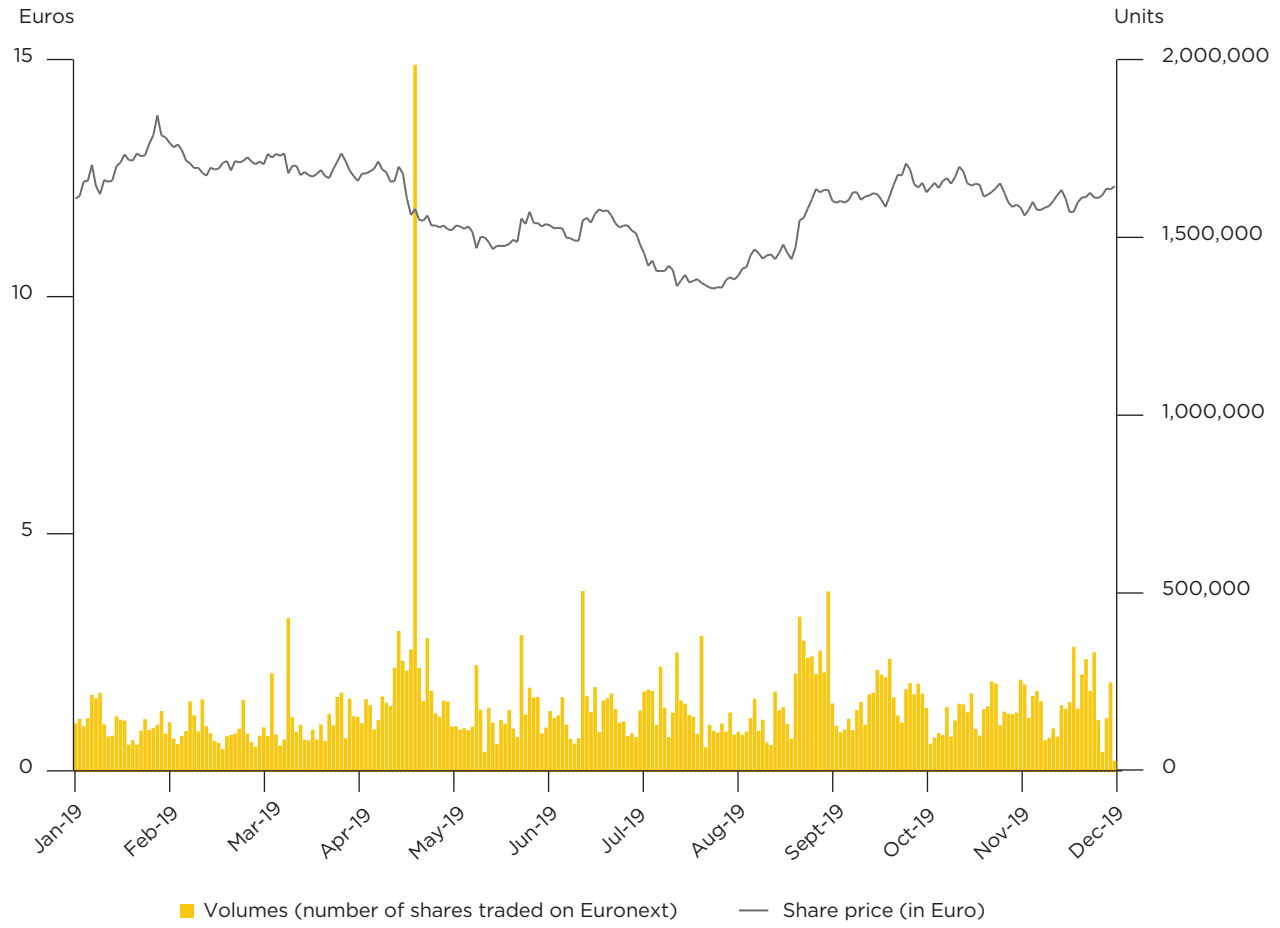
Mercialys is rated BBB/negative outlook by Standard & Poor's.

TRADED VOLUMES AND SHARE PRICE EVOLUTION OVER THE PAST 18 MONTHS[1]

	Share price *(in euros)*		Number of shares traded *(in thousands)*	Capital traded *(in thousands of euros)*
	High	Low		
2018				
August	15.310	14.510	1,402	20,886
September	14.730	13.290	2,880	40,153
October	13.950	12.460	3,380	44,194
November	13.530	12.470	2,127	27,636
December	13.090	11.740	4,275	53,585
2019				
January	13.820	11.780	2,899	36,874
February	13.470	12.450	2,280	29,309
March	13.180	12.420	2,597	33,090
April	13.180	11.710	4,057	50,941
May	11.890	10.780	5,470	63,108
June	11.870	10.960	3,429	39,211
July	11.920	10.210	4,035	45,018
August	11.000	10.090	3,029	31,668
September	12.360	10.650	4,695	54,996
October	12.880	11.850	4,358	53,489
November	12.780	11.670	3,623	44,140
December	12.400	11.690	3,578	43,042
2020				
January	12.640	11.380	4,740	56,630

(1) Source: Euronext Paris.

SHARE PRICE IN 2019



STOCK MARKET PERFORMANCE OVER THE LAST 5 YEARS

	2015	2016	2017	2018	2019
Share price *(in euros)*[1]					
High	24.56	21.94	19.70	18.75	13.82
Low	17.98	17.43	16.51	11.74	10.09
December 31 (closing price)	18.64	19.25	18.45	11.97	12.33
Market capitalization at December 31 ***(in millions of euros)***	**1,715**	**1,771**	**1,698**	**1,102**	**1,135**

(1) Source: Euronext Paris.

7.1.2 Share buyback program

7.1.2.1 Current share buyback program

The Ordinary General Meeting of April 25, 2019 authorized the Board of Directors to purchase or arrange for the purchase of the Company's shares in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-7 of the General Regulation of the French financial markets authority (AMF), and the European regulation applicable to market abuse (and specifically European regulations 596/2014 of April 16, 2014 and 2273/2003 of December 22, 2003), primarily for the following purposes:

- to maintain liquidity and stimulate the market for the Company's shares through an investment services provider acting independently on behalf of the Company, in connection with a liquidity agreement compliant with a Code of Ethics recognized by the AMF;
- to implement any Company stock option plan, under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings scheme in accordance with Articles L. 3332-1 *et seq.* of the French Labor Code or any allocation of bonus shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code, or any other scheme for payment in shares;
- to deliver these shares when the rights attached to negotiable securities conferring a right to shares are exercised by reimbursement, conversion, exchange, the presentation of a warrant or debt security convertible or exchangeable into shares of the Company, or by any other means that confers a right to shares of the Company;
- to keep them with a view to subsequently using them as payment or exchange in connection with, or following, any external growth transaction;
- to cancel all or part of them in order to optimize net earnings per share in connection with a capital reduction in the manner specified by law;
- to implement any market practice authorized by the AMF, and more generally to carry out any transaction compliant with applicable regulations.

These shares may be acquired, sold, transferred, or exchanged by any means, including on the regulated market or over the counter and by block trade transactions. These means include the use of any derivative financial instrument traded on a regulated market or over the counter and the implementation of options strategies in the manner authorized by the competent market authorities, provided that such means do not contribute to a significant increase in share volatility. The shares may also be loaned, pursuant to Articles L. 211-22 *et seq.* of the French monetary and financial code.

The purchase price of the shares shall not exceed twenty (20) Euros (excluding purchase costs) per share with a par value of one (1) Euro.

This authorization may be implemented within the limit of a number of shares representing 10% of the Company's share capital on the date of the Annual General Meeting of April 25, 2019, on the understanding that when the Company's shares are purchased under a liquidity agreement, the number of these shares taken into account to calculate the 10% threshold specified above will correspond to the number of those purchased shares, after deducting the number of shares resold under the liquidity agreement during the authorization period. However, the number of shares purchased by the Company to be kept and subsequently used as payment or exchange in connection with an external growth transaction may not exceed 5% of the share capital. Purchases made by the Company may not, under any circumstances, result in the Company holding at any time whatsoever, more than 10% of the shares making up its share capital.

In the event of a public tender offer relating to shares, securities or transferable securities issued by Mercialys, the Company may only use this authorization to satisfy its commitments to deliver securities, particularly in the context of bonus share plans or strategic transactions committed to and announced before the launch of the public tender offer.

7.1.2.2 Transactions carried out in 2019 and until January 31, 2020

A. Liquidity agreement

In an effort to increase the liquidity of the Group's shares and ensure share price stability, as well as to avoid large fluctuations in the Company's share price unwarranted by market trends, the Company entered into a liquidity agreement with Oddo Corporate Finance on February 20, 2006. This contract complies with the AMAFI (French financial markets association) Code of Ethics approved by the AMF on October 1, 2008. The Company allocated Euro 1.6 million to a liquidity account to implement this liquidity agreement.

The Company added Euro 0.8 million to the liquidity account on January 20, 2009, a further Euro 3 million on March 9, 2009, and Euro 6 million on May 25, 2009, bringing the total sum allocated to Euro 11,4 million. On December 5, 2011, the Company decided to make a partial withdrawal of Euro 3.4 million, reducing the amount allocated to the liquidity agreement from Euro 11.4 million to Euro 8 million.

On September 9, 2019, the Company entered into a new liquidity agreement, effective retroactively from January 2, 2019, with Oddo BHF SCA. This new liquidity agreement, established following changes in regulations relating to liquidity agreements and in accordance with AMF decision 2018-01 of July 2, 2018, replaces the previous contract signed on February 14, 2006.

For the implementation of the new contract, 345,930 shares and Euro 2,389,808.95 were allocated to the liquidity account.

During 2019, a total of 2,219,474 Mercialys shares were purchased at an average price of Euro 11.818, and 2,285,526 Mercialys shares were sold at an average price of Euro 11.897. At December 31, 2019, the liquidity account contained: 279,878 shares and Euro 3,350,022.77.

Between January 1, 2020 and January 31, 2020, a total of 231,803 shares were purchased at an average price of Euro 11.930 and 182,332 shares were sold at an average price of Euro 12.002. At January 31, 2020, the liquidity account contained 329,349 shares and Euro 2,874,171.21.

B. Other transactions

No shares were canceled during the 24-month period from February 1, 2018 to January 31, 2020.

Between January 1, 2019 and January 31, 2020, the Company did not carry out any transactions on its own shares, other than the above-mentioned transactions.

C. Summary of transactions

The table below summarizes the transactions carried out by the Company in its own shares between January 1, 2019 and December 31, 2019 and between January 1, 2020 and January 31, 2020, and indicates the number of treasury shares held by the Company:

	Number of shares	% of capital
Number of shares held at December 31, 2018	**381,424**	**0.41**
Number of shares purchased under the liquidity agreement	2,219,474	
Number of shares sold under the liquidity agreement	(2,285,526)	
Number of shares purchased	0	
Number of shares canceled	0	
Number of bonus shares	(19,070)	
Number of shares held at December 31, 2019	**296,302**	**0.32**
Number of shares purchased under the liquidity agreement	231,803	
Number of shares sold under the liquidity agreement	(182,332)	
Number of shares purchased	0	
Number of shares canceled	0	
Number of bonus shares	0	
Number of shares held at January 31, 2020	**345,773**	**0.38**

The Company's position at December 31, 2019 and at January 31, 2020 was as follows:

	12/31/2019	01/31/2020
Number of treasury shares in portfolio	296,302	345,773
Percentage of share capital held directly or indirectly as treasury shares	0.32%	0.38%
Number of shares canceled during the last 24 months	0	0
Book value of the portfolio *(in millions of euros)*	3.6	4.2
Market value of the portfolio *(in millions of euros)*[(1)]	3.7	3.9

(1) Value in millions of euros based on the December 31, 2019 closing price of Euro 12.33 and the January 31, 2020 closing price of Euro 11.38.

Mercialys has no open positions in derivatives. The 345,773 treasury shares held at January 31, 2020 were allocated as follows:

- 329,349 shares for use in connection with the liquidity agreement;
- 16,424 shares for use in any Company stock option plans, savings schemes or in the allocation of bonus shares to executive corporate officers and employees of the Company and related companies.

7.1.2.3 Description of the share buyback program submitted for shareholder approval

At the Ordinary General Meeting of April 23, 2020, shareholders will be asked to renew the Board of Directors' authorization to purchase, directly or indirectly, shares in the Company pursuant to Articles L. 225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-7 of the General Regulation of the AMF, and the European regulations applicable to market abuse (specifically European regulations 596/2014 of April 16, 2014 and 2273/2003 of December 22, 2003), in order:

- to maintain liquidity and stimulate the market for the Company's shares through an investment services provider acting independently on behalf of the Company, in connection with a liquidity agreement compliant with a Code of Ethics recognized by the AMF;
- to implement any Company stock option plan, under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, any savings scheme in accordance with Articles L. 3332-1 *et seq.* of the French Labor Code or any allocation of bonus shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code, or any other scheme for payment in shares;
- to deliver these shares when the rights attached to negotiable securities conferring a right to shares are exercised by reimbursement, conversion, exchange, the presentation of a warrant or debt security convertible or exchangeable into shares of the Company, or by any other means that confers a right to shares of the Company;
- to keep them with a view to subsequently using them as payment or exchange in connection with, or following, any external growth transaction;
- to cancel all or part of them in order to optimize net earnings per share in connection with a capital reduction in the manner specified by law;
- for any other market practice authorized by the AMF, and more generally to carry out any transaction compliant with applicable regulations.

These shares may be acquired, sold, transferred, or exchanged by any means, including on the regulated market or over the counter and by block trade transactions. These means include the use of any derivative financial instrument traded on a regulated market or over the counter and the implementation of options strategies in the manner

authorized by the competent market authorities, provided that such means do not contribute to a significant increase in share volatility. The shares may also be loaned, pursuant to Articles L. 211-22 *et seq.* of the French monetary and financial code.

The purchase price of the shares shall not exceed seventeen (17) Euros (excluding purchase costs) per share with a par value of 1 (one) Euro.

This authorization may be implemented within the limit of a number of shares representing 10% of the Company's share capital on the date of this Annual General Meeting, *i.e.* for information 8,859,143 shares on the basis of the capital at January 31, 2020, net of 345,773 treasury shares, for a maximum sum of Euro 150.6 million, on the understanding that when the Company's shares are purchased under a liquidity agreement, the number of these shares taken into account to calculate the 10% threshold specified above, will correspond to the number of those purchased shares, after deducting the number of shares resold under the liquidity agreement during the authorization period.

However, the number of shares purchased by the Company to be kept and subsequently used as payment or exchange in connection with an external growth transaction may not exceed 5% of the share capital. Purchases made by the Company may not, under any circumstances, result in the Company holding at any time whatsoever, more than 10% of the shares making up its share capital.

The authorization granted to the Board of Directors is valid for a period of eighteen months. It terminates and supersedes the authorization previously granted by the 24th Resolution of the Ordinary General Meeting of April 25, 2019.

In the event of a public tender offer relating to shares, securities or transferable securities issued by the Company, the Company may only use this authorization to satisfy its commitments to deliver securities, in the context of bonus share plans committed to and announced before the launch of the public tender offer.

The Combined Ordinary and Extraordinary General Meeting of April 25, 2019 renewed the authorization granted to the Board of Directors to reduce the Company's share capital by the cancellation of treasury shares. This authorization is valid for a period of 26 months, *i.e.* until June 24, 2021.

7.1.3 Dividend policy

On November 24, 2005, the Company elected to be taxed under the regime applicable to *Sociétés d'Investissement Immobilier Cotées* (SIICs).

As a SIIC, Mercialys is exempt from corporate income tax on its rental revenues and on capital gains generated from the sale of real estate assets or some holdings in real estate companies. In return for this tax exemption, SIICs must distribute to their shareholders at least 95% of the tax-exempt income generated from property leasing and subletting transactions. Similarly, SIICs must distribute at least 60% of the exempt income generated from the sale of any property and equity interests in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and are covered by this tax regime must be fully redistributed.

On July 24, 2019, the Board of Directors decided to pay an interim dividend of Euro 0.47 per share on 2019 earnings, which was paid on October 23, 2019.

In the year ended December 31, 2019, the net income generated by Mercialys, the parent company, amounted to Euro 82.6 million, of which Euro 74.7 million in tax-exempt income and Euro 7.9 million in taxable income.

The Annual General Meeting of April 23, 2020 will be asked to approve the payment of a 2019 dividend of Euro 1.15 per share (which includes the interim dividend of Euro 0.47 per share already paid in October 2019), an increase of +2.7% compared with 2018. The dividend thus represents an overall amount of Euro 105.9 million on the basis of the number of shares outstanding at December 31, 2019, without taking into account the cancellation of dividends on treasury shares at the date of payment. The proposed dividend offers a return of 5.8% on the EPRA NNNAV of Euro 20.01 per share at the end of 2019.

The proposed dividend corresponds to 85% of 2019 FFO, in accordance with the objective announced by Mercialys: a dividend within a range of 85% to 95% of 2019 FFO and at least stable compared with 2018. It corresponds to (i) the distribution obligation under the SIIC status concerning tax-exempt profits from the leasing or subletting of real estate, *i.e.* Euro 0.84 per share, (ii) 70% distribution of tax-exempt profits for 2019 from the sale of real estate and interests in real estate companies, *i.e.* Euro 0.11 per share, and finally (iii) the distribution of tax-exempt income recorded in the Company's balance sheet in the amount of Euro 0.20 per share.

Because an interim dividend of Euro 0.47 per share has already been paid, a final dividend of Euro 0.68 per share will be paid on April 29, 2020 (ex-dividend date April 27, 2020), subject to the approval of the Ordinary General Meeting of April 23, 2020.

For the interim dividend of Euro 0.47 per share, 100% of the amount was distributed from tax-exempt income.

Dividends taken from the tax-exempt income of SIICs do not qualify for the 40% allowance provided for in Article 158-3, paragraph 2, of the French General Tax Code. Only dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance.

Furthermore, social security contributions (17.2%) on dividends paid to individuals fiscally domiciled in France are withheld by the paying institution. In addition, since January 1, 2018, an income tax prepayment (12.8%) has also been withheld on these dividends by the paying institution.

The following table shows the dividends paid over the last five fiscal years:

Fiscal year ended	Dividend per share	Dividend eligible for 40% allowance[1]	Dividend not eligible for 40% allowance[1]
December 31, 2014	Euro 1.24	None	Euro 1.24
December 31, 2015	Euro 1.33	None	Euro 1.33
December 31, 2016	Euro 1.06	None	Euro 1.06
December 31, 2017	Euro 1.09	None	Euro 1.09
December 31, 2018	Euro 1.12	None	Euro 1.12

(1) Pursuant to Article 158-3, paragraph 2, of the French General Tax Code for individuals.

Dividends not claimed within five years of their payment date are forfeited and handed over to the French Treasury, pursuant to Articles 1126-1 and 1126-2 of the French public property code.

7.1.4 Communication policy

Mercialys has set up organized and efficient financial communication in order to reflect its resolute determination for transparency concerning its business activity and its earnings, and to raise awareness about its business.

The team in charge of financial communication and investor relations is able to respond to requests for information and documentation from all existing or potential individual or institutional investors.

The Mercialys' website (www.mercialys.com) presents the Group's activities and organization, together with all relevant financial and non-financial data, in both French and English.

The website also hosts all the Company's published documentation, including the information required by Articles 221-1 *et seq.* of the General Regulation of the AMF.

This information is kept for at least five years (ten years for Registration Documents/Universal Registration Documents and Half-Year Financial Reports) after their issue date.

The Company's quarterly rental revenues and interim and full-year earnings are detailed in press releases issued in French and English.

These press releases, placed online on the Company's website and sent through the usual regulatory channels (wire services), are also distributed by e-mail to all investors present in the Mercialys Customer Relationship Management (CRM) database, and to any interested party. Requests may be submitted directly via the "Contact" page of the website, or by writing to the Financial communication and Investors relations department at the following address:

16-18, rue du Quatre-Septembre – 75002 Paris

E-mail: finance@mercialys.com

Website: www.mercialys.com

Mercialys also holds at least one financial information meeting and one conference call each year to discuss the Company's earnings and strategy. Simultaneous translation into English is available in the meeting room, and the meeting is also broadcast *by* telephone and via the Internet in French and English.

Mercialys also participates actively in road shows and industry and thematic conferences, during which it has met with a large number of the Company's current and potential shareholders and bondholders.

During these events, Mercialys gives them direct access to the Senior Management and certain members of the Management Committee.

In 2019, Mercialys took part in 21 such events in eight cities representing the main financial centers of interest in view of its business sector and market capitalization.

In addition, Mercialys' Management also met, in person or by telephone, with a growing number of investors from various parts of the world who have opted for direct access to the Company. It also organized several site visits at the request of some of them.

Lastly, Mercialys, whose Corporate Access policy is to ensure fairness between brokers and financial institutions, worked with 10 such actors in 2019, both national and international, to organize these investor meetings.

The list of information published or made public by Mercialys in 2019 is as follow:

Nature of the information	Publication date
Activity and results	
Press release on 2018 annual results	2/13/2019
Online publication of the 2018 annual results presentation	2/13/2019
Press release on 2019 first-quarter activity	4/23/2019
Online publication of the 2019 ESG presentation	6/1/2019
Press release on 2019 half-year results	7/24/2019
Online publication of the 2019 half-year results presentation	7/25/2019
Press release on activity at end-September 2019	10/16/2019
Combined ordinary and extraordinary General Meeting of April 25, 2019	
Publication of the meeting notice in the *BALO*	3/18/2019
Online publication of the "Notice of meeting 2019" brochure	3/19/2019
Online publication of the proxy and mail voting application form	3/19/2019
Online publication of the number of voting rights and outstanding shares as of March 18, 2019	3/19/2019
Press release on the procedure for the provision of preparatory documents	4/1/2019
Publication of the meeting invitation in the *BALO*	4/8/2019
Publication of the meeting invitation in the *Petites Affiches*	4/8/2019
Online publication of the presentation	4/25/2019
Online publication of the meeting report and votes	5/6/2019
Company	
Press release on the integration of the Carbon Disclosure Project's A List	1/22/2019
Press release on the finalization of the sale of the Monoprix Saint-Germain-en-Laye and La Garenne-Colombes sites	7/30/2019
Press release on the 2019 GRESB results	9/9/2019
Press release on the 2019 EPRA Awards results	9/11/2019
Press release on the scientific validation of Mercialys's strategy to combat global warming	9/23/2019
Press release on the 2019 *Grands Prix de la Transparence* results	10/3/2019
Press release on the results of sustainability rating agency Ethifinance-Gaïa	10/14/2019
Press release on the Breeam In-Use certification of the Jas de Bouffan shopping center in Aix-en-Provence	12/5/2019
Shares	
Press release on the number of outstanding shares and voting rights as of December 31, 2018	1/10/2019
Press release on the half-year summary of means available in the liquidity agreement as of December 31, 2018	1/15/2019
Press release on the number of outstanding shares and voting rights as of January 31, 2019	2/5/2019
Press release on the number of outstanding shares and voting rights as of February 28, 2019	3/6/2019
Press release on the number of outstanding shares and voting rights as of March 31, 2019	4/9/2019
Press release on the number of outstanding shares and voting rights as of April 30, 2019	5/16/2019
Press release on the number of outstanding shares and voting rights as of May 31, 2019	6/11/2019
Press release on the number of outstanding shares and voting rights as of June 30, 2019	7/10/2019
Press release on the half-year summary of means available in the liquidity agreement as of June 30, 2019	7/31/2019
Press release on the number of outstanding shares and voting rights as of July 31, 2019	8/5/2019
Press release on the number of outstanding shares and voting rights as of August 31, 2019	9/9/2019
Press release on the implementation of a new liquidity agreement between Mercialys and Oddo BHF SCA	9/25/2019
Press release on the number of outstanding shares and voting rights as of September 30, 2019	10/10/2019
Press release on the number of outstanding shares and voting rights as of October 31, 2019	11/7/2019
Press release on the number of outstanding shares and voting rights as of November 30, 2019	12/6/2019

Nature of the information	Publication date
Other regulated information	
Press release on executive compensation of January 9, 2019	1/9/2019
Press release on executive compensation of February 18, 2019	2/18/2019
Press release on executive compensation of March 6, 2019	3/6/2019
Press release on the availability of the 2018 Registration Document	3/18/2019
Filing and online publication of the 2018 Registration Document	3/18/2019
Online publication of the CSR chapter of the 2018 Registration Document	3/18/2019
Online publication of the compensation and benefits of directors and corporate officers chapter of the 2018 Registration Document	3/18/2019
Online publication of the fees paid to the Statutory Auditors for 2018	3/18/2019
Online publication of the report on internal control and corporate governance	3/18/2019
Online publication of the list of information published or made public by Mercialys in 2018	3/18/2019
Online publication of the 2018 Integrated Report	3/18/2019
Press release on the availability of the 2019 Half-Year Financial Report	7/24/2019
Online publication of the 2019 Half-Year Financial Report	7/24/2019
Press release on executive compensation of December 16, 2019	12/16/2019

7.1.5 2020 financial calendar

The Mercialys financial calendar is as follows:

- First quarter activity: **April 20, 2020** after market closing – Embargo period(1) from April 5, 2020 before market opening until April 20, 2020 after market closing;
- Annual General Meeting: **April 23, 2020**;
- Half-year earnings: **July 27, 2020** after market closing - Embargo period(1) from July 12, 2020 before market opening until July 27, 2020 after market closing;
- Financial information meeting: **July 28, 2020**;
- Activity at end-September: **October 19, 2020** after market closing – Embargo period(1) from October 4, 2020 before market opening until October 19, 2019 after market closing.

It is also available on the Company's website, www.mercialys.com.

(1) Period during which the Company will not provide financial analysts or investors with new information regarding its ongoing business transactions and earnings.

7.2 Share capital and shareholdings

7.2.1 Amount of and changes in share capital over the last five years

At December 31, 2019, the Company's share capital stood at Euro 92,049,169 divided into 92,049,169 fully paid-up shares, of the same category, with a par value of 1 euro each. During the 2019 fiscal year, no changes were made to the share capital.

The share capital remained unchanged at January 31, 2020.

CHANGES IN/HISTORY OF SHARE CAPITAL OVER THE LAST FIVE YEARS

	Number of shares created	Amount of capital increases/reductions *(in euros)*		Share capital *(in euros)*	Number of shares in issue	Nominal value per share *(in euros)*
		Nominal	Premium[(1)]			
2015	-	-	-	92,049,169	92,049,169	1
2016	-	-	-	92,049,169	92,049,169	1
2017	-	-	-	92,049,169	92,049,169	1
2018	-	-	-	92,049,169	92,049,169	1
2019	**-**	**-**	**-**	**92,049,169**	**92,049,169**	**1**

(1) At the time of the capital increase, before any deductions authorized by the Annual General Meeting.

7.2.2 Authorized share capital not issued – Authorizations granted to the Board of Directors

The Board of Directors benefits from the following authorizations to issue securities giving access to share capital, granted by the Annual General Meeting of April 25, 2019:

Operation	Maximum amount	Term	Expiry
a) Capital increase with PSR[1] by issuing shares or securities giving access to share capital or debt securities	Euro 32 million[2][3]	26 months	June 24, 2021
b) Capital increase with cancellation of PSR[1] by issuing shares or securities giving access to share capital or debt securities, via public tender offer	Euro 9.2 million[2][3]	26 months	June 24, 2021
c) Capital increase with cancellation of PSR[1] by issuing shares or securities giving access to share capital or debt securities, via private placement as stated in II of the Article L. 411-2 of the French monetary and financial code	Euro 9.2 million[2][3]	26 months	June 24, 2021
d) Capital increase through the incorporation of reserves, profits, premiums or other amounts that may be capitalized	Euro 32 million[3]	26 months	June 24, 2021
e) Capital increase by issuing shares or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising capital securities or securities giving access to share capital, without PSR[1]	10% of the share capital on the date of the decision to go ahead with the issue[3]	26 months	June 24, 2021
f) Issuing of shares or securities giving access to share capital in the event of a public tender offer for the shares of another listed company without PSR[1]	Euro 9.2 million[2][3]	26 months	June 24, 2021
g) Capital increase reserved for employees subscribed to a savings plan of the Company or any of its affiliates without PSR[1]	2% of the total number of shares as of the day of the authorization (1,840,983 shares)	26 months	June 24, 2021
h) Bonus share plans to the Company's salaried employees and to the Company's executive corporate officers, and to the salaried employees of its affiliates	0.5% of the total number of shares at the date of authorization (*i.e.* 460,245 shares) including 0.15% for the corporate officers (138,073 shares)	26 months	June 24, 2021

(1) PSR = preferential subscription right.

(2) The total par value of the debt securities that may be issued on the basis of this delegation may not exceed Euro 200 million or the equivalent value in any other currency, or in any monetary unit established by reference to multiple currencies.

(3) The total par value of the debt securities that may be issued on the basis of delegations a), b), c), d), e) and f) may not exceed Euro 200 million or the equivalent value in another currency, or in any monetary unit established by reference to multiple currencies. The total par value of share capital increases that may be made, immediately and/or in the future on the basis of delegations a), b), c), d), e) and f) may not exceed Euro 32 million, it being specified that the total amount of capital increases that may be made, immediately and/or in the future, without preferential subscription rights, may not exceed Euro 9.2 million, not taking account of the par value of additional shares to be issued to protect the rights of holders of securities giving access to the capital in accordance with the law.

None of the authorizations granted was used during 2019, with the exception of those relating to the allocation of bonus shares (see § 7.2.5.3, p. 332 *et seq.*). In 2019, the Board of Directors allocated 72,890 bonus shares.

As no authorizations are due to expire, no resolution concerning authorizations will be submitted to the Annual General Meeting of April 23, 2020.

The Board of Directors is also authorized to reduce the Company's share capital by canceling treasury stock representing up to 10% of existing share capital at the date of cancellation, per period of twenty-four months. No use has been made of this authorization, which was granted for a period of twenty-six months from April 25, 2019, *i.e.*, until June 24, 2021.

7.2.3 Ownership of share capital and voting rights

Article 28-III of the Company's articles of association includes the following provisions regarding voting rights:

"All shareholders are entitled to the same number of votes as the shares they own or represent, without any limitation, the sole exception being the cases provided for by statute and the articles of association."

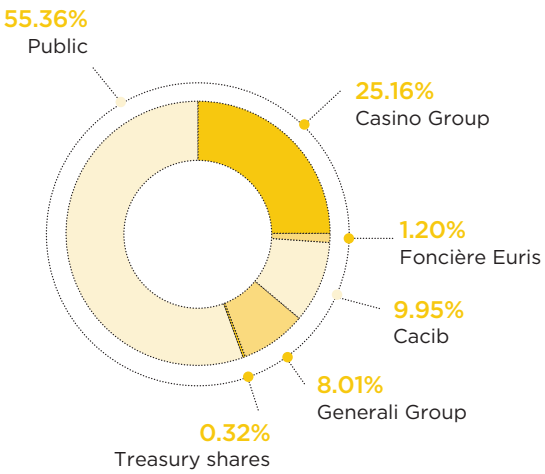
In addition, the Extraordinary General Meeting of May 5, 2015 reinstated the principle of "one share, one vote." Pursuant to the option provided for by Article L. 225-123, paragraph 3, of the French Commercial Code, double voting rights are not attributed to fully paid-up shares for which proof is provided of registration for two years in the name of the same shareholder.

"*The vote or proxy issued by an intermediary who is neither declared as an intermediary registered as a holder of securities on behalf of a third party not domiciled in France, nor has revealed the identity of the owners of the securities in respect of which such intermediary is registered, as required by the applicable regulation, will not be taken into consideration.*"

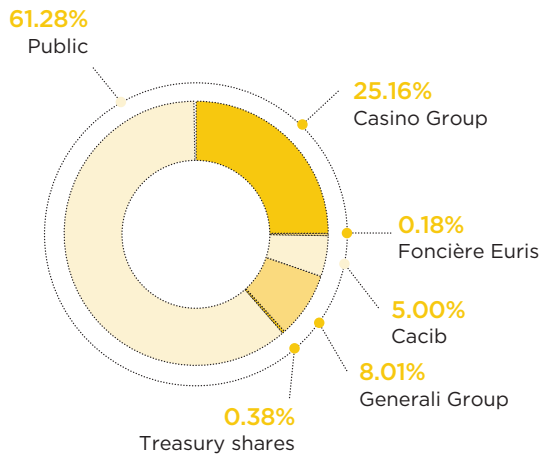
At December 31, 2019, the number of voting rights at the Annual General Meeting totaled 91,752,867 associated with 92,049,169 shares with voting rights. The number of voting rights is different from the number of shares comprising the share capital because the Company holds a certain number of its own shares (treasury shares).

At January 31, 2020, the number of voting rights at the Annual General Meeting totaled 91,703,396 associated with 92,049,169 shares with voting rights. The number of voting rights is different from the number of shares comprising the share capital because the Company holds a certain number of its own shares (treasury shares).

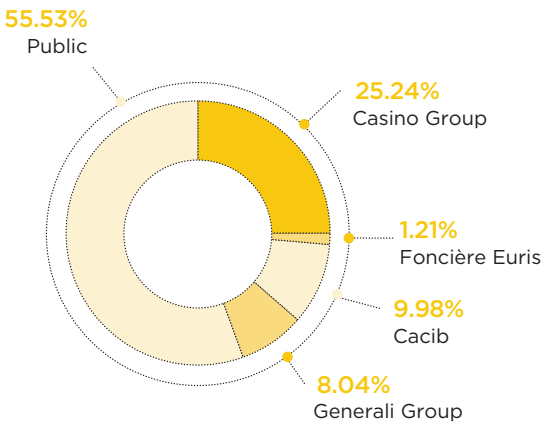
SHAREHOLDING STRUCTURE
AT DECEMBER 31, 2019



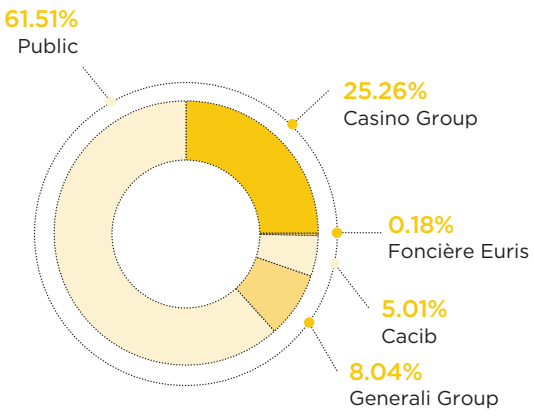
SHAREHOLDING STRUCTURE
AT JANUARY 31, 2020



BREAKDOWN OF VOTING RIGHTS
AT DECEMBER 31, 2019



BREAKDOWN OF VOTING RIGHTS
AT JANUARY 31, 2020



The breakdown of share capital and voting rights at closing in the last three years, and at January 31, 2020 is presented below.

This financial agreement, concerning 13,807,375 Mercialys shares (Total Return Swap - TRS) concluded on July 26, 2018 by Casino, Guichard-Perrachon with Cacib, which can be settled from July 27, 2018 until December 28, 2020, exclusively in cash, giving Casino, Guichard-Perrachon an economic effect similar to the possession of those shares within the meaning of Article L. 233-9, I, 4° bis of the French Commercial Code, was partially settled. Casino, Guichard-Perrachon specified that as of January 24, 2020, within the meaning of Article L. 233-9 I 4 bis of the French Commercial Code and 223-14 V of the French financial markets authority general regulation, it held 4,117,464 Mercialys shares (taken into account in the holding by assimilation referred to in the first paragraph) resulting from the possession of the aforementioned contract (AMF 220C0427).

In 2019, Foncière Euris undertook to settle all financial contracts relating to Mercialys's shares: settlement through the exercise of the physical option on 918,000 Mercialys shares (AMF 2019DD599180) and cash settlement on 2,300,000 Mercialys shares.

Likewise, in 2019, Rallye settled the financial contracts on an exclusively cash-settled basis for 1,843,405 Mercialys shares.

HISTORY OF SHARE CAPITAL DISTRIBUTION

	12/31/2017		12/31/2018		12/31/2019		01/31/2020	
	Number	%	Number	%	Number	%	Number	%
Majority shareholders	**37,887,748**	**41.16**	**24,080,373**	**26.16**	**24,268,588**	**26.36**	**23,326,416**	**25.34**
o/w Casino group[1]	36,969,014	40.16	23,161,639	25.16	23,161,639	25.16	23,161,639	25.16
o/w other shareholders[2]	918,734	1.00	918,734	1.00	1,106,949	1.20	164,777	0.18
Crédit Agricole/Cacib[3]	**-**	**-**	**16,349,829**	**17.76**	**9,156,378**	**9.95**	**4,598,408**	**5.00**
Generali Group[4]	**7,373,745**	**8.01**	**7,373,745**	**8.01**	**7,373,745**	**8.01**	**7,373,745**	**8.01**
Treasury shares[5]	**171,961**	**0.19**	**381,424**	**0.41**	**296,302**	**0.32**	**345,773**	**0.38**
Public	**46,615,715**	**50.64**	**43,863,798**	**47.65**	**50,954,156**	**55.36**	**56,404,827**	**61.28**
o/w bearer shares	46,181,018	50.17	43,420,535	47.17	50,537,065	54.90	55,962,400	60.80
o/w registered shares	434,697	0.47	443,263	0.48	417,091	0.45	442,427	0.48
TOTAL	**92,049,169**	**100**	**92,049,169**	**100**	**92,049,169**	**100**	**92,049,169**	**100**

(1) Casino, Guichard-Perrachon partially settled the exclusively cash-settled total return swap (TRS) concluded with Cacib on July 26, 2018, relating to 13,807,375 shares, reducing the balance of the contract to (i) 7,953,387 shares on May 2, 2019 (declaration AMF 219C0770 of May 10, 2019), (ii) 4,555,326 shares on January 13, 2020 (declaration AMF 220C0210 of January 16, 2020) and (iii) 4,117,464 shares on January 24, 2020 (declaration AMF 220C0427 of January 31, 2020)

(2) Controlling shareholders of Casino, Guichard-Perrachon, including Foncière Euris.

In 2019, Foncière Euris undertook to settle all equity swap contracts.

As such, the equity swap entered into by Foncière Euris relating to 918,000 shares, offering the option of physical delivery of the shares at maturity, was settled at maturity on March 13, 2019 by the delivery of 918,000 shares (AMF declaration 2019DD599180 of March 18, 2019).

The exclusively cash-settled equity swaps entered into by Foncière Euris concerning 2,300,000 shares were settled in cash. At the end of December 2019, 7,121 shares remained to be settled; settlement was completed on January 2, 2020.

Moreover, Rallye SA (controlled by Foncière Euris) also settled the exclusively cash-settled equity swap contracts covering a total of 1,843,405 shares on September 17, 2019 and October 8, 2019.

(3) Based on threshold crossing declarations made to the AMF:

Crédit Agricole SA, which declared on September 28, 2018 that it held 16,349,829 shares representing 17.76% of the share capital and voting rights, indirectly through companies it controls, namely Cacib holding 16,043,225 shares representing 17.43% of the share capital and voting rights and Caceis Bank holding 306,604 shares representing 0.33% of the share capital and voting rights (declaration AMF 218C1600 of October 1, 2018), declared on April 10, 2019 that it held 13,793,532 shares representing 14.98% of the share capital and voting rights, indirectly through the companies it controls, namely Cacib, holding 13,786,146 shares representing 14.98% of the share capital and voting rights and Caceis Bank holding 7,386 shares (ns) (declaration AMF 219C0619 of April 10, 2019).

Cacib (controlled by Crédit Agricole SA) declared (i) on September 17, 2019 that it held 9,156,378 shares representing 9.95% of the share capital and voting rights (declaration AMF 219C1629 of September 17, 2018), (ii) on January 10, 2020 that it held 4,598,408 shares representing 4.99% of the share capital and voting rights (declaration AMF 220C0173 of January 14, 2020).

All threshold crossing declarations made to the AMF are set out in § 7.2.3.1., B, p. 327 et seq. below.

(4) Including 174 bearer shares. Information disclosed by the Company.

(5) Shares acquired under the share buyback program and, in particular, the liquidity agreement (see § 7.1.2, p. 316).

HISTORY OF VOTING RIGHTS DISTRIBUTION[6]

	12/31/2017		12/31/2018		12/31/2019		01/31/2020	
	Number	%	Number	%	Number	%	Number	%
Majority shareholders	**37,887,748**	**41.24**	**24,080,373**	**26.27**	**24,268,588**	**26.45**	**23,326,416**	**25.44**
o/w Casino group[1]	36,969,014	40.24	23,161,639	25.27	23,161,639	25.24	23,161,639	25.26
o/w other shareholders[2]	918,734	1.00	918,734	1.00	1,106,949	1.21	164,777	0.18
Crédit Agricole/Cacib[3]	**-**	**-**	**16,349,829**	**17.84**	**9,156,378**	**9.98**	**4,598,408**	**5.01**
Generali Group[4]	**7,373,745**	**8.03**	**7,373,745**	**8.04**	**7,373,745**	**8.04**	**7,373,745**	**8.04**
Treasury shares[5]	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**
Public	**46,615,715**	**50.73**	**43,863,798**	**47.85**	**50,954,156**	**55.53**	**56,404,827**	**61.51**
o/w bearer shares	46,181,018	50.26	43,420,535	47.37	50,537,065	55.08	55,962,400	61.03
o/w registered shares	434,697	0.47	443,263	0.48	417,091	0.45	442,427	0.48
TOTAL	**91,877,208**	**100**	**91,667,745**	**100**	**91,752,867**	**100**	**91,703,396**	**100**

(1) Casino, Guichard-Perrachon partially settled the exclusively cash-settled total return swap (TRS) concluded with Cacib on July 26, 2018, relating to 13,807,375 shares, reducing the balance of the contract to (i) 7,953,387 shares on May 2, 2019 (declaration AMF 219C0770 of May 10, 2019), (ii) 4,555,326 shares on January 13, 2020 (declaration AMF 220C0210 of January 16, 2020) and (iii) 4,117,464 shares on January 24, 2020 (declaration AMF 220C0427 of January 31, 2020)

(2) Controlling shareholders of Casino, Guichard-Perrachon, including Foncière Euris.

In 2019, Foncière Euris undertook to settle all equity swap contracts.

As such, the equity swap entered into by Foncière Euris relating to 918,000 shares, offering the option of physical delivery of the shares at maturity, was settled at maturity on March 13, 2019 by the delivery of 918,000 shares (AMF declaration 2019DD599180 of March 18, 2019).

The exclusively cash-settled equity swaps entered into by Foncière Euris concerning 2,300,000 shares were settled in cash. At the end of December 2019, 7,121 shares remained to be settled; settlement was completed on January 2, 2020.

Moreover, Rallye SA (controlled by Foncière Euris) also settled the exclusively cash-settled equity swap contracts covering a total of 1,843,405 shares on September 17, 2019 and October 8, 2019.

(3) Based on threshold crossing declarations made to the AMF:

Crédit Agricole SA, which declared on September 28, 2018 that it held 16,349,829 shares representing 17.76% of the share capital and voting rights, indirectly through companies it controls, namely Cacib holding 16,043,225 shares representing 17.43% of the share capital and voting rights and Caceis Bank holding 306,604 shares representing 0.33% of the share capital and voting rights (declaration AMF 218C1600 of October 1, 2018), declared on April 10, 2019 that it held 13,793,532 shares representing 14.98% of the share capital and voting rights, indirectly through the companies it controls, namely Cacib, holding 13,786,146 shares representing 14.98% of the share capital and voting rights and Caceis Bank holding 7,386 shares (ns) (declaration AMF 219C0619 of April 10, 2019).

Cacib (controlled by Crédit Agricole SA) declared (i) on September 11, 2019 that it held 9,156,378 shares representing 9.95% of the share capital and voting rights (declaration AMF 219C1629 of September 17, 2018), (ii) on January 10, 2020 that it held 4,598,408 shares representing 4.99% of the share capital and voting rights (declaration AMF 219C0173 of January 14, 2020).

All threshold crossing declarations made to the AMF are set out in § 7.2.3.1., B, p. 327 et seq. below.

(4) Including 174 bearer shares. Information disclosed by the Company.

(5) Shares acquired under the share buyback program and, in particular, the liquidity agreement (see § 7.1.2, p. 316).

(6) This is the number of voting rights at Annual General Meetings, which is different from the number declared under regulations regarding share ownership thresholds (theoretical voting rights). For regulatory declarations, the total number of voting rights and shares comprising the share capital published each month is calculated based on the total number of voting rights in accordance with Article 223-11 of the General Regulation of the AMF, i.e. based on all shares carrying voting rights, including shares for which voting rights are withdrawn (treasury shares). The difference between voting rights at Annual General Meetings and theoretical voting rights is immaterial, 0.32% at December 31, 2019 and 0.38% at January 31, 2020.

At December 31, 2019, the Casino group directly and indirectly held 25.16% of the share capital and 25.24% of the voting rights, primarily via La Forézienne de Participations (subsidiary of Casino, Guichard-Perrachon) which directly held 24.16% of the Company's share capital and 24.23% of the voting rights.

At January 31, 2020, the Casino group directly and indirectly held 25.16% of the share capital and 25.26% of the voting rights, primarily via La Forézienne de Participations (subsidiary of Casino, Guichard-Perrachon) which directly held 24.16% of the Company's share capital and 24.25% of voting rights.

To the best of the Company's knowledge, no shareholder other than the companies referred to above holds more than 5% of the share capital or voting rights of the Company as at January 31, 2020.

7.2.3.1 Threshold crossing

A. Statutory threshold crossings

Article 11, paragraph II of the Company's articles of association includes the following provisions regarding the disclosure of thresholds crossing:

"In addition to the statutory obligation to inform the Company when certain percentages of share capital and voting rights attached thereto are reached, any individual or legal entity (including any intermediary holding shares belonging to persons domiciled outside France), either alone or in concert with other individuals or legal entities, who comes to hold or ceases to hold 1% of the capital or voting rights or any multiple thereof, by any means, shall disclose to the Company, within five trading days of the crossing of either of these thresholds, by registered letter with acknowledgement of receipt, the number of shares and voting rights held directly, as well as the number of other shares or voting rights deemed to be held by the shareholder as described in Article L. 233-9 of the French Commercial Code.

This person shall, in the same way, inform the Company of the number of shares he/she/it holds that give future access to the share capital, as well as the number of voting rights associated with them.

These disclosure obligations do not apply to shareholders holding more than 50% of the voting rights, either alone or in concert.

If such shareholdings are not disclosed, the voting rights associated with the shares that exceed the disclosure threshold shall be suspended at Annual General Meetings if, during such a meeting, the failure to disclose is established, and if one or more shareholders jointly holding at least 5% of the share capital or voting rights request it. Similarly, voting rights that have not been properly disclosed may not be exercised. The voting rights will be suspended at all General Meetings held within two years of the date on which the failure to disclose to the Company was rectified."

The Annual General Meeting of April 23, 2020 will be asked to modify the wording of paragraph II of Article 11 of the articles of association (see above) in order to fully replicate the legal disclosure requirements with respect to the crossing of thresholds, and as such to include shares assimilated to owned shares and the voting rights attached thereto.

B. Legal threshold crossings

During the period from January 1, 2019 to January 31, 2020, the following threshold crossings were declared to the AMF:

- Crédit Agricole SA has declared that on April 4, 2019, following a sale of Mercialys shares on the market, it indirectly fell below the threshold of 15% of the share capital and voting rights through Cacib, which it controls, and that it indirectly held 13,793,532 Mercialys shares representing 14.98% of the share capital and voting rights, and that on this occasion Cacib individually fell below the same thresholds (AMF 219C0619).
- Casino, Guichard-Perrachon (controlled by Mr. Jean-Charles Naouri) has declared that on May 2, 2019 it individually descended below the 15% and 10% Mercialys share thresholds and that it held 7,979,839 Mercialys shares representing 8.67% of the share capital, individually, directly and by assimilation under the provisions of Article L. 233-9 I, 4° bis of the French Commercial Code (AMF 219C0770).

  This threshold was crossed as a result of the partial settlement of a financial contract relating to Mercialys shares with payment of a differential (total return swap – TRS) entered into by Casino, Guichard-Perrachon with Cacib.

  On this occasion, the concert formed by Mr. Jean-Charles Naouri and the companies that he directly or indirectly controls did not cross, directly or indirectly, any threshold, holding, as of May 2, 2019, 37,094,657 Mercialys shares representing 24,997,865 voting rights, *i.e.* 40.30% of the share capital and 27.16% of the voting rights.

  Casino, Guichard-Perrachon has specified that, pursuant to Articles L. 233-9 I, 4° bis of the French Commercial Code and 223-14 V of the General Regulation of the AMF, it holds 7,953,387 Mercialys shares (included in the holding by assimilation referred to in the first paragraph) resulting from a cash-settled swap for the same number of Mercialys shares, exercisable until December 28, 2020 (based on a delta of 1 – Source Cacib).

  Foncière Euris has specified that, pursuant to Articles L. 233-9 I, 4° bis of the French Commercial Code and 223-14 V of the General Regulation, it holds 2,300,000 Mercialys shares (included in the holding by assimilation referred to in the first paragraph) resulting from a cash-settled swap for the same number of Mercialys shares, exercisable until December 28, 2020 (based on a delta of 1 – Source Cacib).
- Cacib (controlled by Crédit Agricole SA) has declared that, following sales of Mercialys shares on the market, it had fallen :
  - on September 11, 2019, below the 10% threshold for share capital and voting rights and held 9,156,378 Mercialys shares representing 9.95% of the share capital and voting rights (AMF 219C1629),
  - on January 10, 2020, below the 5% threshold for share capital and voting rights and held 4,598,408 Mercialys shares representing 4.99% of the share capital and voting rights (AMF 220C0173).
- The concert consisting of Mr. Jean-Charles Naouri and companies that he directly or indirectly controls has declared that on January 10, 2020, it directly and indirectly crossed below the threshold of one-third of the share capital and held 28,170,718 Mercialys shares representing 23,715,392 voting rights, *i.e.* 30.60% of the share capital and 25.76% of the voting rights (AMF 220C0210).

  This threshold was crossed as a result of the partial settlement of a financial contract relating to Mercialys shares with payment of a differential (total return swap – TRS) entered into by Casino, Guichard-Perrachon with Cacib.

  On this occasion, Casino, Guichard-Perrachon (controlled by Mr. Jean-Charles Naouri), declared that it had individually descended below the 5% threshold of Mercialys' share capital and that it held, pursuant to Articles L. 233-9 I, 4° bis of the French Commercial Code and 223-14 V of the General Regulation of the AMF, 4,455,326 Mercialys shares (included in the holding by assimilation referred to in the first paragraph) resulting from a cash-settled total return swap (TRS) for the same number of Mercialys shares, exercisable until December 28, 2020 (based on a delta of 1 – Source Cacib).

- The concert consisting of Mr. Jean-Charles Naouri and companies that he directly or indirectly controls declared that on January 24, 2020, it directly and indirectly crossed below the threshold of 30% of the share capital and held 27,571,358 Mercialys shares representing 23,453,894 voting rights, *i.e.* 29.95% of the share capital and 25.48% of the voting rights (AMF 220C0427).

  The threshold was crossed as a result of a sale of Mercialys shares on the market.

  On this occasion, Casino, Guichard-Perrachon (controlled by Mr. Jean-Charles Naouri), declared that it held, pursuant to Articles L. 233-9 I, 4° bis of the French Commercial Code and 223-14 V of the General Regulation of the AMF, 4,117,464 Mercialys shares (included in the holding by assimilation referred to in the first paragraph) resulting from a cash-settled total return swap (TRS) for the same number of Mercialys shares, exercisable until December 28, 2020 (based on a delta of 1 – Source Cacib).

The declarations were made on the basis of the information communicated by the Company, pursuant to the provisions of article L. 233-8 of the French Commercial Code and Article 223-16 of the General Regulation of the AMF, at the date of declaration of the crossing of the threshold, it being specified that the total number of voting rights published monthly is calculated, in accordance with Article 223-11 of the General Regulation of the AMF, *i.e.* based on all shares potentially carrying voting rights, including shares for which voting rights are withdrawn (treasury shares).

7.2.3.2 Shareholder agreements

To the Company's knowledge, there were no shareholder agreements in effect at January 31, 2020.

To the Company's knowledge, more broadly, there is no agreement whose existence may lead to a change of ownership.

7.2.3.3 Shares held by the management and executive bodies

At December 31, 2019, the shares held directly by members of Mercialys' management or executive bodies represented 32.22% of the share capital and 32.32% of the voting rights at the Annual General Meeting.

At January 31, 2020, the shares held directly by Mercialys' management or executive bodies represented 32.22% of the share capital and 32.34% of the voting rights at the Annual General Meeting.

7.2.3.4 Declarations by the executives

To the best of the Company's knowledge, the Company's executives, or similar persons or individuals having close personal relations with them, completed the following transactions in the Company's shares in 2019 and up to January 31, 2020:

Date	Persons concerned	Financial instrument	Type of transaction	Volume	Unit price *(in euros)*
2/27/2019	Foncière Euris, legal entity related to Michel Savart, Director	Other types of financial instruments	Extension of an exclusively cash-settled equity swap	1,380,000	20.0500
2/27/2019	Foncière Euris, legal entity related to Michel Savart, Director	Other types of financial instruments	Extension of an exclusively cash-settled equity swap	920,000	21.07353
3/13/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Unwinding at maturity of an equity swap by delivery of shares	918,000	15.9000
3/21/2019	Elizabeth Blaise, Deputy Chief Executive Officer	Shares	Acquisition	978[1]	-
4/20/2019	Elizabeth Blaise, Deputy Chief Executive Officer	Shares	Acquisition	518[1]	-
4/20/2019	Vincent Ravat, Chief Executive Officer	Shares	Acquisition	828[1]	-
4/25/2019	Eric Le Gentil, Chairman of the Board of Directors	Shares	Acquisition	3,000	12.9566
11/25/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Pledge	320,352	11.9200
11/25/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Pledge	496,679	11.9200
11/25/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Pledge	100,969	11.9200
11/27/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	145,819	11.7050

Date	Persons concerned	Financial instrument	Type of transaction	Volume	Unit price *(in euros)*
11/28/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	64,896	11.7195
11/28/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	9,811	11.7698
11/29/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	22,630	11.9600
11/29/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	14,737	11.9584
12/2/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	20,265	11.8781
12/3/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	17,208	11.7918
12/4/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	7,579	11.8890
12/4/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	10,000	11.9000
12/5/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	8,436	11.9481
12/6/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	31,361	11.8994
12/6/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	10,000	11.9916
12/9/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	7,320	12.0928
12/9/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	8,296	12.0908
12/10/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	16,026	12.2672
12/10/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	17,521	12.2631
12/11/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	15,482	12.0615
12/11/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	14,946	12.0730
12/12/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	17,689	11.8407
12/12/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	18,070	11.8397
12/13/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	29,548	11.8158
12/13/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	32,344	11.8166

Date	Persons concerned	Financial instrument	Type of transaction	Volume	Unit price *(in euros)*
12/16/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	16,538	11.9516
12/16/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	28,815	11.9511
12/17/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	23,860	12.0801
12/17/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	24,118	12.0703
12/18/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	15,253	12.0543
12/18/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	2,485	12.0501
12/19/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	17,236	12.1644
12/20/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	29,653	12.0511
12/20/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	21,395	11.9800
12/23/2019	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	10,548	12.0960
1/2/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	20,973	12.5177
1/3/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	11,906	12.3900
1/3/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	13,759	12.4562
1/6/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	15,446	12.3577
1/7/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	20,586	12.3463
1/7/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	32,618	12.4033
1/8/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	48,733	12.2200
1/8/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	19,607	12.1400
1/8/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	59,312	12.1600
1/9/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	15,000	12.0028
1/9/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	27,586	12.0094

Date	Persons concerned	Financial instrument	Type of transaction	Volume	Unit price *(in euros)*
1/10/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	12,563	11.9176
1/10/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	32,016	11.9156
1/10/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	81,209	11.9411
1/13/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	22,128	11.8417
1/13/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	12,100	11.8422
1/13/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	19,250	11.8600
1/14/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	21,167	11.9337
1/14/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	66,729	11.9396
1/15/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	17,953	11.9807
1/15/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	37,827	11.9741
1/16/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	1,600	11.9721
1/16/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	28,079	12.0222
1/17/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	48,724	11.9822
1/20/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	35,136	11.8823
1/21/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	31,757	11.7736
1/22/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	21,130	11.7313
1/23/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	10,869	11.6815
1/24/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	28,423	11.7233
1/27/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	23,970	11.5305
1/28/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	24,921	11.5449
1/28/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	13,870	11.5661

Date	Persons concerned	Financial instrument	Type of transaction	Volume	Unit price *(in euros)*
1/29/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	15,953	11.5954
1/30/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	26,088	11.5216
1/31/2020	Foncière Euris, legal entity related to Michel Savart, Director	Shares	Disposal	23,184	11.4374

(1) Vesting of shares resulting from bonus share plans

7.2.3.5 Employee share ownership

At December 31, 2019, employees held 20,056 shares representing 0.02% of the share capital and voting rights. These registered shares are the result of a bonus share issue authorized by an Extraordinary General Meeting held after August 6, 2015 (Macron law), as no Mercialys shares are held in connection with a company savings plan or any mutual funds.

7.2.3.6 Pledged shares

To the best of the Company's knowledge, there were pledges on 969,134 Mercialys registered shares at December 31, 2019.

7.2.4 Securities not representing share capital

None.

7.2.5 Stock options, stock warrants and bonus share awards

7.2.5.1 Stock options

No stock option plan on the Company's shares was in effect in 2019.

7.2.5.2 Stock warrants

No stock warrants on the Company's shares were in effect in 2019.

7.2.5.3 Bonus share plans

Using the authorization granted by the Extraordinary General Meeting, the Board of Directors has set up bonus share plans for existing shares, without dilutive impact on the share capital.

Details of the various plans in effect as at December 31, 2019 are shown in the tables below:

Date of the Annual General Meeting	Date of the Board of Directors' meeting/Date of award	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of shares awarded by the Board of Directors	Number of canceled share rights	Outstanding number of shares to be awarded at year-end
4/20/2016	3/20/2017	3/20/2020(1)	3/21/2022	12,283	5,338	6,945
4/27/2017	4/27/2017	4/27/2020(2)	4/28/2022	41,750	0	41,750
4/27/2017	4/27/2017	4/27/2020(2)	4/28/2022	14,562	4,283	10,279
4/26/2018	4/26/2018	4/26/2021(3)	4/27/2023	46,959	0	46,959
4/26/2018	4/26/2018	4/26/2021(3)	4/27/2023	26,496	0	26,496
4/26/2018	4/26/2018	4/26/2020(4)	4/27/2020	9,744	3,654	6,090
4/25/2019	4/25/2019	4/25/2022(5)	4/26/2024	45,621	0	45,621
4/25/2019	4/25/2019	4/25/2022(5)	4/26/2024	23,109	2,370	20,739
4/25/2019	4/25/2019	4/25/2021(4)	4/26/2021	4,160	840	3,320
TOTAL				**224,684**	**16,485**	**208,199**

(1) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares, and – for 50% of the shares allocated – subject to fulfillment of two performance criteria, each one applying to 25% of the initial award: average organic growth (excluding indexation) over three years (2017, 2018 and 2019) of 2.5% or more, and average performance of the Mercialys share price including dividends, i.e. the total shareholder return (average TSR), over three years (2017, 2018 and 2019) of at least 8%.

(2) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares, and subject to fulfillment of two performance criteria: the absolute performance of the Mercialys share price, including dividends, corresponding to the total shareholder return (absolute TSR), assessed as an annual average between January 1, 2017 and January 31, 2019 for 25% of the initial award, and the relative performance of the Mercialys share price, including dividends (relative TSR), compared with the performance of companies in the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for 75% of the initial award.

(3) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares, and subject to fulfillment of three company performance criteria: the relative performance of the Mercialys share dividends included (relative TSR) compared to the performance of the companies making up the EPRA/NAREIT Eurozone index on January 1, 2018, measured between January 1, 2018 and December 31, 2020, for 50% of the initial allocation, organic rental income growth, including pop-up retail outlets, excluding indexation, measured as an annual average over three years between January 1, 2018 and December 31, 2020, for 25% of the initial allocation and the growth of FFO (excluding carrying cost of debt financing for 2019 for fiscal year 2018) measured as an annual average over three years between January 1, 2018 and December 31, 2020, for the remaining 25% of the initial allocation.

(4) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares.

(5) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares, and subject to fulfillment of three company performance criteria: the relative performance of the Mercialys share dividends included (relative TSR) compared with the performance of the companies making up the EPRA/NAREIT Eurozone index on January 1, 2019, measured between January 1, 2019 and December 31, 2021, for 40% of the initial allocation, organic rental income growth, including pop-up retail outlets, excluding indexation, measured as an annual average over three years between January 1, 2019 and December 31, 2021, for 20% of the initial allocation, and the growth of FFO measured as an annual average over three years between January 1, 2019 and December 31, 2021, for the remaining 40% of the initial allocation.

The bonus share award plans implemented on April 20, 2016, March 20, 2017 and December 21, 2017 resulted in the vesting of shares as follows:

Date of the Annual General Meeting	Date of the Board of Directors' meeting/Date of award	Vesting date of bonus shares awarded	Date after which shares may be sold	Number of shares awarded by the Board of Directors	Number of canceled share right	Number of shares vesting in 2019
4/20/2016	4/20/2016	4/20/2019(1)	4/20/2021	17,139	15,275	1,864
4/20/2016	4/20/2016	4/20/2019(2)	4/20/2021	11,525	7,103	4,422
4/20/2016	3/20/2017	3/20/2019(3)	3/21/2019	14,478	4,318	10,160
4/27/2017	12/21/2017	3/21/2019(3)	12/22/2019	2,624	0	2,624
TOTAL				**45,766**	**26,696**	**19,070**

(1) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares, and subject to fulfillment of two company performance criteria, each one applying to 50% of the initial award: the absolute performance of the Mercialys share price, including dividends, i.e. the total shareholder return (absolute TSR), and the relative performance of the Mercialys share price, including dividends (relative TSR), compared with the performance of companies in the EPRA/NAREIT Eurozone index, assessed annually over three consecutive years (2016, 2017 and 2018) and enabling the shares to be acquired in thirds.

(2) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares, and – for 50% of the shares allocated – subject to fulfillment of two performance criteria, each one applying to 25% of the initial award: average organic growth (excluding indexation) over three years (2016, 2017 and 2018) of 3% or more, and average performance of the Mercialys share price including dividends (average TSR), i.e. the total shareholder return, over three years (2016, 2017 and 2018) of 8% or more.

(3) Bonus shares only vest if the beneficiary is still with the Company at the vesting date of the shares.

92,049,169
Total number of shares

>60%
Free float

SBF 120
Member since 2009

8

ANNUAL GENERAL MEETING

8.1	**Draft resolutions**	**336**
8.1.1	Agenda	336
8.1.2	Resolutions presented to the Ordinary General Meeting	337
8.1.3	Resolutions presented to the Extraordinary General Meeting	349

8.1 Draft resolutions

8.1.1 Agenda

Resolutions within the competence of the Ordinary General meeting:

- Approval of the separate financial statements for the fiscal year ended December 31, 2019 (1st Resolution);
- Approval of the consolidated financial statements for the fiscal year ended December 31, 2019 (2nd Resolution);
- Appropriation of income – Setting the dividend (3rd Resolution);
- Approval of the information indicated in article L.225-37-3, I of the French Commercial Code relating to compensation paid to the corporate officers during 2019, or awarded in respect of the same fiscal year (4th Resolution);
- Approval of the compensation paid during fiscal year 2019 or awarded in respect of the same fiscal year to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer (5th to 7th Resolutions);
- Approval of the compensation policy for the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer (8th to 10th Resolutions);
- Approval of the compensation policy for directors (11th Resolution);
- Regulated agreement: approval of Amendment No. 3 to the document amending the current account advance agreement entered into with Casino Finance (12th Resolution);
- Vacancy on the Board of Directors due to the non-renewal of the directorship of Ms. Ingrid Nappi (13th Resolution);
- Renewal of the directorships of Mr. Jacques Dumas and Mr. Michel Savart (14th to 15th Resolutions);
- Authorization for the Company to purchase its own shares (16th Resolution).

Resolutions within the competence of the Extraordinary General Meeting:

- Statutory amendment relating to the identification of shareholding structure and threshold crossing declarations (17th Resolution);
- Statutory amendment relating to the Board of Directors' decision-making methods (18th Resolution);
- Statutory amendment relating to the compensation of directors (19th Resolution);
- Statutory amendment relating to the method for calculating the majority at Annual General Meetings (20th Resolution);
- Powers for completion of formalities (21st Resolution).

8.1.2 Resolutions presented to the Ordinary General Meeting

Resolutions 1 and 2 - Approval of the financial statements for the fiscal year

PRESENTATION

In connection with the first and second resolutions, the shareholders are invited to approve the Company's separate financial statements and then its consolidated financial statements as at December 31, 2019, as well as the transactions reflected in these accounts.

The financial statements for the fiscal year do not take account of the non-deductible expenses referred to in Article 39-4 of the French General Tax Code.

These financial statements have been certified without qualification by the Statutory Auditors (see chapter 3, § 3.2.3 p. 200 *et seq*. and § 3.1.3 p. 172 *et seq.*).

FIRST RESOLUTION

Approval of the separate financial statements for the fiscal year ended December 31, 2019

The Ordinary General Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report, approves the separate financial statements for the fiscal year ended December 31, 2019, as presented to it, together with all of the transactions reflected or mentioned in these reports. The separate financial statements for this period show a profit of Euro 82,633,040.49.

The Annual General Meeting acknowledges that the financial statements for the past fiscal year do not take account of the non-deductible expenses referred to in Article 39-4 of the French General Tax Code.

It also notes the transfer to the "Retained earnings" account, in accordance with the resolution adopted by the Annual General Meeting of April 25, 2019, of the dividends allocated for the 2018 fiscal year to the shares held by the Company on the dividend payment date and totaling Euro 426,966.10.

SECOND RESOLUTION

Approval of the consolidated financial statements for the fiscal year ended December 31, 2019

The Ordinary General Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report, approves the consolidated financial statements for the fiscal year ended December 31, 2019, as presented to it, together with all of the transactions reflected or mentioned in these reports, showing a consolidated net income, attributable to owners of the parent, of Euro 90,340,000.

Resolution 3 - Appropriation of income – Setting the dividend

PRESENTATION

Under the 3rd resolution, the Board of Directors requests your approval for the distribution of a dividend of Euro 1.15 per share. The proposed dividend corresponds to 85% of the 2019 FFO, in accordance with the objective announced by Mercialys (within a range of 85% to 95% of the 2019 FFO and at least stable in relation to 2018), up 2.7% versus 2018.

Taking into account the interim dividend of Euro 0.47 per share paid on October 23, 2019, the final dividend amounts to Euro 0.68 per share.

The ex-dividend date for the final dividend is April 27, 2020. The payment date will be April 29, 2020.

THIRD RESOLUTION

Appropriation of income – Setting the dividend

The Ordinary General Meeting, after reviewing the Board of Directors' report, resolves to allocate income for the fiscal year ended December 31, 2019, as follows:

Net income for the year		Euro 82,633,040.49
Retained earnings	(+)	Euro 271,372,603.51
Distributable income	**(=)**	**Euro 354,005,644.00**
Dividend	(-)	Euro 105,856,544.35
Appropriation to "Retained earnings"	(=)	Euro 248,149,099.65

Each share will receive a dividend of Euro 1.15.

The Ordinary General Meeting hereby notes that:

- the amount of the dividend it has determined (Euro 1.15) includes the interim dividend of Euro 0.47 per share paid on October 23, 2019;
- consequently, the final dividend stands at Euro 0.68 per share and will be paid on April 29, 2020.

The distribution under the exempt sector represents 100% of the amount of the dividend.

Distributions of dividends from exempt profits of listed real estate investment companies (SIIC) do not qualify for the 40% deduction mentioned in Article 158-3.2 of the French General Tax Code. Only distributions of dividends from the non-exempt profits of SIICs are eligible for this reduction.

The Annual General Meeting notes that the dividends distributed in respect of the last three fiscal years were as follows:

Fiscal year	Dividend per share	Dividend paid eligible for 40% allowance	Dividend paid not eligible for 40% allowance
December 31, 2018			
Interim dividend (paid in 2018)	Euro 0.50	None	Euro 0.50
Final dividend (paid in 2019)	Euro 0.62	None	Euro 0.62
TOTAL	**EURO 1.12**	**NONE**	**EURO 1.12**
December 31, 2017			
Interim dividend (paid in 2017)	Euro 0.41	None	Euro 0.41
Final dividend (paid in 2018)	Euro 0.68	None	Euro 0.68
TOTAL	**EURO 1.09**	**NONE**	**EURO 1.09**
December 31, 2016			
Interim dividend (paid in 2016)	Euro 0.43	None	Euro 0.43
Final dividend (paid in 2017)	Euro 0.63	None	Euro 0.63
TOTAL	**EURO 1.06**	**NONE**	**EURO 1.06**

Resolution 4 - Approval of the information relating to compensation of the corporate officers, paid in 2019 or awarded in respect of the same fiscal year

PRESENTATION

Under the 4th resolution, you are asked, pursuant to Article L. 225-100, II of the French commercial code, to approve all of the information indicated in Article L. 225-37-3, I of the French Commercial Code relating to compensation of the Company's corporate officers paid in fiscal year 2019 or awarded in respect of the same fiscal year by virtue of their directorship, as presented to the Annual General Meeting in the Board of Directors' corporate governance report, attached to the management report.

All the components relating to the 2019 compensation policy for corporate officers are presented in the section on corporate governance (see chapter 4, § 4.2, p. 243 *et seq.)*.

FOURTH RESOLUTION

Approval of the information indicated in article L.225-37-3, I of the French Commercial Code relating to compensation paid to the corporate officers during 2019, or awarded in respect of the same fiscal year

The Ordinary General Meeting, pursuant to the provisions of Article L.225-100, II of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance, comprising in particular the information relating to compensation paid in 2019 or awarded in respect of the same fiscal year to the Company's corporate officers by virtue of their directorships, approves the information indicated in Article L.225-37-3, I of the French Commercial Code, as presented to the Annual General Meeting in the above-mentioned report.

Resolution 5 - Approval of the compensation package and benefits in kind paid during or awarded in respect of fiscal year 2019 to the Chairman of the Board of Directors.

PRESENTATION

Under the 5th resolution, pursuant to Article L. 225-100, III, of the French Commercial Code, you are asked to approve the fixed components of the compensation package and benefits in kind paid or awarded in respect of fiscal year 2019 to Mr. Éric Le Gentil, Chairman of the Board of Directors, by virtue of his directorship, as they are listed and described in the table appearing in the section of the Board of Directors' report on corporate governance (see chapter 4, § 4.2.2.2, B, 2, p. 253).

Mr. Éric Le Gentil's fixed compensation was set at the sum of Euro 225,000.

The principles and criteria used for determining, allocating and awarding the components of the Chairman's compensation for the fiscal year 2019 were submitted, pursuant to Article L. 225-37-2 of the French Commercial Code, to the Annual General Meeting held on April 25, 2019, which approved them (by a majority of 97.36%).

The breakdown of the compensation paid during or awarded in respect of fiscal year 2019 to the Chairman of the Board of Directors is presented in appendix 1, p. 356 and 357.

FIFTH RESOLUTION

Approval of the compensation package and the benefits in kind paid during or awarded in respect of fiscal year 2019 to the Chairman of the Board of Directors.

The Ordinary General Meeting, pursuant to Article L. 225-100, III of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance attached to the management report, approves the fixed, variable and exceptional components of the compensation package and the benefits in kind paid or awarded in respect of fiscal year 2019 to the Chairman of the Board of Directors, by virtue of his directorship, as presented in said report.

Resolution 6 - Approval of the compensation package and benefits in kind paid during or awarded in respect of fiscal year 2019 to the Chief Executive Officer.

PRESENTATION

Under the 6th resolution, pursuant to Article L. 225-100, III, of the French Commercial Code, you are asked to approve the fixed, variable and exceptional components of the compensation package and benefits of all kinds paid during or awarded in respect of fiscal year 2019 to Mr. Vincent Ravat, Chief Executive Officer, by virtue of his directorship, as they are listed and described in the table appearing in the section of the Board of Directors' report on corporate governance (see chapter 4, § 4.2.2.4, B p. 258 *et seq.*).

The fixed compensation of Mr. Vincent Ravat was increased in 2019 to Euro 360,000 (versus Euro 300,000 in 2018 as Deputy Chief Executive Officer).

The annual variable compensation is therefore structured around 2 types of objectives:

- quantitative objectives, weighted at 80% of which 1 CSR objective at 10%; and
- managerial objectives, weighted at 20%.

Moreover, in order to align the variable compensation of the current Chief Executive Officer with that of the former Chief Executive Officer, it was decided that the Chief Executive Officer's variable compensation be increased to 70% (vs 40% in 2018 in his capacity as Deputy Chief Executive Officer) of his fixed annual compensation if the defined objectives are achieved and may equal up to 140% (vs 80% in 2018 in his capacity as Deputy Chief Executive Officer) of his fixed annual compensation if these objectives are exceeded.

In respect of fiscal year 2019, the variable compensation awarded to the Chief Executive Officer amounts to Euro 412,650. The details of how this amount is determined is presented in the section on corporate governance (see chapter 4, § 4.2.2.4, B, 3, p. 259).

Pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, payment of the variable portion of the Chief Executive Officer's compensation for 2019 is conditional on the approval of this resolution by the Annual General Meeting.

The principles and criteria used for determining, allocating and awarding the components of the Chief Executive Officer's compensation for the 2019 fiscal year were submitted, pursuant to Article L. 225-37-2 of the French Commercial Code, to the Annual General Meeting held on April 25, 2019, which approved them (by a majority of 97.38%).

The variable compensation components, of which payment is subject to approval from this Meeting, are in this case determined in accordance with the law (see appendix 2, p. 358 and 359).

SIXTH RESOLUTION

Approval of the compensation package and the benefits in kind paid during or awarded in respect of fiscal year 2019 to the Chief Executive Officer

The Ordinary General Meeting, pursuant to Article L. 225-100 of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance attached to the management report, approves the fixed, variable and exceptional components of the compensation package and the benefits in kind paid during or awarded in respect of fiscal year 2019 to the Chief Executive Officer, by virtue of his directorship, as presented in said report.

Resolution 7 - Approval of the compensation package and benefits in kind paid during or awarded in respect of fiscal year 2019 to the Deputy Chief Executive Officer

PRESENTATION

Under the 7th resolution, pursuant to Article L. 225-100, III, of the French Commercial Code, you are asked to approve the fixed, variable and exceptional components of the compensation package and benefits in all kind paid or awarded in respect of the fiscal year 2019 to Ms. Élizabeth Blaise, Deputy Chief Executive Officer, by virtue of her directorship, as they are listed and described in the table appearing in the section of the Board of Directors' report on corporate governance (see chapter 4, § 4.2.2.6, B p. 265 *et seq.*).

Ms. Élizabeth Blaise's fixed compensation, which was set at the time of her appointment on February 13, 2019 at the amount of Euro 230,000, is paid by Mercialys, half of which on the basis of her corporate function and half on the basis of her employment contract in respect of her position as Chief Financial Officer.

The annual variable compensation is therefore structured around 2 types of objectives:

- quantitative objectives, weighted at 80% of which 1 CSR objective at 10%; and
- managerial objectives, weighted at 20%.

In respect of fiscal year 2019, the annual variable compensation awarded to the Deputy Chief Executive Officer amounts to Euro 145,728, paid by Mercialys, half of which on the basis of her corporate function (Euro 72,864) and half in respect of her employment contract (Euro 72,864). The detail of how this amount is determined is presented in the section on corporate governance (see chapter 4, § 4.2.2.6, B, 3, p. 267).

Pursuant to Articles L. 225-37-2 and L.225-100 of the French Commercial Code, payment of the variable portion of the compensation for the Deputy Chief Executive Officer due for the 2019 fiscal year, is conditional on approval of this resolution by the Annual General Meeting.

The principles and criteria used for determining, allocating and awarding the components of the Deputy Chief Executive Officer's compensation for the 2019 fiscal year were submitted, pursuant to Article L. 225-37-2 of the French Commercial Code, to the Annual General Meeting held on April 25, 2019, which approved them (by a majority of 96.38%).

The variable compensation components, of which payment is subject to approval from this Meeting, are in this case determined in accordance with the law (see appendix 3, p. 360 and 361).

SEVENTH RESOLUTION

Approval of the compensation package and benefits in kind paid during or awarded in respect of fiscal year 2019 to the Deputy Chief Executive Officer

The Ordinary General Meeting, pursuant to the provisions of Article L.225-100, III of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance, attached to the management report, approves the fixed, variable and exceptional components constituting the total compensation and benefits of all kinds paid in 2019 or awarded in respect of this same fiscal year to the Deputy Chief Executive Officer, by virtue of her directorship, as detailed in the said report.

Resolution 8 - Approval of the compensation policy for the Chairman of the Board of Directors

PRESENTATION

Pursuant to Article L.225-37-2, II of the French Commercial Code, the compensation policy for the Chairman of the Board of Directors, by virtue of his directorship, must be submitted at least once a year for approval by the Annual General Meeting.

Under the 8th resolution you are asked to approve the principles and components of the compensation of Mr. Éric Le Gentil, Chairman of the Board of Directors, determined by the Board of Directors on February 12, 2020 on the recommendation of the Appointments and Compensation Committee.

In his position as Chairman of the Board of Directors, and particularly the specific assignments entrusted to him, it was decided to pay him a fixed compensation of Euro 225,000, unchanged with regard to fiscal year 2019.

Mr. Éric Le Gentil does not receive any variable compensation in cash or shares in addition to the variable component included in his compensation as a director.

All the components relating to the 2020 compensation of Mr. Éric Le Gentil, Chairman of the Board of Directors, are presented in the section on corporate governance (see chapter 4, § 4.2.2.3, p. 255 and 256).

EIGHTH RESOLUTION

Approval of the compensation policy for the Chairman of the Board of Directors

The Ordinary General Meeting, pursuant to the provisions of Article L.225-37-2, II of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance describing the policy for compensation of the Company's corporate officers, attached to the management report, approves the compensation policy for the Chairman of the Board of Directors, by virtue of his directorship, as detailed and presented in the said report.

Resolutions 9 and 10 - Approval of the compensation policy for the Chief Executive Officer and the Deputy Chief Executive Officer

PRESENTATION

Pursuant to Article L.225-37-2, II of the French Commercial Code, the compensation policy for the Chief Executive Officer and the Deputy Chief Executive Officer, by virtue of their directorships, must be submitted at least once a year for approval by the Annual General Meeting.

Under the 9th resolution, you are therefore asked to approve the principles and components of the compensation of Mr. Vincent Ravat, Chief Executive Officer, determined by the Board of Directors on February 12, 2020 on the recommendation of the Appointments and Compensation Committee.

In respect of his duties as Chief Executive Officer it has been decided to pay him fixed compensation of Euro 360,000, unchanged compared to fiscal year 2019.

All the components relating to the 2020 compensation of Mr. Vincent Ravat, Chief Executive Officer, are presented in the section on corporate governance (see chapter 4, § 4.2.2.5, p. 261 *et seq.*).

Under the 10th resolution, you are also asked to approve the principles and components of the compensation of Ms. Élizabeth Blaise, Deputy Chief Executive Officer, determined by the Board of Directors on February 12, 2020 on the recommendation of the Appointments and Compensation Committee.

In respect of her duties as Deputy Chief Executive Officer, it has been decided to pay her compensation of Euros 132,500 (compared to Euros 115,000 in 2019), it being specified that she will also receive the amount of Euros 132,500 (compared to Euros 115,000) in respect of her employment contract as Chief Financial Officer.

All the components relating to the 2020 compensation of Ms. Élizabeth Blaise, Deputy Chief Executive Officer, are presented in the section on corporate governance (see chapter 4, § 4.2.2.7, p. 268 *et seq.*).

NINTH RESOLUTION

Approval of the compensation policy for the Chief Executive Officer

The Ordinary General Meeting, pursuant to the provisions of Article L.225-37-2, II of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance describing the compensation policy for the Company's corporate officers, attached to the management report, approves the compensation policy for the Chief Executive Officer, by virtue of his directorship, as detailed and presented in the said report.

TENTH RESOLUTION

Approval of the compensation policy for the Deputy Chief Executive Officer

The Ordinary General Meeting, pursuant to the provisions of Article L.225-37-2, II of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance describing the compensation policy for the Company's corporate officers, attached to the management report, approves the compensation policy for the Deputy Chief Executive Officer, by virtue of her directorship, as detailed and presented in the said report.

Resolution 11 - Approval of the compensation policy for directors

PRESENTATION

Pursuant to Article L.225-37-2, II of the French Commercial Code, the compensation policy for the directors, by virtue of their directorships, must be submitted at least once a year for approval by the Annual General Meeting.

Under the 11th resolution, you are asked to approve the compensation policy for directors, determined by the Board of Directors on February 12, 2020, on the recommendation of the Appointments and Compensation Committee.

All the components relating to the compensation policy for directors are presented in the section on corporate governance (see chapter 4, § 4.2.1.3, p. 247).

ELEVENTH RESOLUTION

Approval of the compensation policy for directors

The Ordinary General Meeting, pursuant to the provisions of Article L.225-37-2, II of the French Commercial Code, after reviewing the Board of Directors' report on corporate governance describing the compensation policy for the Company's directors, attached to the management report, approves the compensation policy for the directors, by virtue of their directorships, as detailed and presented in the said report.

Resolution 12 - Regulated agreements and commitments with Casino Finance

PRESENTATION

Under the 12th resolution, the Board of Directors requests your approval of Amendment no. 3 to the document amending the Current account advance agreement entered into on July 25, 2012 with Casino, Guichard-Perrachon, as previously amended by (i) the amending document dated February 26, 2015 approved by the Annual General Meeting of May 5, 2015, (ii) Amendment no. 1 to the amending document dated February 14, 2017 approved by the Annual General Meeting of April 27, 2017 and (iii) Amendment no. 2 to the amending document dated January 18, 2019 approved by the Annual General Meeting of April 25, 2019.

We recall that the amending document dated February 26, 2015 extended the Agreement until December 2017 and that Casino Finance replaced Casino, Guichard-Perrachon in its rights and obligations. Amendment n°1 to the amending document dated February 14, 2017 then extended the Agreement until December 2019 and amended the conditions thereof to take account of the changes in the Casino refinancing costs. Amendment no. 2 then extended the Agreement until December 2020, in order to ensure that the advances made within this context continue to be included in the liquidity ratio calculated by Standard & Poor's, without making any other modifications to the Agreement.

At its meeting of December 12, 2019, the Board of Directors authorized the signing of amendment No. 3 to the Current account advance agreement, extending it until December 31, 2021, revising the maximum amount downwards from Euro 50 million to Euro 35 million. The associated conditions were also reviewed, taking into account the cost of Casino's financial resources:

- for the tranche capped at Euro 10 million, interest at 1-month Euribor (with a 0% floor) plus a margin of 110 basis points, revisable annually on the basis of Casino's updated refinancing costs (Margin A);
- for the tranche exceeding Euro 10 million in a maximum amount of Euro 35 million, interest at 1-month, 2-month or 3-month Euribor plus a margin of 370 basis points, revisable annually, depending on Casino's updated refinancing costs (Margin B).

The other provisions of the Agreement are unchanged. Amendment No. 3 was signed on December 18, 2019.

TWELFTH RESOLUTION

Regulated agreement: approval of Amendment n°3 to the document amending the current account advance agreement entered into with Casino Finance

The Ordinary General Meeting, after reviewing the Statutory Auditors' special report on the agreements referred to in Article L. 225-38 of the French Commercial Code, approves Amendment n°3 to the document amending the current account advance agreement entered into with Casino Finance on December 18, 2019.

Resolutions 13 to 15 - Non-renewal of one directorship - renewal of two directorships

PRESENTATION

The Board of Directors is currently composed of 11 directors.

Following the recommendation of the Appointments and Compensation Committee, the Board has decided not to extend the directorship of Ms Ingrid Nappi (13th resolution) and you are asked to renew, for a term of three years, the directorships of Messrs. Jacques Dumas and Michel Savart (14th and 15th resolutions) (see presentation of the proposed directors in chapter 4, § 4.1.1.1, B, p. 225 and 228).

If you approve these proposals, the Board will comprise 10 directors with equal numbers of women and men and 60% will be independent directors.

THIRTEENTH RESOLUTION

Vacancy on the Board of Directors due to the non-renewal of the directorship of Ms. Ingrid Nappi

The Ordinary General Meeting, after reviewing the Board of Directors' report and noting that the directorship of Ms. Ingrid Nappi will expire at the end of this meeting, decides not to fill the vacant position.

FOURTEENTH RESOLUTION

Renewal of the directorship of Mr. Jacques Dumas

The Ordinary General Meeting, after reviewing the Board of Directors' report and noting that the directorship of Mr. Jacques Dumas will expire at the end of this meeting, decides to renew the directorship of Mr. Jacques Dumas for a three-year term, *i.e.* until the end of the Ordinary General Meeting called in 2023 to approve the financial statements for the fiscal year ended December 31, 2022.

FIFTEENTH RESOLUTION

Renewal of the directorship of Mr. Michel Savart

The Ordinary General Meeting, after reviewing the Board of Directors' report and noting that the directorship of Mr. Michel Savart will expire at the end of this meeting, decides to renew the directorship of Mr. Michel Savart for a three-year term, *i.e.* until the end of the Ordinary General Meeting called in 2023 to approve the financial statements for the fiscal year ended December 31, 2022.

Resolution 16 - Purchase by the Company of its own shares

PRESENTATION

The 16th resolution proposes the renewal of the authorization given to the Board of Directors, for a period of 18 months, to purchase the Company's shares. The maximum purchase price is set at Euro 17 per share and the maximum number of shares that may be purchased would be limited to 10% of the number of shares comprising the Company's share capital on the date of the Annual General Meeting.

For example, on the basis of the capital at January 31, 2020, after deducting the 345,773 shares held in treasury, the maximum theoretical amount which the Company could devote to share purchases would be Euro 150.6 million, corresponding to 8,859,143 shares.

Pursuant to the authorization granted by the Annual General Meeting of April 25, 2019 and based on the information at January 31, 2020, the Company bought 1,960,122 shares, and sold 1,942,940 shares.

At January 31, 2020, the Company held 345,773 shares (0.38% of share capital), including 16,424 shares allocated for the purpose of covering any savings or bonus share plans, and 329,349 shares under the liquidity contract.

Details of the objectives of the share buyback program are provided below in the 16th Resolution, and in the description of the share buyback program in chapter 7, § 7.1.2, p. 316 *et seq*.

In the event of a public tender offer relating to the shares or securities issued by the Company, the Company may only use this authorization to meet its commitments regarding the delivery of securities, particularly in the context of bonus share award plans undertaken and announced before the launch of the tender offer.

SIXTEENTH RESOLUTION

Authorization for the Company to purchase its treasury shares

The Ordinary General Meeting, after having read the Board of Directors' report, authorizes the Board of Directors to purchase or arrange for the purchase of the Company's shares in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-7 of the General Regulation of the French financial markets authority and the European regulation applicable to market abuse (and specifically European regulations 596/2014 of April 16, 2014 and 2016/1058 of March 8, 2016), primarily for the following purposes:

- to maintain liquidity and stimulate the market for the Company's shares through an investment services provider acting independently on behalf of the Company, in connection with a liquidity agreement compliant with a code of conduct recognized by the French financial markets authority;
- to implement any savings plan in accordance with Articles L. 3332-1 *et seq.* of the French Employment Code or any allocation of bonus shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code, or any other share-based compensation scheme;
- to deliver these shares when the rights attached to negotiable securities conferring a right to shares are exercised by reimbursement, conversion, exchange, the presentation of a warrant or debt security convertible or exchangeable into shares of the Company, or by any other means that confers a right to shares of the Company;
- to keep them with a view to subsequently using them as payment or exchange in connection with, or following, any external growth transaction;
- to cancel all or part of them in order to optimize net earnings per share in connection with a share capital reduction in the manner specified by law;
- to conduct any further market practice authorized by the French financial markets authority and generally to carry out any transaction compliant with applicable regulations.

These shares may be acquired, sold, transferred, or exchanged in any manner, including on the market or over the counter, and through block trades. These means include the use of any derivative financial instrument traded on a regulated market or over the counter and the implementation of options strategies in the manner authorized by the competent market authorities, provided that such means do not contribute to a significant increase in share volatility. The shares may also be loaned, pursuant to Articles L. 211-22 *et seq.* of the French monetary and financial code.

The purchase price of the shares shall not exceed Euro 17 (seventeen) (excluding purchase costs) per share with a par value of Euro 1 (one).

This authorization may be implemented within the limit of a number of shares representing 10% of the Company's share capital on the date of this Annual General Meeting, *i.e.* for information, 8,859,143 shares on the basis of the capital at January 31, 2020, net of 345,773 treasury shares, for a maximum sum of Euro 150.6 million, on the understanding that when the Company's shares are purchased under a liquidity agreement, the number of these shares taken into account to calculate the 10% threshold specified above, will correspond to the number of those purchased shares, after deducting the number of shares resold under the liquidity contract during the authorization period. However, the number of shares purchased by the Company to be held and subsequently used as payment or exchange in connection with an external growth transaction may not exceed 5% of the share capital. Purchases made by the Company may not, under any circumstances, result in the Company holding, at any time whatsoever, more than 10% of the shares comprising its share capital.

The authorization granted to the Board of Directors is given for a period of eighteen months. It terminates and replaces the authorization previously granted by the 24th resolution of the Annual General Meeting of April 25, 2019.

In the event of a public tender offer relating to the shares or securities issued by the Company, the Company may only use this authorization to meet its commitments regarding the delivery of securities, particularly in the context of bonus share award plans or strategic transactions undertaken and announced before the launch of the public tender offer.

Consequently, full powers are granted to the Board of Directors, which may be delegated, in order to implement this authorization, to place any stock market orders and enter into any agreements in order, particularly, to keep records of the buying and selling of shares, to allocate or reallocate the shares acquired for the various purposes in question, in the applicable legal and regulatory manner, to make any declarations to the French financial markets authority and carry out any other formalities, and, in general, to take all necessary measures.

8.1.3 Resolutions presented to the Extraordinary General Meeting

Resolution 17 - Statutory amendment concerning the identification of the shareholding structure and declarations of threshold crossing

PRESENTATION

In the 17th resolution, the Annual General Meeting is asked, in order to bring the Articles of association into line with the new legal provisions, to fully replicate the legal disclosure requirements with respect to the crossing of thresholds and, as such, to include shares assimilated to owned shares and the voting rights attached thereto, to amend article 11 of the Articles of association as follows:

Former version	New version
Article 11 - Identification of the shareholding structure – Threshold crossing I. Subject to the regulatory conditions, the Company may request at any time, from the central financial instruments depository, the name or, in the case of a legal person, the company name, nationality and address of the holders of bearer shares conferring immediate or future voting rights at General Meetings, the number of shares held by each of them and any restrictions that apply to such shares, *and the date of birth or, in the case of a legal person, the year of incorporation of same.* *On the basis of the list provided, the Company may also ask, either via the central depository or directly, subject to the same conditions, persons on the list whom it believes to be holding shares on behalf of third parties, whether the shares are held for themselves or for third parties and, in such case, to provide information to enable the Company to identify the aforementioned third party or parties. If the identity of the owner(s) of the securities is not revealed, the votes or proxies issued by the intermediary registered in the account will not be taken into consideration.* (...)	*Article 11 - Identification of the shareholding structure – Threshold crossing* I. Subject to *legal and* regulatory conditions, the Company *or its agent* may request at any time, from the central financial instruments depository, *either directly from one or more intermediaries mentioned in Article L. 211-3 of the French monetary and financial code*, the name or, in the case of a legal person, the company name, nationality*, year of birth or, in the case of a legal person, the year of incorporation*, *postal* address *and, where applicable, email address* of the holders of bearer shares conferring immediate or future voting rights at General Meetings, the number of shares held by each of them and any restrictions that apply to such shares, *and any other information stipulated by the applicable legal and regulatory provisions.* *Following a request referred to in the first paragraph above, when a custodian identifies, in the list that he/she is responsible for drawing up, an intermediary as mentioned in paragraph seven of Article L. 228-1 of the French Commercial Code registered on behalf of one or more third-party owners, he/she transmits this request to him, unless the Company or its agent expressly asks for this not to happen at the time of the request. The questioned registered intermediary is required to transmit the information to the custodian, who is responsible for communicating it on the latter's behalf, as the case may be, to the Company or its agent or to the central depository.* If the identity of the owner(s) of the securities is not revealed, the votes or proxies issued by the intermediary registered in the account will not be taken into consideration. (...)
II. In addition to the statutory obligation to inform the Company when certain percentages of share capital and attached voting rights are reached, any individual or legal entity (including any intermediary holding shares belonging to persons domiciled outside France), either alone or in concert with other individuals or legal entities, who comes to hold or ceases to hold 1% of the capital or voting rights or any multiple thereof, by any means, shall disclose to the Company, within 5 trading days of the crossing of either of these thresholds, by registered letter with acknowledgment of receipt, *the number of shares and voting rights that it holds directly, as well as the number of other shares or voting rights deemed to be shares or voting rights held by this person as described in Article L. 233-9 of the French commercial code.* *This shareholder shall, in the same way, inform the Company of the number of shares it holds that give future access to the share capital, as well as the number of voting rights associated with them.* (...).	II. In addition to the statutory obligation to inform the Company when certain percentages of share capital and attached voting rights are reached, any individual or legal entity (including any intermediary holding shares belonging to persons domiciled outside France), either alone or in concert with other individuals or legal entities, who comes to hold or ceases to hold 1% of the capital or voting rights or any multiple thereof, by any means, shall disclose to the Company, within *five (5)* trading days of the crossing of either of these thresholds, by registered letter with acknowledgment of receipt, *the number of shares and voting rights that it holds.* *In order to determine these thresholds, consideration is made of shares assimilated to owned shares and the voting rights attached thereto pursuant to the provisions of Articles L.233-7 and L.233-9 of the French commercial code.* *In each declaration referred to above, the person making said declaration must certify that the declaration covers all of the securities held or possessed as defined by the previous paragraph. The following must also be specified: the shareholders' identity as well as that of the natural persons or legal entities acting together with said shareholder, the number of shares or voting rights he holds directly or indirectly, alone or with other parties, the date and the source of the threshold crossing, and, when applicable, the information referred to in the third paragraph of Article L.233-7 of the French commercial code.* (...).

SEVENTEENTH RESOLUTION

Statutory amendment relating to the identification of the shareholding structure and declarations of threshold crossing

The Extraordinary General Meeting, after reviewing the Board of Directors' report, resolves to amend the text of article 11 of the Articles of association which shall now read as follows:

"**Article 11: Identification of the shareholding structure – Threshold crossing**

I. Subject to legal and regulatory conditions, the Company or its agent may request at any time, from the central financial instruments depository, either directly from one or more intermediaries mentioned in Article L. 211-3 of the French monetary and financial code, the name or, in the case of a legal person, the company name, nationality, year of birth or, in the case of a legal person, the year of incorporation, postal address and, where applicable, email address of the holders of bearer shares conferring immediate or future voting rights at General Meetings, the number of shares held by each of them and any restrictions that apply to such shares, and any other information stipulated by the applicable legal and regulatory provisions.

Following a request referred to in the first paragraph above, when a custodian identifies, in the list that he/she is responsible for drawing up, an intermediary as mentioned in paragraph seven of Article L. 228-1 of the French Commercial Code registered on behalf of one or more third-party owners, he/she transmits this request to him, unless the company or its agent expressly asks for this not to happen at the time of the request. The questioned registered intermediary is required to transmit the information to the custodian, who is responsible for communicating it on the latter's behalf, as the case may be, to the Company or its agent or to the central depository. If the identity of the owner(s) of the securities is not revealed, the votes or proxies issued by the intermediary registered in the account will not be taken into consideration.

Lastly, the Company may ask any legal person holding more than 2.5% of the share capital and voting rights to disclose the identity of persons holding, either directly or indirectly, more than one-third of the legal person's share capital or voting rights exercised at its Annual General Meetings.

In the event of the failure of shareholders or financial intermediaries to comply with these disclosure requirements, in accordance with conditions stipulated by law, voting rights and rights to the payment of dividends attached to shares or securities giving immediate or future access to share capital may be suspended or cancelled.

II. In addition to the statutory obligation to inform the Company when certain percentages of share capital and associated voting rights are reached, any individual or legal entity (including any intermediary holding shares belonging to persons domiciled outside France), either alone or in concert with other individuals or legal entities, who comes to hold or ceases to hold 1% of the capital or voting rights or any multiple thereof, by any means, shall disclose to the Company, within five (5) trading days of the crossing of either of these thresholds, by registered letter with acknowledgment of receipt, the number of shares and voting rights that it holds.

In order to determine these thresholds, consideration is made of shares assimilated to owned shares and the voting rights attached thereto pursuant to the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code.

In each declaration referred to above, the person making said declaration must certify that the declaration covers all of the securities held or possessed as defined by the previous paragraph. The following must also be specified: the shareholders' identity as well as that of the natural persons or legal entities acting together with said shareholder, the number of shares or voting rights he holds directly or indirectly, alone or with other parties, the date and the source of the threshold crossing, and, when applicable, the information referred to in the third paragraph of Article L. 233-7 of the French Commercial Code.

These disclosure obligations do not apply to shareholders holding more than 50% of the voting rights, either alone or in concert.

If such shareholdings are not disclosed, the voting rights associated with the shares that exceed the disclosure threshold shall be suspended at Annual General Meetings if, during such a Meeting, the failure to disclose is established, and if one or more shareholders jointly holding at least 5% of the share capital or voting rights request it. Similarly, voting rights that have not been properly disclosed may not be exercised.

The voting rights will be suspended at all Annual General Meetings held for a period of two (2) years following the date on which the failure to disclose to the Company is rectified."

Resolution 18 - Statutory amendment relating to the Board of Directors' decision-making methods

PRESENTATION

Under the 18th resolution you are asked, pursuant to article L. 225-37 of the French Commercial Code in its new wording that the decisions falling within the remit of the Board of Directors may be made by means of consulting the directors in writing and, in consequence, amend article 18 of the Articles of association (i) by inserting a new paragraph III and (ii) amending the first paragraph of the former paragraph III (henceforth paragraph IV) as follows:

III. The Board of Directors has the right to make written decisions in accordance with the conditions specified in Article L. 225-37 of The French Commercial Code.

At his own initiative, the Chairman of the Board of Directors may adopt, by means of consulting the directors in writing, the decisions falling within his own remit, such as:

- the temporary appointment of Board members in the event of vacancies;

- the authorization of the sureties, endorsements and guarantees granted by the Company;

- the bringing into compliance of the Articles of association with the statutory and regulatory provisions taken on the delegation of the Extraordinary General Meeting;

- convening the Annual General Meeting;

- the transfer of the Company's head office within the same department;

and, more generally, all decisions falling within the remit of the Board of Directors as expressly laid down in law or in the applicable regulations.

In this event, the Chairman shall send each director the text of the proposed resolutions as well as documents providing directors with the necessary information. Directors shall vote within the time period indicated in the consultation procedure. Such time period shall not be less than two (2) working days from receipt of the consultation documents. Any director who has not sent his or her response to the consultation to the Chairman of the Board of Directors within the applicable period shall be deemed not to have participated in the decision.

During this time period, directors may send written questions to the Chairman of the Board of Directors.

At the initiative of the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officer, the Statutory Auditors or other persons having specific competence with regards to the items included on the agenda may participate in this consultation.

The decision shall only be adopted if at least half of the directors have participated in the written consultation, and the majority of the members participating in this consultation.

In the event of a tie, the Chairman of the meeting shall have the casting vote.

IV. The content of the meetings shall be recorded in minutes signed by the Chairman of the meeting and at least one Director. Written consultations shall be recorded in minutes signed by the Chairman and must contain material evidence of the reply of each Director in an appendix.

(...)

EIGHTEENTH RESOLUTION

Statutory amendment relating to the Board of Directors' decision-making methods

The Extraordinary General Meeting, after reviewing the Board of Directors' report, resolves to amend the text of article 18 of the Articles of association, which shall now read as follows:

"Article 18 – Deliberations of the Board of Directors

I. The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the meeting notice.

Meeting notices are issued by the Chairman or in his/her name by any designated person. If the Board of Directors has not met for more than two months, one-third of directors in office may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer may also ask the Chairman to call a Board meeting to consider a predetermined agenda.

A director may grant a power of attorney to another director to represent him or her in a Board meeting. The Board of Directors is the sole judge of the validity of the power of attorney, which may be granted by any written means that unambiguously attests to the will of the principal. Each director may only represent one other director.

II. The presence of at least half of the serving Directors is required to constitute a quorum for decision-making. There is an attendance register which is signed by the directors participating in the meeting and which records the name of the directors deemed present as defined in Article L. 225-37 of the French Commercial Code.

Decisions are made by a majority of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote. However, if the Board consists of fewer than five (5) members, decisions may be made if unanimously approved by at least two (2) Directors present.

Directors may participate in discussions by videoconference or other telecommunications means in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

III. The Board of Directors has the right to make written decisions in accordance with the conditions specified in Article L. 225-37 of The French Commercial Code

At his own initiative, the Chairman of the Board of Directors may adopt, by means of consulting the directors in writing, the decisions falling within his own remit, such as:

- the temporary appointment of Board members in the event of vacancies;

- the authorization of the sureties, endorsements and guarantees granted by the Company;

- the bringing into compliance of the Articles of association with the statutory and regulatory provisions taken on the delegation of the Extraordinary General Meeting;

- convening the Annual General Meeting;

- the transfer of the Company's head office within the same department;

and, more generally, all decisions falling within the remit of the Board of Directors as expressly laid down in law or in the applicable regulations.

In this event, the Chairman shall send each director the text of the proposed resolutions as well as documents providing directors with the necessary information. Directors shall vote within the time period indicated in the consultation procedure. Such time period shall not be less than two (2) working days from receipt of the consultation documents. Any director who has not sent his or her response to the consultation to the Chairman of the Board of Directors within the applicable period shall be deemed not to have participated in the decision.

During this time period, directors may send written questions to the Chairman of the Board of Directors.

At the initiative of the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officer, the Statutory Auditors or other persons having specific competence with regards to the items included on the agenda may participate in this consultation.

The decision shall only be adopted if at least half of the directors have participated in the written consultation, and the majority of the members participating in this consultation.

In the event of a tie, the Chairman of the meeting shall have the casting vote.

IV. The content of Board of Directors' meetings shall be recorded in minutes signed by the Chairman of the meeting and at least one director. The content of the meetings shall be recorded in minutes signed by the Chairman of the meeting and at least one Director. Written consultations shall be recorded in minutes signed by the Chairman and must contain material evidence of the reply of each Director in an appendix.

To be valid, copies of, or excerpts from, minutes must be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officer, a director to whom the duties of Chairman have been temporarily delegated or the recipient of a power of attorney to that effect.

The justification of the numbers of directors in office, their presence or representation, the capacity of director and permanent representative of a legal entity acting as a director, Chairman or Vice-Chairman of the Board of Directors in office, Chief Executive Officer, Deputy Chief Executive Officer or director temporarily delegated as Chairman as well as the powers granted by the directors represented, shall result, vis à vis third parties, from the statements recorded in the minutes and copies or excerpts of them which are issued."

Resolution 19 - Statutory amendment concerning Directors' compensation

PRESENTATION

Under the 19th resolution, following the modification of Article L. 225-45 of the French Commercial Code, you are asked, in order to replace the term "directors' fees" by the term "compensation," to amend paragraphs I and II of Article 22 and paragraph I of Article 29 of the Articles of association as follows:

Former versions	New versions
Article 22 - Compensation of Board members and Senior Management I – *The Board of Directors may receive, in the form of Directors' fees, total* annual compensation the overall amount of which is determined by shareholders at their Annual General Meeting and maintained until a new decision of another General Meeting. *The Board of Directors distributes these Director's Fees between its members as it sees fit*; it may also award a greater share to Directors who are members of the Committees pursuant to article 19.III. II. (...) Directors, be they natural persons or legal entities serving as such, shall not receive any compensation, permanent or otherwise, other than *the Directors' fees*, the exceptional compensation for the missions and mandates as members of Committees entrusted to them by the Board as well as the compensation which is awarded to them, when applicable, in respect of their role as Chairman, Chief Executive Officer and Deputy Chief Executive Officer and, lastly, the salaries paid to them in respect of their employment contract. (...) Article 29 - Ordinary General Meeting I. The Ordinary General Meeting is held annually: (...) *- decides on the allocation of Directors' fees to the Board of Directors and fixes the amount thereof;* (...)	*Article 22 - Compensation of Board members and Senior Management* I – *The Board of Directors may receive annual compensation* the overall amount of which is determined by shareholders at their Annual General Meeting and maintained until a new decision of another General Meeting. *The Board of Directors distributes this compensation between its members as it sees fit;* it may also award a greater share to Directors who are members of the Committees pursuant to article 19.III. II. (...) Directors, be they natural persons or legal entities serving as such, shall not receive any compensation, permanent or otherwise, other than *the compensation related to the activity of Directors*, the exceptional compensation for the missions and mandates such as members of Committees entrusted to them by the Board as well as the compensation which is awarded to them, when applicable, in respect of their role as Chairman, Chief Executive Officer and Deputy Chief Executive Officer and, lastly, the salaries paid to them in respect of their employment contract. III. (...) Article 29 - Ordinary General Meeting I. "The Ordinary General Meeting is held annually: (...) *- decides on the allocation of a fixed annual sum to Directors as compensation for their duties and fixes the amount thereof*; (...)

NINETEENTH RESOLUTION

Statutory amendment relating to Directors' compensation

The Extraordinary General Meeting, after reviewing the Board of Directors' report, resolves to amend the text of Article 22 and the text of paragraph I of article 29 of the Articles of association which shall now read as follows:

"**Article 22 - Compensation of Board members and Senior Management**

I. The Board of Directors may receive annual compensation the overall amount of which is determined by shareholders at their Annual General Meeting and maintained until a new decision of another General Meeting.

The Board of Directors distributes this compensation between its members as it sees fit; it may also award a greater share to Directors who are members of the Committees pursuant to article 19.III.

II. The Board of Directors determines the fixed or proportional compensation or both fixed and proportional compensation to be awarded to the Chairman or Vice-Chairmen, the Chief Executive Officer and, with the agreement of the Chief Executive Officer, to the Deputy Chief Executive Officers.

The Board of Directors also sets the compensation of the Director to whom the duties of the Chairman have been delegated on a temporary basis as well as, in accordance with the conditions specified by the French Commercial Code, the exceptional compensation for the missions and roles entrusted to directors.

Directors, be they natural persons or legal entities serving as such, shall not receive any compensation, permanent or otherwise, other than the compensation related to the activity of directors, the exceptional compensation for the missions and mandates such as members of Committees entrusted to them by the Board as well as the compensation which is awarded to them, when applicable, in respect of their role as Chairman, Chief Executive Officer and Deputy Chief Executive Officer and, lastly, the salaries paid to them in respect of their employment contract.

III. Compensation, be it fixed or proportional, or both fixed and proportional, may be awarded by the Board of Directors to all non-Directors entrusted with positions, delegations or roles of any nature and, in particular, the members of Committees."

"Article 29 - Ordinary General Meeting

I. The Ordinary General Meeting held annually:

- approves, amends or rejects the full-year annual financial statements and the consolidated financial statements and determines the appropriation of profits in accordance with Article 33 and may decide, subject to the conditions stipulated by law, to grant each shareholder, in respect of all or part of the dividend or interim dividend paid, the option to receive payment in cash or in shares;

- deliberates on the related-party agreements covered by Article L. 225-38 of the French Commercial Code;

- appoints Directors, ratifies or rejects the appointments made provisionally by the Board, may dismiss the Directors for causes at its sole discretion;

- decides on the allocation of a fixed annual sum to Directors as compensation for their duties and fixes the amount thereof;

- appoints the Statutory Auditors;

- ratifies any decision by the Board of Directors to transfer the registered office within the same region of France or to a neighboring region; and

- more generally, the Annual General Meeting deliberates on all matters that do not fall within the scope of the Extraordinary General Meeting.

(...)"

Resolution 20 - statutory amendment relating to the method for calculating the majority at Annual General Meetings

PRESENTATION

Under the 20th resolution, following the amendment of Articles L. 223-96, L. 225-98 and L. 225-107 of the French Commercial Code, you are asked to amend paragraph III of Article 29 and paragraph II of Article 30 of the Articles of association as follows:

Former versions	New versions
Article 29 - Ordinary General Meetings (...) III. (...) *A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Ordinary General Meeting.*	*Article 29 - Ordinary General Meetings* (...) III. (...) *A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Ordinary General Meeting. The votes cast do not include those attached to the shares for which the shareholder has not participated in the vote, has abstained, has returned an empty or void voting form or whose form gives no voting indication.*
Article 30 - Extraordinary General Meetings (...) II. (...) *At an Extraordinary General Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required.* (...)	*Article 30 - Extraordinary General Meetings* (...) II. (...) *At an Extraordinary General Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required. The votes cast do not include those attached to the shares for which the shareholder has not participated in the vote, has abstained, has returned an empty or void voting form or whose form gives no voting indication.* (...)

TWENTIETH RESOLUTION

Statutory amendment relating to the method for calculating the majority at Annual General Meetings

The Extraordinary General Meeting, after reviewing the Board of Directors' report, resolves to amend the text of paragraph III of Article 29 and paragraph II of Article 30 of the Articles of association which shall now read as follows:

"**Article 29 - Ordinary General Meetings**

(...)

III. Ordinary General Meetings are held regularly and may deliberate validly when the shareholders present in person, represented by proxy or voting by post hold at least one-fifth of shares with voting rights.

If the requisite quorum is not obtained, a second Meeting is held which may deliberate validly irrespective of the fraction of the share capital represented, but which may only vote on items on the agenda for the first meeting.

A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Ordinary General Meeting. The votes cast do not include those attached to the shares for which the shareholder has not participated in the vote, has abstained, has returned an empty or void voting form or whose form gives no voting indication."

"Article 30 - Extraordinary General Meetings

(...)

II. Extraordinary General Meetings are held regularly and may deliberate validly when the shareholders present in person, represented by proxy or voting by post hold at least one-quarter of voting shares at the first meeting and one-fifth of voting shares at any second meeting. If this quorum is not obtained, the second meeting may be adjourned to a date no more than two months after the date it was called.

At an Extraordinary General Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required. The votes cast do not include those attached to the shares for which the shareholder has not participated in the vote, has abstained, has returned an empty or void voting form or whose form gives no voting indication.

The Extraordinary General Meetings convened to decide on or authorize an increase in capital exclusively through the incorporation reserves, profits or share premiums, deliberate in accordance with the quorum and majority conditions fixed by Article 29."

Resolution 21 - powers for formalities

PRESENTATION

The 21st resolution is a standard resolution that permits legal publication and formalities to be carried out.

TWENTY-FIRST RESOLUTION

Powers for completion of formalities

The Annual General Meeting grants full powers to any bearer of an original version, a copy or an extract of the minutes of this General Meeting to perform the filing, disclosure or other formal requirements prescribed by law.

APPENDIX 1: INFORMATION ON THE COMPENSATION COMPONENTS PAID DURING THE 2019 FISCAL YEAR OR AWARDED IN RESPECT OF THIS SAME FISCAL YEAR TO THE CHAIRMAN OF THE BOARD OF DIRECTORS, MR. ÉRIC LE GENTIL

Compensation components put to the vote	Amounts paid during fiscal year 2019	Amounts awarded in respect of fiscal year 2019 or accounting valuation	Presentation
Fixed compensation	**Euro 302,762**	**Euro 225,000**	Up until February 12, 2019, Mr. Éric Le Gentil received his compensation as Chairman and Chief Executive Officer, and from February 13, 2019 his compensation as Chairman of the Board of Directors (see Chapter 4, § 4.2.2.2, B, 2, p. 253).
Annual variable compensation	**Euro 504,630**	**Not applicable**	All the components relating to Mr. Éric Le Gentil's 2019 compensation are presented in Chapter 4, § 4.2.2.2, B, 2 and 3, p 253 and 254. Since his appointment as Chairman of the Board of Directors, on February 13, 2019, he no longer receives annual variable compensation, in accordance with the 2019 compensation policy (see chapter 4, § 4.2.2.2, A, p 252).
Multi-annual variable compensation	**Euro 70,313**	**Not applicable**	Mr. Éric Le Gentil was the beneficiary of a long-term variable compensation plan, set up by the Board of Directors on March 11, 2016, after consulting the Appointments and Compensation Committee. This long-term variable compensation subject to performance conditions was paid in 2019 at the end of a three-year period. In this respect, Mr. Éric Le Gentil received the sum of Euro 70,313 during the previous fiscal year. Mr. Éric Le Gentil has reinvested over 50% of this compensation in Mercialys shares, 3,000 shares (Euro 38,870), an amount exceeding the obligation set during the Board meeting of March 11, 2016. He is required to hold the number of shares corresponding to the different reinvestment obligations throughout the term of his directorship. This was the most recent case of a multi-annual variable compensation arrangement within the Company.
Exceptional compensation	**Euro 112,500**	**Not applicable**	Mr. Éric Le Gentil received exceptional compensation in the amount of Euro 112,500, all of which is borne by Casino, Guichard-Perrachon, as part of the sale by Casino of all or part of its stake in Mercialys, since this was a very specific process for the Company which required a high level of involvement on the part of the Chairman and Chief Executive Officer during the 2018 fiscal year. Detailed information concerning this exceptional compensation paid in 2019 is presented in chapter 4, § 4.2.2.2, B, 5.
Stock purchase or subscription options, performance shares or any other long-term advantages	**Euro 0**	**Not applicable**	No award was made in the previous fiscal year.
Compensation allocated on account of the directorship	**Euro 50,000**	**Euro 40,000**	Mr. Éric Le Gentil receives compensation due to his position as a director. The gross amount of compensation linked to his directorship has been set at a gross amount of Euro 15,000 per year, comprising a fixed component of Euro 5,000 a year and a variable component of Euro 10,000 a year awarded on the basis of attendance at Board meetings. Furthermore, Mr. Éric Le Gentil received a further amount of Euro 2,411 corresponding to the *pro rata* amount of the additional annual compensation of Euro 20,000 in his capacity as Chairman and Chief Executive Officer, a position he held up to February 12, 2019. Mr. Éric Le Gentil is also a member of the Investment Committee and the Appointments and Compensation Committee. As such, like the other members of these Committees, he receives an additional compensation comprising a fixed component, totaling the gross amount of Euro 8,000 a year in 2019, and a variable component totaling the gross amount of Euro 15,800 a year. Detailed information relating to compensation on account of the directorship is presented in Chapter 4, § 4.2.1.1 and § 4.2.1.2, p. 243 *et seq*.

Compensation components put to the vote	Amounts paid during fiscal year 2019	Amounts awarded in respect of fiscal year 2019 or accounting valuation	Presentation
Benefits of all kinds	**Euro 14,823**	**Not applicable**	As Chairman and Chief Executive Officer, Mr. Éric Le Gentil was a member, until February 12, 2019, of the Company's insurance plan for all employees and benefited from the social security regime for company managers. The contribution paid in respect of 2019 is an annual contribution paid at the beginning of the year. Benefits of all kinds are described in chapter 4, § 4.2.2.2, B, 2, p. 253.
Severance pay	**Not applicable**	**Not applicable**	The Company is not bound by an obligation to pay a severance allowance to the Chairman of the Board of Directors for the termination of his duties.
Supplementary pension	**Not applicable**	**Not applicable**	The Chairman of the Board of Directors does not benefit from any additional pension plan. He was a member of the mandatory group supplementary pension plan (ARRCO and AGIRC) and the pension plan in force within the Company for all employees. He also benefited from the social security regime for company managers until February 12, 2019.

APPENDIX 2: INFORMATION ON THE COMPENSATION COMPONENTS PAID DURING THE 2019 FISCAL YEAR OR AWARDED IN RESPECT OF THIS SAME FISCAL YEAR TO THE CHIEF EXECUTIVE OFFICER, MR. VINCENT RAVAT

Compensation components put to the vote	Amounts paid during fiscal year 2019	Amounts awarded in respect of fiscal year 2019 or accounting valuation	Presentation
Fixed compensation	**Euro 316,439**	**Euro 360,000**	Mr. Vincent Ravat was appointed Chief Executive Officer on February 13, 2019. Up to February 12, 2019 he received his compensation as Deputy Chief Executive Officer and his compensation as Chief Executive Officer with effect from February 13, 2019. All details are presented in chapter 4, § 4.2.2.4, p. 256.
Annual variable compensation	**Euro 124,960**	**Euro 412,650**	At the Annual General Meeting of April 25, 2019, the shareholders approved the method for determining and awarding the variable compensation for the Chief Executive Officer (13th Resolution). The amount of the variable portion, expressed as a percentage, breaks down as follows: **Quantitative objectives Mercialys** (80% of the total variable compensation) • For FFO growth: 35.0% achieved representing Euro 126,000; • For organic growth excluding indexation: 14.7% achieved representing Euro 52,900; • For the EBITDA margin: 21.0% achieved representing Euro 75,600; • Reduction in emissions (scopes 1 and 2: energy consumption and refrigerant leaks) as part of the 2030 carbon strategy (-47% between 2017 and 2030): 14.0% achieved representing Euro 50,400; • For the footfall spread at Mercialys centers compared to total CNCC market: 6.2% achieved representing Euro 22,200; • Buyback and partial refinancing of the 2023 bond issue to extend the duration (without any impact on the carrying cost): 0.0% achieved representing Euro 0.0, **Managerial objectives** (20% of the total variable compensation) • 23.8% achieved representing Euro 85,700. The Board of Directors deemed that Mr. Vincent Ravat, while supporting the Company's economic model by extremely demanding operating standards and strong financial discipline, was able to redirect the strategy to incorporate new development focuses and thus prepare the company to seize future growth opportunities. The annual variable compensation may represent 70% of the fixed annual compensation if the defined objectives are achieved, and may equal up to 140% of fixed annual compensation if these objectives are exceeded. Full details relating to variable compensation are presented in chapter 4, § 4.2.2.4, B, 3, p. 259.
Multi-annual variable compensation	**Not applicable**	**Not applicable**	Mr. Vincent Ravat does not receive multi-annual variable compensation.
Exceptional compensation	**Euro 108,340**	**Not applicable**	Mr. Vincent Ravat received exceptional compensation in the amount of Euro 75,000, all of which is borne by Casino, Guichard-Perrachon, as part of the sale by Casino of all or part of its stake in Mercialys, since this was a very specific process for the Company which required a high level of involvement on the part of Mr. Vincent Ravat in his capacity as Deputy Chief Executive Officer during the 2018 fiscal year. Mr. Vincent Ravat also received exceptional compensation of Euro 33,340 in application of a decision of the Board of Directors on February 14, 2017 for the implementation of the Toulouse Fenouillet project. Detailed information relating to this exceptional compensation paid in 2019 is presented in chapter 4, § 4.2.2.4, B, 4.

Compensation components put to the vote	Amounts paid during fiscal year 2019	Amounts awarded in respect of fiscal year 2019 or accounting valuation	Presentation
Stock purchase or subscription options, performance shares or any other long-term advantages	**Not applicable**	**21,339 bonus shares allocated valued at Euro 140,197**	Pursuant to the authorization granted by the Extraordinary General Meeting of April 25, 2019 (35th Resolution), the Board of Directors' meeting of April 25, 2019 decided to allocate 21,339 shares to Mr. Vincent Ravat, which may be increased to 31,994 shares if the performance criteria are exceeded. Bonus shares become vested (April 25, 2022) only if the beneficiary (in its capacity as corporate officer) is still present at the Company on the vesting date, and subject to fulfillment of three performance criteria: The details relating to the bonus shares awarded in fiscal year 2019 are described in chapter 4, § 4.2.2.4, B, 5, p 260.
Benefits of all kinds	**Euro 12,317**	**Euro 12,317**	The Chief Executive Officer is a member of the insurance plan in force within the Company for all employees and benefits from the social security regime for company managers. He also has a company car. Benefits of all kinds are described in chapter 4, § 4.2.2.4, B, 2, p. 258.
Severance pay	**Not applicable**	**Not applicable**	No commitment to pay a severance allowance to the Chief Executive Officer for the termination of his duties.
Supplementary pension	**Not applicable**	**Not applicable**	The Chief Executive Officer does not benefit from any additional pension plan. He is a member of the mandatory group supplementary pension plan (ARRCO and AGIRC) and the pension plan in force within the Company for all employees. He also benefits from senior executive unemployment insurance.

APPENDIX 3: INFORMATION ON THE COMPENSATION COMPONENTS PAID DURING THE 2019 FISCAL YEAR OR AWARDED IN RESPECT OF THIS SAME FISCAL YEAR TO THE DEPUTY CHIEF EXECUTIVE OFFICER, MS. ÉLIZABETH BLAISE

Compensation components put to the vote	Amounts paid during fiscal year 2019	Amounts awarded in respect of fiscal year 2019 or accounting valuation	Presentation
Fixed compensation	**Euro 226,713** (of which Euro 100,434 as Deputy Chief Executive Officer and Euro 126,279 in respect of her employment contract)	**Euro 230,000** (of which Euro 115,000 as Deputy Chief Executive Officer and Euro 115,000 in respect of her employment contract)	Ms. Élizabeth Blaise was appointed Deputy Chief Executive Officer on February 13, 2019. Up until February 12, 2019, she received her compensation as a Company employee for her position as Chief Financial Officer and from February 13, 2019, she received half her compensation for her role as Deputy Chief Executive Officer and half as an employee of the Company. All details are specified in chapter 4, § 4.2.2.6, p. 263.
Annual variable compensation	**Euro 117,325** (of which Euro 0 as Deputy Chief Executive Officer and Euro 117,325 in respect of her employment contract)	**Euro 145,728** (of which Euro 72,864 as Deputy Chief Executive Officer and Euro 72,864 in respect of her employment contract)	At the Annual General Meeting of April 25, 2019, the shareholders approved the method for determining and awarding the variable compensation due to the Deputy Chief Executive Officer in respect of the 2019 fiscal year (14th resolution). The amount of the variable portion, expressed as a percentage, breaks down as follows: **Quantitative objectives Mercialys** (80% of the total variable compensation) • For FFO growth: 12.0% achieved representing Euro 13,800; • For organic growth excluding indexation: 5.6% achieved representing Euro 6,400; • For the EBITDA margin: 12.0% achieved representing Euro 13,800; • For the reduction in emissions (scope 1 and 2: energy consumption and refrigerant leaks), as part of the 2030 carbon strategy (-47% between 2017 and 2030): 8% achieved representing Euro 9,200; • For disposals of assets undertaken in 2019: 5.8% achieved representing Euro 6,600; • For the increase in debt-hedging to the maximum budget (Euro 500,000): 8% achieved representing Euro 9,200; • Buyback and partial refinancing of the 2023 bond issue to extend the duration (without any impact on the carrying cost): 0.0% achieved representing Euro 0.0. **Managerial objectives** (20% of the total variable compensation) • 12.0% achieved representing Euro 13,800. The Board of Directors deemed that Ms. Élizabeth Blaise obtained tangible results in the implementation of control procedures, strict management of risks and the re-internalization of support functions, a momentum which should continue in 2020. The annual variable compensation may represent 40% of the fixed annual compensation if the defined objectives are achieved, and may reach up to 80% of fixed annual compensation if these objectives are exceeded. As with fixed compensation, half of her annual variable compensation is paid for her role as Deputy Chief Executive Officer and half in respect of her employment contract. Full details relating to the variable compensation are presented in Chapter 4 § 4.2.2.6, B, 3, p. 267.
Multi-annual variable compensation	**Not applicable**	**Not applicable**	Ms. Élizabeth Blaise does not receive multi-annual variable compensation.
Exceptional compensation	**€48,500** (of which Euro 0 as Deputy Chief Executive Officer and Euro 48,500 in respect of her employment contract)	**Not applicable**	The exceptional compensation paid to Ms. Élizabeth Blaise in 2019 as Chief Financial Officer is described in chapter 4, § 4.2.2.6, B, 4, p. 267.

Compensation components put to the vote	Amounts paid during fiscal year 2019	Amounts awarded in respect of fiscal year 2019 or accounting valuation	Presentation
Stock purchase or subscription options, performance shares or any other long-term advantages	**Not applicable**	**9,085 bonus shares allocated valued at Euro 59,688**	Pursuant to the authorization granted by the Extraordinary General Meeting of April 25, 2019 (35th Resolution), the Board of Directors' meeting of April 25, 2019 decided to allocate 9,085 shares to Ms. Élizabeth Blaise, which may be increased to 13,627 shares if the performance criteria are exceeded. Bonus shares become vested (April 25, 2022) only if the beneficiary (in their capacity as corporate officer and/or employee) is still present at the Company on the vesting date, and subject to fulfillment of three performance criteria. Details relating to the bonus shares awarded in fiscal year 2019 are described in chapter 4, § 4.2.2.6, B, 5, p. 267.
Benefits of all kinds	**Not applicable**	**Not applicable**	When Ms. Élizabeth Blaise was appointed by the Board of Directors on February 13, 2019, it was agreed that an executive unemployment insurance policy for her benefit was taken out, relating to the compensation received as Deputy Chief Executive Officer. For reasons beyond the control of Mercialys, this insurance was not taken out within the agreed deadlines. Consequently, the Company confirms that starting in February 2020, it has paid the subscription and expenses for the senior executive unemployment insurance policy taken out with GSC, for an initial period of 12 months. This insurance policy gives rise to a benefit in kind which will cover social security expenses and contributions. It should be noted that if the insurance had been taken out within the agreed deadlines, the 12-month deductible period starting from the date on which the required insurance cover was taken out would have ended on February 12, 2020. Under these conditions and taking into account the foregoing, it is specified that in the event her term of office is revoked by February 28, 2021, the Company undertakes to pay Ms. Élizabeth Blaise an amount, net of social security contributions and income tax, equivalent to the sum that would have been paid to her, net of social security contributions and income tax, by GSC and for a maximum period of 12 months. No deductible period will be applied to the termination of the office for the payment of the indemnity. Benefits of all kinds are described in chapter 4 § 4.2.2.6, B, 2, p. 266.
Severance pay	**Not applicable**	**Not applicable**	No commitment to pay a severance allowance to the Deputy Chief Executive Officer for the termination of her duties.
Supplementary pension	**Not applicable**	**Not applicable**	The Deputy Chief Executive Officer does not benefit from any additional pension plan. She is a member of the mandatory group supplementary pension plan (ARRCO and AGIRC) and the pension plan in force within the Company for all employees. For information regarding senior executive unemployment insurance, refer to the paragraph "Benefits of all kinds" above.

53
Shopping centers and high-street retail assets

843,848 sq.m
Gross leasable area

>900
Number of retailers

9

ADDITIONAL INFORMATION

9.1 Information about the Company 364

9.1.1 History of the Company 364

9.1.2 General information 365

9.1.3 Memorandum of incorporation and articles of association 370

9.1.4 Publicly available documents 374

9.1.5 Internal rules of the Board of Directors 374

9.2 Other regulatory disclosures 383

9.2.1 Factors that may have an impact in the event of a public tender offer 383

9.2.2 Research and development, patents and licenses 383

9.2.3 Legal or arbitration proceedings 384

9.3 Statutory Auditors and person responsible for the Universal Registration Document 384

9.3.1 Statutory Auditors: identification and fees 384

9.3.2 Declaration of the person responsible for the Universal Registration Document 386

9.4 Cross-reference tables 387

9.4.1 Universal Registration Document 387

9.4.2 Annual Financial Report 389

9.4.3 Management Report of the Board of Directors 389

9.4.4 Corporate Governance Report 390

9.4.5 Extra-financial Performance Statement 390

9.5 Subject index and glossary 391

9.5.1 Subject index 391

9.5.2 Glossary 393

9.1 Information about the Company

9.1.1 History of the Company

Mercialys was incorporated in 1999 under the name of Patounor. It had no business activity until 2005.

In line with its objective of actively managing its real estate portfolio and enhancing the value of its assets, the Casino group took steps to reorganize its real estate holdings by transferring some of its real-estate assets in France to a newly incorporated real estate investment company, a subsidiary of L'Immobilière Groupe Casino, taking the form of a *Société d'Investissements Immobiliers Cotée* (SIIC), equivalent to a real estate investment trust (REIT).

Accordingly, in 2005, the Casino group decided to transfer to Mercialys, without retroactive effect, as a partial transfer of assets under the legal regime for demergers (excluding transfers of securities), a set of premises housing specialized superstores and shopping centers at sites anchored by Casino group food-anchored tenants as well as cafeterias and some sites of franchise supermarkets or convenience stores leased to third parties.

Associated contracts, in particular related leases, were also transferred. However, the premises in which the hypermarkets, supermarkets (apart from four supermarkets) and the majority of Casino group convenience stores are located, car parks and nearly all service stations attached to hypermarkets and supermarkets were not included. The Casino group remains the owner of such premises. The Casino group intended to retain direct ownership of all hypermarkets, supermarkets, car parks and attached service stations, which make up its core business, as well as its non-retail properties (warehouses and office buildings), and to transfer to Mercialys only income-generating shopping centers.

These asset contributions made up 146 of the Company's portfolio of 147 real-estate assets, the Company having acquired one small asset before the contributions were made.

In addition, SCI Vendôme Commerces, a subsidiary of AXA, transferred ownership of a shopping center to Mercialys.

These transactions were definitively concluded on October 14, 2005.

On October 12, 2005, Mercialys was listed on the Paris stock exchange through a capital increase by way of a public offering.

On November 24, 2005, the Company opted for the French tax regime applicable to SIICs in order to benefit, as of November 1, 2005, from an exemption from corporate income tax on rental revenue and capital gains on disposal of real estate properties or on disposal of certain holdings in real estate companies. In order to benefit from this tax exemption, SIICs are required to pay out at least 95% of their tax-exempt rental income in dividends to their shareholders and at least 70% of their exempted gains on disposal of real estate properties and certain holdings in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and are covered by this tax regime must be paid out in full.

In 2006, L'Immobilière Groupe Casino sold 10,935,000 Mercialys shares in a block sale to institutional investors, reducing the Casino group stake from 75.29% to 60.30%. SCI Vendôme Commerces consequently increased its stake in the Company and Generali and Cardif Assurances Vie acquired stakes in the Company.

As remuneration for the contribution by Vindémia – a subsidiary of the Casino group – of four shopping malls located in Reunion Island, in December 2007, Mercialys issued 2,231,041 shares, increasing Casino's stake in the Company to 61.48%.

On May 19, 2009, the Casino group transferred a portfolio of 25 assets to Mercialys as part of the "Alcudia/L'Esprit Voisin" program. This multi-annual program, launched in July 2006, was implemented to renovate, restructure, amalgamate and create value on hundreds of sites operated jointly with the Casino group. The portfolio comprised four distinct types of assets: three shopping centers; seven extensions of shopping centers in an advanced stage of development (CDEC and building permit obtained), "turnkey" projects delivered to Mercialys by Casino; ten hypermarket plots (reserve and/or sale) which Mercialys intends to transform into shopping center extensions; five hypermarket or supermarket premises in jointly-owned urban assets which need to be aggregated before major restructuring works and project roll-out can begin. As remuneration for these contributions, the Company issued 14,191,700 shares, bringing Casino's stake in its share capital to 66.08% at the time of the contribution.

As part of this asset contribution, shareholders decided at Casino Guichard-Perrachon's Ordinary General Meeting of May 19, 2009 to pay an additional dividend in kind to all Casino group shareholders in the form of one (1) Mercialys share for every eight (8) Casino shares held. This had the effect of transferring 14,013,439 Mercialys shares to these shareholders and reduced Casino Guichard-Perrachon's stake in the Company to 50.89%.

In 2012, Mercialys embarked on a new strategic plan based on its vision of "*Foncière Commerçante*," with the aim of increased differentiation, stimulating demand and proactively expanding its offering. The roll-out of this business strategy was supported by a normalization of Mercialys' financial structure, which involved raising Euro 1 billion in debt, partly via a bond issue.

While remaining a key shareholder, Casino reduced its stake in 2012 to 40.17% of the share capital. A new partnership agreement was submitted to the Board of Directors. The fundamental principle of the agreement, under which Casino develops and manages a pipeline of development projects that are then acquired by Mercialys to drive its growth was maintained on the same financial terms.

To mark the success of its first development phase and the launch of its new strategy, Mercialys wanted to return to shareholders their initial contributions by means of an exceptional dividend payout, approved by the Annual General Meeting of April 13, 2012.

In 2013, Mercialys continued to implement the "L'Esprit Voisin" program. Twelve "L'Esprit Voisin" projects were launched for delivery in 2013 and 2014. These comprised 120 new stores with a full-year rental value of Euro 8.6 million and newly built or redeveloped GLA of 29,600 sq.m. In addition, Mercialys continued the asset sell-off program initiated in 2012 with the aim of refocusing the portfolio around the assets that best fit its strategy. Following the number of successful sales, Mercialys' portfolio comprised 91 assets as at December 31, 2013, including 62 shopping centers, of which 23% had a unit size greater than 20,000 sq.m.

Mercialys exceeded its operating and financial objectives in 2014. Its dynamic portfolio of shopping centers outperformed the French market. The focus also returned to growth in 2014, with a record gross investment of Euro 522 million in terms of delivered and ongoing projects and acquisitions. Mercialys' solid performance demonstrates its robust and resilient business model, built on value creation underpinned by both the fundamentals of the retail real estate sector and Mercialys' own strengths.

2015 was a year of changes. Mercialys showed it could strike global deals with international retailers and attract new and innovative brands. Its success was reflected in relettings, letting of redeveloped large food stores and cafeterias and large-scale projects such as the Toulouse shopping center extension and retail park. The development pipeline also entered a new phase in 2015, when Mercialys acquired ten large food stores for redevelopment, either fully owned or via joint subsidiaries shared 51% with BNPP REIM France. Mercialys also continued to develop its innovative local real estate model by establishing a city-center retail segment. In this context, Mercialys acquired five sites for redevelopment from Monoprix for Euro 110.6 million, generating an immediate net yield of 5.9%. Urban retail or mixed-use projects will be implemented over the medium-term on these sites.

In 2016, Mercialys achieved an excellent operational performance. This performance illustrated the leverage from the renovation of existing assets on Mercialys' sites. Besides the reversion, organic growth has been generated by the re-letting of cafeterias vacated by the Casino group, by another double-digit increase in Casual Leasing rents, and by shopping center extensions located on reclassified hypermarket surfaces. The extension of the Espaces Fenouillet shopping center in Toulouse, the largest project carried out for Mercialys to date, was also delivered in 2016. Mercialys has proven its ability to let this site successfully. This achievement resulted in a footfall of more than a million visitors in the first two months of opening.

In 2017, the management indicators were once again very promising, with a +6.1% rise in Funds From Operations (FFO), excluding the impact of disposals concluded during the year. Furthermore, Mercialys delivered 12 projects in 2017, generating Euro 5.2 million in additional rent on an annual basis for an average net yield of 7.4%. Mercialys has also enriched its portfolio of development projects, which represented total potential investments of Euro 825 million at the end of 2017. These projects involve 32 of the 57 shopping centers and high-street retail assets owned by the Company at the end of the year. They represent Euro 50 million in potential additional rental income with a highly accretive average yield rate of 6.7%, making a significant contribution to FFO and NAV growth in the medium and long term.

In 2018, Mercialys continued its excellent trend, outperforming the national shopping center market, despite the social unrest that strongly impacted the suburban shopping centers in the fourth quarter. The year was marked by the inauguration of the flagship extension-renovation project for the Port site on Reunion Island, generating an additional annual rental income of Euro 4.6 million for a yield on cost of 6.2%. 45 new stores were opened on the additional 9,200 sq.m of space. Mercialys also delivered three large food store transformation projects on the Annecy, Besançon and Brest sites, proving its ability to generate value during surface area renovation operations. Acting according to changing consumer habits, throughout 2018, Mercialys worked to develop five strategic transformation pillars aimed at adapting its centers to new consumer expectations. This reflection on the form and future use of retail assets aims to proactively develop Mercialys' sites, in order to guarantee their attractiveness, local presence, and to ensure their long-term value. Finally, Mercialys also prepared the change to its governance announced in early February 2019, to split the roles of Chairman of the Board of Directors and Chief Executive Officer.

9.1.2 General information

9.1.2.1 Corporate name – trade name

The name of the Company is Mercialys.

9.1.2.2 Trade and companies register

The Company is entered in the Register of Trades and Companies of Paris under number 424 064 707.

9.1.2.3 Date and term of incorporation

The Company was formed on August 19, 1999 for a duration expiring on December 31, 2097, except in the event of early dissolution or extension.

9.1.2.4 Head office, telephone number, legal form and applicable legislation

The Company's head office is located at 16/18 rue du Quatre-Septembre, Paris 75002 (France) – Tel.: +33 (0)1 53 70 23 30.

The Company is a French-registered société anonyme (joint-stock corporation) with a Board of Directors and subject to the provisions of the French Commercial Code.

9.1.2.5 Regulations specific to the Company's operations

A. Rules on asset ownership

1. Acquisition/construction

Mercialys' shopping centers and other real estate assets are acquired and/or constructed either by buying the land on which these buildings are subsequently built or by the purchase of existing buildings from third party companies.

2. Construction lease

Certain sites were built under "construction leases", in cases where landowners did not wish to sell their land outright but prefer simply to assign the usufruct.

A construction lease can run for a term of from 18 to 99 years, and confers upon the lessor temporary property rights to the land and the buildings which the latter undertakes to construct according to a defined program binding on the lessor.

The parties are free to fix the rent between them, at the time when enter into the contract.

For the entire term of the construction lease, the lessee pays the lessor the agreed rent and all charges, taxes and levies on the land as well as the buildings. The lessee is free to let the constructions and to collect rental income as if it were the full owner of the site.

At expiry of the construction lease, unless there is a specific clause to the contrary, the lessor is automatically transferred title to the constructions erected by the lessee on its land (shopping centers and large specialty stores).

The buildings revert to the lessor, usually for no consideration, unless agreed otherwise between the parties.

As the construction lease leads to the temporary transfer of title to the land and erected constructions, it should be published, just as any amendments thereto (rider, improvements, disposal, contributions, termination) at the land registry in the jurisdiction of the assets.

3. Emphyteutic lease

In other cases, the shopping centers and large specialty stores were built under long-term ground leases, which give the beneficiary, as consideration for an agreed modest rent, the right to construct and rent such assets for a period of 18 to 99 years.

Emphyteutic leases are rather similar in content to construction leases, but also afford an alternative to the latter where malls exist already and no construction is necessary.

Like all leases lasting over 12 years, long-term ground leases must be registered in the mortgage registry.

4. Property leasing

A site can also be acquired by way of a property leasing transaction. The French property lease, or *crédit-bail immobilier*, is essentially a financing technique encompassing a lease with an option to purchase the real property at the end of the lease period at the latest. The way they work is that the owner of the real estate asset (the *crédit-bailleur*, or lessor) grants the right to use it to a company (the *crédit-preneur*, or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real estate asset for a fixed price, which is set when the lease is first signed and takes into account rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (i) to acquire the real estate asset for a price agreed at the outset (typically, one euro or the value of the bare land); (ii) to return the right to use to the owner; or (iii) to commit to a new lease period with the agreement of the lessor.

The property lease, like any lease, must be registered in the mortgage registry when it runs for over 12 years.

5. Joint ownership and volume division

Shopping malls and large specialty stores, whether acquired directly, via construction lease, emphyteutic lease and/or property lease, are subject to specific regulations for the property management of their legal organization, such as those applicable to either "joint ownership" or "volume division", depending typically on the environment in which the properties are located or built.

The joint ownership system is governed by the Law of July 10, 1965 and the Decree of March 17, 1967. It applies to shopping centers in which ownership of the hypermarkets, supermarkets, shopping malls or large specialty stores located therein is shared between several owners. Each joint owner has title to a lot, with exclusive rights to that private portion, plus an ownership share in the common lots. The structure as a whole is governed by rules set out in the "joint ownership articles of association." On his private lot, the owner enjoys all the powers of ownership attached to real estate property. The owner can also freely use the common lots, provided such use does not infringe on the rights of other joint owners.

The shares in common lots, which are attributed based on the rental values of the owner's lots, surface areas and locations, also enter into calculating the number of voting rights the owner has in joint ownership meetings and their respective shares of the common expenses thereof.

Jointly-owned property articles of association lay down rules for determining the uses and conditions of use for both private and common lots, and for the administration of common lots. The articles of association are registered in the mortgage registry. All joint owners are represented by the joint ownership association whose executive body is the facility manager. The facility manager's mission is to call General Meetings, draw up the forecast budget required for building maintenance and repair, and to act in all instances on behalf of the joint ownership association to safeguard their interests. An Annual General Meeting of joint owners is called annually by the facility manager, mainly to approve the forecast budget. A meeting can also be called to approve works or to take special decisions jointly. Day to day operational decisions are passed by simple majority of joint owners present or represented in meetings, while administrative decisions require an absolute majority.

Other real estate assets are subject to regulations governing what is known as "volume division." This concept issues from the practice and necessity of organizing complexes on which public property (roads, railways, metro lines) and various types of private property (offices, apartment buildings, shopping centers) have been built.

Volume division dispenses with the conventional notion of sole ownership and is based on the separation of the land, above-ground space and below-ground space, resulting in the creation of a three dimensional volume. The property volume can be schematically defined as a right of ownership, distinct from the ground, involving a three dimensional, homogeneous portion of above ground space and below ground space, corresponding to a building either erected or to be erected, geometric or not, but determined according to measured height and floor plans. These details defining the lots are set out clearly in the description of the division, which further delineates the volumes and their components. Height measurements make it possible to divide elements that are traditionally part of common lots (such as walls, piping and the base for land taxes) and to apportion the relative ownership rights to several precisely determined volumes, with easements, if applicable, benefiting other volumes.

If, in the description of the volume division, no details are given as to the allotment of such elements, they are considered for the common use of all volumes. The notion of volume division differs from co ownership mainly because it contains no common lots owned jointly by several volume owners, with shares of such common lots attached to each volume.

With no common lots attached to different volumes, access to or through each volume is determined according to the established easements of right of way or of access. Depending on their situation, each volume will either benefit from or be subjected to such easements.

For volume divisions, the relationships between owners, easements, urban planning constraints and operating rules for the volume division are laid down in a document entitled "*État descriptif de division*" (division description). Management for the entire property complex and compliance with the rules of the division description are the responsibility of an associative syndicate or AFUL specially formed by the owners of volumes, who make up the membership.

Unlike a co-ownership organization, procedural rules for the AFUL are determined freely by the owners when drafting the AFUL articles of association.

The division description, like all co-ownership articles of association, is registered in the mortgage conservation archives.

B. Commercial zoning regulations

Following on from the reform of the commercial operating permit system introduced by the law on the modernization of the economy (Law No. 2008-776 of August 4, 2008, or "LME" for short), which increased the thresholds from 300 to 1,000 sq.m , Law No. 2014-626 of June 18, 2014 concerning the craft and retail sectors and micro enterprises (the "Pinel Law") thoroughly overhauled this system, with the result that the commercial operating permit is now integrated into the building permit.

According to the practical arrangements laid down by Decree No. 2015-165 of February 12, 2015 relating to commercial development, a commercial developer whose project requires a building permit will simultaneously apply both for the commercial operating permit and the building permit from a "one stop shop" in the person of the local mayor.

A rejection by the departmental or national commercial development commission (CDAC or CNAC, as the case may be) will as a result, prevent the building permit from being issued.

For projects that do not need a building permit, the applicant will file a CDAC application with the local prefecture, as under previous legislation.

Customer collection points (drives) now also require a commercial operating permit pursuant to the ALUR Law No. 2014-366 of March 24, 2014 on housing and urban redevelopment.

As a result of this reform, building permits are now valid for three years, rather than two.

In terms of sanctions, the Pinel Law has extended the scope of Article L. 752-23 of the French Commercial Code to permanent collection points.

Furthermore, the French housing, development and digital law (ELAN) of November 23, 2018 stipulates the content of commercial planning applications, as well as the penalties applicable in the event of failure to honor the commitments entered into in the commercial operation (AEC) applications.

AEC applications are now assessed against the project's contribution to preserving the commercial fabric of the city center, an evaluation of the project's GHG emissions, and checks to ensure there is no wasteland in the city center or the outskirts that the project could be sited on.

If an area is being illegally operated and the situation is not resolved within three months, a fine of Euro 150 per day and per square meter is imposed; a fine of Euro 15,000 applies if the offense is repeated.

Finally, the ELAN law gives local governors the option to suspend processing of an AEC outside sectors identified in the city center, within which a local regeneration operation is scheduled.

C. Public health regulations

The Company has an obligation to detect asbestos and, if necessary, to remove it in accordance with Articles R. 1334-14 to R. 1334-29-9 of the French Public Health Code. As of January 1, 2013, pursuant to the orders of December 28, 2012, when damaged materials likely to present a risk are identified, the property owner or occupier must commission either a periodic inspection of the materials, or the monitoring of ambient dust levels, or works to isolate or remove the asbestos. The local prefecture must also be informed and precautionary measures must be taken while waiting for works to be completed.

D. Regulations on accessibility for people with disabilities

In terms of the accessibility of its centers for people with disabilities, the Company is required to comply with the Act of February 11, 2005 concerning equal opportunities, participation and citizenship of people with disabilities on the basis of:

- taking account of all forms of disability, not only motor disabilities but also sensory (visual and hearing), cognitive and psychological disabilities, and all difficulties relating to mobility;
- a commitment to look after the entire mobility chain, which includes the built environment, roads, facilities and external pathways.

Under Article 41 of the Act of February 11, 2005, existing facilities open to the public must allow people with disabilities to access and move around the building and receive information made available by means suited to various disabilities. The Order of March 21, 2007 sets out the requirements for the application of Articles R. 111-19-8 and R. 111-19-11 of the French construction and housing code, relating to the accessibility of existing public buildings and amenities for people with disabilities. It also states that these measures must be implemented by January 1, 2015. Decree No. 2009-500 of April 30, 2009 relating to the accessibility of public buildings and buildings used as dwellings sets out the required time frames for accessibility assessments. These compulsory assessments determine the accessibility level of the building, identify the works to be carried out to meet the standards and estimate the cost of these works.

To complete this accessibility framework, the following legislation has extended the deadline beyond 2015 for implementation of the works to make public buildings accessible, based on the submission of the "ADAP" (*Agendas d'Accessibilité Programmée*) accessibility timetables: Act No. 2014-789 of July 10, 2014 – Act No. 2015-988 of August 5, 2015 – Order No. 2014-1090 of September 26, 2014 – Decree No. 2014-1327 of November 5, 2014.

These timetables have been submitted for the Company's entire operational scope.

The Company is also subject to the safety regulations for public buildings (Order of June 25, 1980, as amended by the Order of September 24, 2009), which sets out the fundamental design and operation principles for a building to ensure the safe evacuation of people with disabilities. Its purpose is to take account of the inability of some members of the public to evacuate or be evacuated quickly, and to meet the requirements of Article R. 123-4 of the French Construction and Housing Code.

Details of the measures taken to support the employment and integration of disabled workers within Mercialys and at shopping centers owned by the Company are provided in chapter 2, § 2.7, p. 82 *et seq*.

E. Environmental protection regulations

If the sites owned by the Company are located in a municipality covered by preventive plans concerning technological, natural or mining risks, or are located in a geologically unstable area ranked above 1, or within a "*Secteur d'Information sur les Sols*" area requiring soil studies to be conducted, the Company is required – under Article L. 125-5 of the French Environmental Code and Decree no. 2005-134 of February 15, 2005 – to inform its tenants and to include the report on the natural and technological risks in the commercial lease.

Certain sites may also be subject to the rules governing *Installations Classées pour la Protection de l'Environnement* ("ICPE") (Facilities Classified for the Protection of the Environment). A classified facility (as defined by the Law of July 19, 1976) is an activity that could cause a danger or nuisance to the neighboring area with regard to health, safety, public health or the environment.

The operator of such a classified facility must inform the local authorities of any significant renovation or transformation planned for the facility. Under the ICPE regime governing the facility (Declaration – Controlled Declaration – Registration – Authorization), the operator is required to submit a comprehensive operating report every five or ten years as specified by the Order of July 17, 2000. In addition, where the classified facility finally ceases to operate, its operator must inform the local authorities at least one month prior to the end of operations and must restore the site to a state that eliminates all of the dangers or nuisances described in Article L. 511-1 of the French Environmental Code.

The Company currently has installed equipment and material in some of its buildings for cooling and/or combustion, vital for the comfort of its customers, which in some cases are subject to the ICPE regulations.

Details of the resources implemented to prevent environmental risks are provided in chapter 2, § 2.9, p. 86 *et seq.*

The Company must also comply with water regulations and in particular the obligation to ensure the treatment of waste water, pursuant to the Public Health Code and the General Local Authorities Code. All the sites are connected to the public sanitation network.

The Company must also comply with the rainwater management obligation (the Water Law of January 1992).

According to Article L. 225-102-1 of the French Commercial Code, the Company is also obliged to disclose, in its management report, how it takes into account the social and environmental consequences of its activity. The latter must be checked by an independent third party pursuant to Decree No. 2012-557 of April 24, 2012.

F. Safety regulations

As establishments open to the public, the Company's shopping centers and certain of its buildings are subject to regulations on fire safety and prevention and on the risks of panic laid down in Articles R. 123-1 to R. 123-55 of the French Construction and Housing Code, in the Order of June 25, 1980, as amended, and in the specific provisions that relate to each type of business activity. Prior to opening, the safety inspectors check every establishment intended for public access. Only after the inspectors have given their opinion may the local mayor then authorize the opening of the establishment. In addition, the safety inspectors carry out periodic visits as set out in the general safety regulations in order to check on compliance with safety standards. If they suspect that the safety regulations have not been observed they may make unannounced visits which may, if the situation warrants it, result in an application for administrative closure. The mayor, who has overall policing powers in the municipality, will decide whether or not to grant the application.

Note that, since the decree of June 13, 2017, the notional number of members of the public taken into account for Type M stores of more than 300 sq.m (hypermarkets, supermarkets, medium sized stores) is now based on a ratio of 1 person for every 3 sq.m (in the basement, ground floor and first floor of the selling area), whereas it used to be every 2 to 3 sq.m.

Furthermore, the frequency of visits by safety inspectors has been reviewed for certain types of public establishment. For example, "M" type inspections are now carried out every three years for category 1 and 2 establishments, and every five years for category 3 and 4 establishments.

Retail units are also obliged to provide security guards or surveillance where required because of their size or location. This includes taking measures to prevent crime and maintain order in public buildings, pursuant to Article L. 127-1 of the French Construction and Housing Code, amended by Law No. 2007-297 of March 5, 2007. The methods for applying this provision to commercial premises are set forth in Decree No. 97-46 of January 15, 1997 and to parking lots in Decree No. 97-47 of January 15, 1997.

This Article L. 127-1 of the French Construction and Housing Code was amended by Law No. 2007-297 of March 5, 2007 (Article 16 of French Official Journal of March 7, 2007), stating that owners, operators or assignees – as applicable – of buildings used for housing or as administrative, professional or commercial premises must, when the importance of these buildings or premises or their location justify it, arrange security guards or surveillance for such properties and take measures to avoid manifest risks to the safety and security of the premises.

G. Commercial lease regulations

The Company is also subject to regulations concerning commercial leases in connection with its business. Commercial leases are governed by the provisions of Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code, and the uncodified articles of the Decree of September 30, 1953.

Act No. 2014-626 of June 18, 2014 concerning the craft and retail sectors and micro-enterprises (the "Pinel Act"), published in the *Official Journal* on June 19, 2014, and Decree No. 2014-1317 of November 3, 2014, published in the *Official Journal* on November 5, 2014, changed some of the rules concerning commercial leases.

Commercial leases have a minimum term of nine years. However, the term is not imposed in the same manner on the lessor and the lessee. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. However, the parties may agree to a "firm" lease for more than nine years, such as those entered into by Mercialys.

The lessor, on the other hand, can only take back its property at the end of each three-year period in particular circumstances, such as if it intends to build, rebuild, or extend upwards the existing building. The lessor can only ask the court to terminate the lease in the event of the lessee's noncompliance with its contractual obligations.

The parties set the initial rent at their discretion when making the lease agreement. Unless yearly indexation is provided for in the lease, the rent can only be adjusted every three years to bring it into line with the rental value but without exceeding the change in quarterly construction cost index recorded since the most recent rental adjustment. Leases for shopping centers often include a variable portion of rents based on the lessee's sales, with a guaranteed minimum rent in order to limit risk for the Company in periods of economic recession. This indexation to revenues therefore avoids the rules for setting or adjusting rents as laid down in Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code as described above. In a commercial lease, therefore, it is only possible to revise the guaranteed minimum rent based on changes in the *Indice des Loyers Commerciaux* ("ILC") (retail rent index) or the *Indice des Loyers des Activités Tertiaires* ("ILAT") (tertiary activities rent index) if this is expressly written into the contract. At the end of the lease, the Company may refuse to renew it or give the lessee notice with an offer to renew the lease on new financial terms. The lessee, on the other hand, may request the renewal of its lease on the same terms. Failing this, the lease will automatically be renewed on the terms applicable at the end of the lease period.

If the Company refuses to renew, it must pay eviction compensation to the lessee to make good any losses incurred by the latter, unless the Company can justify nonpayment of compensation for serious and legitimate cause.

If eviction compensation is due, the Company has a right to withdraw its action, *i.e.* to change its decision and offer to renew the lease in question. The right to withdraw its initial decision may be exercised only if the lessee has not made preparations to leave the premises in the interim. The right to withdraw may be exercised during the fifteen days following the definitive ruling setting the amount of the eviction compensation. Once exercised, the right to withdraw is irrevocable and gives rise to renewal of the lease starting from the date of notice that the right has been claimed, delivered to the lessee by an official process server.

If the Company gives the lessee notice with an offer to renew, or if the lessee requests renewal of the lease, the rent may be set either amicably between the parties or by process of law. In the latter case, the party to act first must submit a request to the *Commission Départementale de Conciliation* (the Local Conciliation Board), prior to bringing any action before the *Tribunal de Grande Instance* (Regional Court), to apply for the Court's opinion on the amount of the rent in an attempt to reconcile the two parties. If no agreement is reached, the case must be brought before the Regional Court within two years of the effective lease renewal date. The rent determined for the renewed lease must meet two criteria: it must accurately reflect the rental value of the premises and comply with the "rental ceiling" rule provided by Articles L. 145-1 *et seq.* and R. 145-1 of the French Commercial Code. Unless there has been a material change in the factors that determine the rental value of the premises, the rents payable under leases which do not run for longer than nine years are capped and may not exceed the change indicated by the ILC or ILAT. However, there are exceptions to this ceiling rule for "monovalent" premises (or single use premises, which because of their specific layout can serve for only one type of business activity) or for leases with initial terms of nine years, but which, via the automatic renewal mechanism, have an effective term of more than twelve years. In such a case, new rental rates can be freely negotiated with lessees at the end of the contractual lease period for mono use premises, and after the twelfth year, on prevailing market conditions for nine-year automatically renewable leases.

However, Article L. 145-34 of the French Commercial Code as amended by the Pinel Law, now provides that if there is a significant change in the factors referred to in paragraphs 1 to 4 of Article L. 145-33, or if an exception is made to the ceiling rules as a result of a clause in the contract relating to the term of the lease, the resulting change in rent may not lead to higher increases, for one year, than 10% of the rent paid in the previous year.

9.1.3 Memorandum of incorporation and articles of association

9.1.3.1 Corporate purpose (Article 3 of the articles of association)

The corporate purpose of the Company in France and abroad is:

- to acquire and/or develop all types of land, buildings, real property and real property rights for letting to tenants, management, leasing, development of all types of land, buildings and property rights, fitting out of all property complexes for letting to tenants, and all other connected or linked industrial or commercial activities relating to the aforementioned activities, and more generally the exercise of which relates to, or comprises, the operation of shopping malls or the leasing of space within shopping malls, whether directly or indirectly, either alone or in partnerships, alliances, groups or a company, with any other persons or companies;
- to participate by any means in any transactions related to the Company's purpose by acquiring interests and equity investments, by any means and in any form in a real estate, industrial or financial services company in France or abroad, notably through acquisition, the formation of new companies, the subscription or purchase of securities or ownership rights, contributions in kind, mergers, alliances, joint ventures, economic interest groups or other partnerships along with the administration, management and control of such interests and equity investments;
- in general, to carry out any property, equipment, commercial, industrial and financial transactions that may be directly or indirectly connected to the Company's purpose or facilitate the completion and development thereof, including the possibility of arbitrating assets, notably by way of disposal.

9.1.3.2 Stipulations of the articles of association regarding executive and management bodies – Internal rules of the Board of Directors

A. Board of Directors

1. Composition of the Board of Directors (extract from Article 14 of the articles of association)

The Company is managed by a Board of Directors. It comprises at least three members and a maximum of eighteen, subject to dispensation provided by law in the event of a merger with another public limited company. Board members are appointed by the Ordinary General Meeting of the shareholders.

2. Term of office – Age limit – Replacements (extract from Articles 15 and 16 of the articles of association)

Members of the Board of Directors are appointed for a term of three years expiring at the close of the Annual General Meeting approving the financial statements for the previous year and held in the year in which their term of office expires. Directors may be reappointed when their term of office expires.

No one may be appointed as Director or permanent representative of a company if, having passed the age of seventy (70) years old, their appointment brings the number of Board members and permanent representatives of companies above this age to more than one-third of Board members.

When this age limit is crossed, the oldest director or permanent representative of the legal entity (director) shall be deemed to have resigned automatically at the end of the Ordinary General Meeting that votes on the accounts for the year in which the age limit is crossed.

Directors are appointed or reappointed by decision of the Annual General Meeting. Directors have their terms of office renewed in rotation so that the directors are regularly renewed in proportions that are as equal as possible. In order to enable the system of rotation to operate, the Ordinary General Meeting can appoint a director for a period of one or two years, on an exceptional basis.

In the event of a vacancy in one or more Directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two Annual General Meetings. Such appointments shall be subject to ratification by the first Annual General Meeting thereafter.

If the appointment of a Director by the Board of Directors is not ratified by the Annual General Meeting, actions taken by the director and decisions made by the Board of Directors during the provisional period shall remain valid.

If the number of Directors falls below three, remaining members (or in the event of a shortage a corporate officer designated at the request of any interested party by the presiding judge of the Commercial Court) must immediately convene an Ordinary General Meeting to appoint one or more new Directors in order to bring the number of Directors to the minimum required by law.

Directors appointed to replace another Director shall remain in office only for the remainder of their predecessor's term.

The appointment of a new Board member in addition to current members may only be decided by shareholders at the Annual General Meeting.

Each member of the Board of Directors must hold at least 100 registered shares in the Company. If, on the day of his/her appointment, a Director does not own the required number of shares or if, during his/her term, he/she ceases to own such number of shares, and does not rectify the situation within six months, he/she is deemed to have resigned from office.

3. Organization, meetings and decisions of the Board of Directors

Chairman – Board officers (extract from Articles 17 and 20 of the articles of association)

The Board of Directors shall appoint one of its members as Chairman whose role shall be defined by law and the Company's articles of association. The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to shareholders at the Annual General Meeting. The Chairman monitors the operations of the Company's management bodies and in particular ensures that the Directors are able to perform their duties.

The Chairman may be appointed for the full term of his/her office as Director, subject to the Board of Directors' right to remove him/her from the Chairmanship and his/her right to resign before the expiry of his/her term of office. The Chairman is eligible for reappointment.

The age limit for serving as Chairman is set at seventy-five (75). Exceptionally, if the Chairman reaches this limit while in office, he/she shall stand down at the end of that term.

If the Chairman is temporarily indisposed or dies, the Board of Directors may delegate the duties of Chairman to a director. If he/she is temporarily indisposed, this delegation shall be given for a limited term and is renewable. If the Chairman dies, the delegation shall remain valid until a new Chairman is elected.

Non-voting directors (extract from Article 23 of the articles of association)

The Ordinary General Meeting may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. Between two Annual General Meetings, the Board of Directors may appoint non-voting directors subject to ratification by the next Annual General Meeting. There may not be more than five non-voting directors.

Non-voting directors serve a term of three years, expiring at the close of the Ordinary General Meeting approving the financial statements for the previous year and held in the year their term of office expires. Non-voting directors are eligible for reappointment for as many terms as they wish and may be dismissed at any time by a decision of the Ordinary General Meeting.

Non-voting directors attend meetings of the Board of Directors, during which they provide their opinions and observations and participate in decisions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by shareholders at their Ordinary General Meeting and maintained until a new decision is taken in another general meeting. The Board of Directors shall divide such remuneration between non-voting directors as it deems appropriate.

Decisions of the Board (extract from Article 18 of the articles of association)

The Board of Directors meets as often as necessary in the interests of the Company and whenever deemed appropriate, at the place indicated in the notice of the meeting. Notices of meetings are issued by the Chairman or in his/her name by any designated person. If the Board of Directors has not met for more than two months, one-third of Directors in office may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer may also ask the Chairman to call a Board meeting to consider a predetermined agenda.

The presence of at least half of the serving Directors is required to constitute a quorum for decision-making.

Decisions are made by a majority of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote. However, if the Board consists of fewer than five members, decisions may be made if unanimously approved by at least two Directors present.

Directors may participate in discussions by videoconference or other telecommunications means in accordance with the terms and conditions set out in applicable regulations and the rules of procedure of the Board of Directors.

4. Powers of the Board of Directors (extract from Article 19 of the articles of association)

The Board of Directors shall determine Company business policies and ensure that they are implemented. Except for powers expressly conferred on general meetings and within the limit of the Company's purpose the Board of Directors concerns itself with all issues affecting the Company's operations and regulates the Company's affairs. The Board of Directors performs the audits and checks that it deems necessary.

At any time and on its sole initiative, the Board of Directors may change the way in which Executive Management operates, without effecting any change in the articles of association.

The Board of Directors may establish committees, the composition and remit of which it determines, for the purpose of assisting it in its duties. The committees act within the brief granted to them and provide proposals, recommendations and opinions as appropriate.

The Board of Directors authorizes, within the conditions set by law, related party agreements other than those relating to standard transactions entered into at arm's length, as set out in Article L. 225-38 of the French Commercial Code. In accordance with Article L. 225-35 of the French Commercial Code, the Board of Directors' authorization is required for any sureties or guarantees given in the Company's name. However, the Board of Directors may authorize the Chief Executive Officer to give sureties or guarantees in the Company's name up to the global limit or maximum amount per authorized commitment each year.

Without prejudice to any legal prohibitions to the contrary, delegations of powers, duties or functions limited to one or more transactions or categories of transactions may be conferred to any person, whether a Director of the Company or not.

Furthermore, in its internal rules of procedure, the Board of Directors has adopted a number of mechanisms setting out the powers of the Company's management (see chapter 4, p.213 *et seq.*).

B. Senior Management of the Company

1. Senior Management (extract from Article 21-I of the articles of association)

The Company's Executive Management is exercised, under its responsibility, either by the Chairman of the Board of Directors or by an individual, who may or may not be a Director, appointed by the Board and having the title of Chief Executive Officer.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors but may not exceed three years. The Chief Executive Officer is eligible for reappointment.

The Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. He exercises those powers within the limit of the corporate purpose subject to the powers expressly reserved by law to shareholders and to the Board of Directors. However, as an internal measure, the Board of Directors may decide to limit the powers of the Chief Executive Officer (see chapter 4, p. 213 *et seq.* for a description of the limitations on the powers of the Company's Senior management). The CEO represents the Company in its dealings with third parties.

The age limit for serving as Chief Executive Officer is set at 75. However, on reaching the age limit, the Chief Executive Officer remains in office until his/her term expires.

The Board of Directors may remove the Chief Executive Officer from office at any time. If dismissal is decided without

due cause, it may give rise to the payment of damages, except if the Chief Executive Officer performs the functions of Chairman of the Board of Directors.

2. Deputy Chief Executive Officers (extract from Article 21-II of the articles of association)

On a proposal from the Chief Executive Officer, the Board of Directors may appoint up to a maximum of five natural persons to assist the Chief Executive Officer, having the title of Deputy Chief Executive Officer.

Their term of office may not exceed three years. Deputy Chief Executive Officers are eligible for reappointment. They shall have the same powers as the Chief Executive Officer in dealings with third parties.

The age limit for serving as Deputy Chief Executive Officer is set at 75. However, on reaching the age limit, a Deputy Chief Executive Officer remains in office until his/her term expires.

The Deputy Chief Executive Officers may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Deputy Chief Executive Officers shall be authorized to grant sub-delegations or substitute powers of attorney for one or more transactions or categories of transaction.

C. Internal rules of the Board of Directors

The Board of Directors adopted internal rules of procedure on August 22, 2005, which were last amended on February 12, 2020. These rules of procedure are intended to complement legal and regulatory requirements and the Company's articles of association in setting out the modus operandi of the Board of Directors. These rules can be found in § 9.1.5, p. 374 *et seq.*

They define the organization modus operandi, powers and remits of the Board of Directors and the committees established from among its members, as well as the framework for the control and assessment of how it operates (see chapter 4, page 213 *et seq.* for a description of the various committees established, the limits placed on the powers of senior management and the procedures for the control and review of the Board of Directors).

9.1.3.3 Rights, privileges and restrictions attached to shares

A. Appropriation of profits and dividends and interim dividend payments (extract from Articles 13, 33 and 34 of the articles of association)

Each share represents an interest in the assets and profits of the Company proportional to the fraction of the share capital it represents, taking into account, where applicable, the face value of shares, whether or not they are fully paid up, whether or not they have been written down through an *amortissement de capital* and the rights of shares in different classes where new classes of share have been created.

1. Profits – Legal reserve

No less than five per cent (5%) of profits for the year, adjusted for any prior year losses, are allocated to a reserve fund known as the "legal reserve." This allocation is no longer required once the legal reserve reaches one tenth of the Company's share capital.

Distributable income is equal to profit for the year less any prior year losses and amounts appropriated to the legal reserve, as mentioned in the above paragraph, and all other allocations to reserves required by law, plus retained earnings.

2. Dividend

When the financial statements for the year approved by the Annual General Meeting show the existence of distributable income, the Annual General Meeting decides, on the proposal of the Board of Directors, to carry out the necessary appropriations to reserves or redemption of share capital, for whose allocation and use it is responsible, and allocate the corresponding amounts to retained earnings or to dividends. Amounts placed in reserve accounts may, on the proposal of the Board of Directors and by decision of the Annual General Meeting, be distributed or capitalized at a later date. Furthermore, when the Annual General Meeting decides to distribute amounts taken from the reserves at its disposal, such decision shall expressly indicate the reserve accounts from which funds are drawn.

3. Interim dividends

The Board of Directors may decide to pay one or more interim dividends, subject to conditions required by law, before the financial statements are approved.

4. Payment of dividends and interim dividends

Terms for the payment of dividends and interim dividends are determined by the Annual General Meeting or, failing this, by the Board of Directors no later than nine months after the close of the fiscal year.

The Annual General Meeting called to approve the financial statements for the year may grant each shareholder, for all or part of the dividend or interim dividends paid, an option of payment in cash or in shares. Requests for the payment of dividends in shares must be made no later than three months after the date of the Annual General Meeting.

B. Voting rights attached to shares

1. Voting rights (extract from Articles 28, 29 and 30 of the articles of association)

Voting rights attached to shares are proportionate to the share of capital they represent. All shares have the same par value and carry one voting right.

Votes are expressed by show of hands, by electronic means or by any means of telecommunication that permits the identification of shareholders in accordance with applicable regulations. On the proposal of the Board of Directors, the Annual General Meeting may also decide to hold a secret ballot.

A majority vote of shareholders present in person, voting by post or represented by proxy is required for a decision to be made at an Annual General Meeting. At an Extraordinary General Meeting, a two-thirds majority of votes cast by shareholders present in person, voting by post or represented by proxy is required.

2. Double voting rights

The Extraordinary General Meeting of May 5, 2015 reinstated the principle of "one share, one vote." Under Article L. 225-123-3 of the French Commercial Code, double voting rights are not attributed to fully paid-up shares for which proof is provided of registration for two years in the name of the same shareholder.

3. Limitations on voting rights

None.

9.1.3.4 Changes to the share capital and the rights attached to the shares (extract from Articles 7 and 8 of the articles of association)

A. Increase in share capital

The Extraordinary General Meeting has sole authority to decide or authorize a capital increase, immediately or in the future, except in the case of a capital increase resulting from a request by a shareholder to receive payment of all or part of a dividend or interim dividend in shares, where such an option has been granted to shareholders by the Annual General Meeting approving the financial statements for the year.

The Extraordinary General Meeting may delegate this authority to the Board of Directors in accordance with the law, or assign to it the necessary powers to carry out the capital increase in one or more offerings within the time allowed by law, and to determine the terms, record the performance thereof and amend the articles of association accordingly.

In the event of a capital increase through the issue of shares for cash, preferential subscription rights shall, in accordance with legal conditions, be reserved for holders of existing shares. However, shareholders may waive their preferential rights on an individual basis and the Annual General Meeting deciding on the capital increase may cancel said preferential rights in accordance with legal conditions.

B. Reduction and redemption of share capital

The Extraordinary General Meeting may also, subject to the conditions stipulated by law, decide or authorize the Board of Directors to reduce the Company's share capital for any reason and in any manner whatsoever, including through the purchase and cancellation of a specific number of shares or by exchanging existing shares for new shares, for an equivalent number or fewer shares, with or without the same par value, with, if applicable, the sale or purchase of existing shares and with or without a cash balance to be paid or received.

9.1.3.5 Annual General Meetings

A. Form of Annual General Meetings (extract from Articles 29 and 30 of the articles of association)

1. Ordinary General Meeting

The Ordinary General Meeting deliberates on the agreements covered by Article L. 225-38 of the French Commercial Code. It appoints Directors, ratifies or rejects temporary appointments made by the Board of Directors, removes Directors where it deems there to be just cause, determines the allocation of Directors' fees to the Board of Directors and sets the amount thereof. It appoints the Statutory Auditors. The Ordinary General Meeting ratifies any decision by the Board of Directors to transfer the registered office within the same region of France or to a neighboring region.

The Ordinary General Meeting meets once a year to approve, amend or reject the full-year Company financial statements and the consolidated financial statements and to determine the appropriation of profits in accordance with the Company's articles of association. It may decide, subject to the conditions stipulated by law, to grant each shareholder, in respect of all or part of the dividend or interim dividend to be paid, the option to receive payment in cash or in shares.

More generally, the Ordinary General Meeting deliberates on all other matters that do not fall within the scope of the Extraordinary General Meeting.

2. Extraordinary General Meeting

The Extraordinary General Meeting may make amendments to the articles of association as allowed by French company law.

B. Convening and powers of representation (extracts from Articles 25, 27 and 28 of the articles of association)

Annual General Meetings are convened by the Board of Directors or, failing this, by the Statutory Auditors or by an agent designated by the presiding judge of the Commercial Court, on the request of one or more shareholders together representing at least 5% of the Company's share capital, or a shareholders' association in accordance with the provisions of Article L. 225-120 of the French Commercial Code.

The agenda for Annual General Meetings is set by the person who drafts the notice. However, one or more shareholders have the right to request, subject to the conditions stipulated by applicable legislation and regulations, the inclusion of points of order or draft resolutions in the agenda.

Meetings are held at the Company's head office or any other location in France, as indicated by the party giving notice.

If the Board of Directors so decides, shareholders may participate in meetings and vote by video conference or any other means of telecommunications, including the Internet, that allows for them to be identified in accordance with current regulations and the conditions decided by the Board of Directors.

All shareholders, irrespective of the number of shares they hold, have the right to take part in Annual General Meetings.

The right to participate in Annual General Meetings is subject to registration of the shares in the name of the shareholder or in the name of the intermediary registered on the shareholder's behalf if the shareholder resides abroad, within the time stipulated in Article R. 225-85 of the French Commercial Code. Such registration is effected either in the registered share accounts held by the Company or by the agent designated by the Company, or in bearer share accounts held by the authorized intermediary.

The registration of shares in bearer share accounts held by the authorized intermediary is acknowledged by a shareholding certificate issued by the authorized intermediary, if necessary by electronic means, as an attachment to the form for voting by post or by proxy or for requesting an admission card, filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to shareholders wishing to attend the meeting in person and who have not received an admission card within the time stipulated in Article R. 225-85 of the French Commercial Code.

Shareholders not attending the meeting in person may choose from one of the following three options, subject to the conditions provided by law and regulations:

- be represented in accordance with legal requirements;
- vote by post in accordance with legal requirements and the articles of association;
- send a proxy to the Company without naming an appointed proxy;
- the Chairman of the Annual General Meeting will vote in favor of draft resolutions presented or approved by the Board of Directors and against all other draft resolutions; to give any other vote, shareholders must choose a proxy who agrees to vote as he/she indicates.

C. Conduct of Annual General Meetings (extract from Articles 28, 29 and 30 of the articles of association)

The Annual General Meeting is chaired by the Chairman of the Board of Directors, the Vice-Chairman or a Director appointed for this purpose by the Board of Directors or, failing this, by an attending shareholder chosen by the meeting.

Ordinary General Meetings are duly constituted and quorate if shareholders present in person, represented by proxy or voting by post, hold at least one-fifth of shares with voting rights. If the requisite quorum is not obtained, a second meeting is held which may deliberate validly irrespective of the fraction of the share capital represented, but which may only vote on items on the agenda for the first meeting.

Extraordinary General Meetings are held regularly and may deliberate validly if shareholders present in person, represented by proxy or voting by post, hold at least one-quarter of voting shares at the first meeting and one-fifth of voting shares at any second meeting. If this quorum is not obtained, the second meeting may be adjourned to a date no more than two months after the date it was called.

Decisions are recorded in minutes signed by members of the Board of Directors. Copies or extracts of the minutes of Annual General Meetings are certified either by the Chairman of the Board of Directors or by the Chief Executive Officer if he or she is a Director, or by the secretary of the Annual General Meeting.

9.1.3.6 Form of the shares and identification of the holders of securities (extract from Articles 10 and 11 of the articles of association)

Shares are registered shares until they are fully paid up. When they are paid up, subject to any laws to the contrary, shareholders can choose to hold shares in registered or bearer form.

Ownership of shares, whether registered or bearer shares, is evidenced by their registration in an account in accordance with the provisions stipulated by applicable regulations.

Provisions relating to shares apply to bonds and any other marketable securities issued by the Company.

Subject to the regulatory conditions, the Company may request at any time, from the central securities depository, the name or, in the case of a legal person, the company name, nationality and address of the holders of bearer shares conferring immediate or future voting rights at general meetings, the number of shares held by each and any restrictions that apply to such shares, and the date of birth or, in the case of a legal person, the year of incorporation of same. On the basis of the list provided, the Company may also ask, either via the central depository or directly, subject to the same conditions, persons on the list whom it believes to be holding shares on behalf of others, whether the shares are held for themselves or for third parties and, in such case, to provide information to enable the Company to identify the aforementioned third party or parties. If the identity of the holder or holders of the shares is not disclosed, the votes or powers issued by the financial intermediary registered on behalf of the shareholder shall not be taken into consideration.

Lastly, the Company may ask any legal person holding more than 2.5% of the share capital and voting rights to disclose the identity of persons holding, either directly or indirectly, more than one-third of the legal person's share capital or voting rights exercised at Annual General Meetings.

In the event of the failure of shareholders or financial intermediaries to comply with these disclosure requirements, in accordance with conditions stipulated by law, voting rights and rights to the payment of dividends attached to shares or securities giving immediate or future access to share capital may be suspended or cancelled.

The Annual General Meeting of April 23, 2020 will propose changes in some sections of the articles of association to the shareholders so as to comply with the current legal provisions (see chapter 8, resolutions 17 to 20, p. 349 *et seq.*).

9.1.4 Publicly available documents

The Company's articles of association, minutes of Annual General Meetings and other Company documents, as well as historical financial information and any assessments or declarations provided by experts on the Company's request required to be made available to shareholders, in accordance with applicable legislation, may be viewed at the Company's registered office.

9.1.5 Internal rules of the Board of Directors

The Board of Directors has decided to compile, specify and, where necessary, supplement the provisions of the laws, regulations and Company bylaws that apply to it.

To this end, the Board has drawn up Internal rules of procedure, which also incorporate the principles of the AFEP-MEDEF Corporate Governance Code (AFEP-MEDEF Code) and the application guide for the High Committee on Corporate Governance, to which the Company is affiliated, and organize their implementation.

These Internal rules of procedure describe the organization, operation, powers and responsibilities of the Board of Directors and its committees, and the ethical rules applicable to Board members.

I. Organization and the functioning of the Board of Directors

Article 1: Appointment of directors

Directors shall be appointed or reappointed by shareholders at their Annual General Meeting for a three-year term. Directors may be reappointed when their term of office expires. The Board of Directors is partly renewed each year.

Proposals for appointments shall first be examined by the Appointments and Compensation Committee referred to in Articles 9 and 11 below.

Directors must be chosen for their skills, the range of their experience and their desire to take part in defining and implementing the strategy of the Company and its subsidiaries, and hence for the contribution they can make to the Board of Directors' work.

In the event of a vacancy in one or more Directors' seats due to death or resignation, the Board of Directors may make provisional appointments between two Annual General Meetings. Such appointments shall be subject to ratification at the next Annual General Meeting. Directors appointed to replace another Director shall remain in office only for the remainder of their predecessor's term.

No one may be appointed as Director or permanent representative of a company if, having passed the age of seventy (70) years old, their appointment brings the number of Board members and permanent representatives of companies above this age to more than one-third of Board members.

The Board of Directors ensures that the principles of the AFEP-MEDEF Code are applied in terms of its composition and in particular with regard to the representation of women and independent members, in accordance with the conditions and criteria recommended by the AFEP-MEDEF Corporate Governance Code.

Article 2: Meetings and discussions of the Board of Directors

1. The Board of Directors shall meet as often as the interest of the Company requires and whenever the Board deems it appropriate.

   Notices of meetings are issued by the Chairman or in his name by any designated person. If the Board of Directors has not met for more than two months, at least one-third of Directors may ask the Chairman to call a meeting to discuss a predetermined agenda. The Chief Executive Officer may also ask the Chairman to call a Board meeting to consider a predetermined agenda.

   Meetings shall be held at the place specified in the notice convening the meeting.

2. A Director may empower another Director to represent him or her in a meeting of the Board of Directors. Power of attorney may be given by any means that unambiguously provides evidence of the principal's intention. Each member may only represent one other member. However, a Director attending a Board meeting by videoconference or other telecommunication means under the conditions set out below may not represent another Director.

The provisions of the preceding paragraph also apply to the standing representatives of legal entities.

Meetings of the Board of Directors shall only be quorate if at least half the members are present. Decisions shall be taken by a majority of the members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote.

In accordance with law and regulations, the Chairman of the Board of Directors may from time to time authorize Directors who make a substantiated request to attend meetings by videoconference or telecommunication means, under the conditions set out in the prevailing regulations.

The videoconference or telecommunication equipment must at least transmit the participant's voice and comply with technical requirements that guarantee identification of the Directors concerned and their effective attendance at the Board meeting, the content of which must be relayed continuously and without any time lag. The system must also ensure that the discussions are kept confidential.

Videoconferencing enables those attending the Board meeting by such means to be seen via a camera and heard through simultaneous voice transmission. The system used must also enable both those attending the meeting by such means and those attending the meeting in person to recognize each other.

Telecommunication is the use of a telephone conference system that enables those attending the meeting in person and those attending by telephone to recognize the voice of each speaker beyond any conceivable doubt.

If there is any doubt or if reception is poor, the Chairman of the meeting may decide to continue the Board meeting without counting participants whose presence or voice cannot be identified with sufficient certainty in the quorum or majority, provided that enough Board members remain for the meeting to continue to be quorate. If a technical malfunction affects the videoconference or appropriate telecommunication during a meeting such that the confidentiality of discussions can no longer be ensured, the Chairman may decide to stop attendance by the Director concerned.

When a videoconference or telecommunication system is used, the Chairman of the Board of Directors must ensure beforehand that all members invited to attend the meeting by such means have the required technical resources to do so in accordance with the required conditions.

The minutes of the meeting shall state the name of person(s) attending the meeting by videoconference or telecommunication and note any interruptions or technical incidents that took place during the meeting.

Directors who attend Board meetings by videoconference or telecommunication shall be deemed present when calculating the quorum and majority, except for decisions concerning the approval of the annual financial statements, the consolidated financial statements and the management report.

Moreover, the Chairman may authorize a Director to attend meetings by means of any other telecommunication system, but this attendance shall not be taken into account when calculating the quorum and majority.

The Board of Directors may also authorize persons who are not members of the Board to attend Board meetings, in an advisory capacity and without voting rights, including by videoconference or telecommunication.

3. Board members present at the meeting shall sign an attendance register.

The attendance of videoconference or telecommunication participants shall be certified on the attendance register by the signature of the Chairman of the meeting.

Article 3: Minutes

The content of Board of Directors' meetings shall be recorded in minutes signed by the Chairman of the meeting and at least one Director. The minutes shall be approved at the next meeting; to this end, a draft shall be sent to each Director beforehand.

The minutes shall mention any videoconference or telecommunication means used and the name of each Director who attended a Board meeting by such means. The minutes shall mention any technical incidents that occurred during the meeting.

To be valid, copies of, or excerpts from, minutes must be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officer, a Director to whom the duties of Chairman have been temporarily delegated or the recipient of a power of attorney to that effect.

Article 4: Compensation of Board members

The Board of Directors may receive total annual compensation determined by shareholders at their Annual General Meeting.

The amount of compensation thus allocated by shareholders at their Annual General Meeting, pursuant to Article 22-I of the articles of association, shall be shared out by the Board of Directors, on a proposal or on advice from the Appointments and Compensation Committee, as follows:

- a fixed portion allocated to each Director;
- a variable portion determined according to actual attendance at Board meetings.

All members of the Board of Directors may also receive fixed compensation in recognition of their particular experience or specific assignments entrusted to them.

Where required, the Board of Directors shall set the compensation of the Chairman and Vice-Chairman or Vice-Chairmen of the Board of Directors.

The Board of Directors may also grant exceptional remuneration for special assignments or duties entrusted to its members.

The Board of Directors' members may claim for reasonable expenses relating to the exercise of their duties upon presentation of receipts.

Each Director, whether an individual, a legal entity or a standing representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's compensation received for his/her duties as Director. These shares may be acquired using the directors' fees. Shares acquired in order to fulfill this obligation must be held in registered form.

II. Remit and the powers of the Board of Directors

Article 5: Duties and powers of the Board of Directors

The Board of Directors performs its duties in accordance with the provisions of Article L. 225-35 of the French Commercial Code.

The Board of Directors is committed to promoting long-term value creation by the company, taking into account the social and environmental challenges posed by its business activities. It proposes any changes to the articles of association it deems necessary.

The Board of Directors ensures the implementation of any initiatives to prevent and detect corruption and influence-peddling.

The Board of Directors also determines how the Senior Management shall be organized, *i.e.* whether it shall be assumed by the Chairman of the Board of Directors or by an individual, who may or may not be a director, appointed by the Board and holding the title of Chief Executive Officer.

The Board of Directors shall exercise the powers provided for by law and the articles of association. To this end, it shall have a right of information and disclosure, and may be assisted by specialist technical committees.

The Board of Directors ensures that shareholders and investors are provided with relevant, balanced and instructive information on the Company's strategy, business model, on how it takes into account major extra-financial challenges, as well as on its long-term outlook.

A. Powers specific to the Board of Directors

The Board of Directors examines and approves the Company's and its subsidiaries' full-year and half-year individual and consolidated financial statements and reports on their activity and results; it determines the business plan and financial projections. It reviews the Company's equal opportunities and equal pay policy each year. It produces the corporate governance report annually and approves its terms pursuant to Article L. 225-37 of the French Commercial Code.

It shall call Annual General Meetings and may issue securities if such powers are delegated to it.

B. Prior authorizations granted by the Board of Directors

In addition to the prior authorizations expressly provided for by law concerning sureties and guarantees given on the Company's behalf and the regulated agreements referred to in Article L. 225-38 of the French Commercial Code, the Board of Directors has decided, as a matter of internal procedure, to require its prior authorization for certain management transactions carried out by the Company on account of their nature or when they exceed a certain amount, as set out in Article 8 below.

Therefore, the Board of Directors must authorize all operations likely to affect the strategy of the Company and the companies it controls, their financial structure or their scope of activity and, in particular, the entering into or termination of all agreements likely to have a material effect on the future of the Company and its subsidiaries.

Article 6: Information and disclosure to the Board of Directors

Throughout the year, the Board of Directors shall carry out the verifications and controls it deems appropriate. The Chairman or the Chief Executive Officer is required to provide directors with all the documents and information they require to perform their duties.

The information required for Board deliberations shall be disclosed to the members of the Board, as appropriate, before Board meetings and insofar as confidentiality requirements do not preclude such disclosure.

The Board is regularly notified of, and regularly reviews, changes in the Group's business activities and results, major risks, (such as financial, legal, operational, social and environmental risks, as well as the measures taken in response), the financial condition, cash situation and any significant events and transactions relating to the Company. The Chief Executive Officer shall provide the following information to the Board of Directors at least once every six months:

- a report on the activities of the Company and its main subsidiaries, including revenues and developments regarding results;
- a report on investments and disposals;
- a summary of debt and of the credit facilities available to the Company and its main subsidiaries;
- a list of the agreements referred to in Article L. 225-39 of the French Commercial Code that were signed during the previous semester;
- a table showing the workforce of the Company and its main subsidiaries.

The Board of Directors shall examine the Group's off-balance sheet commitments once every six months.

The Board members also receive information relating to market trends, the competitive landscape and the main challenges, including in terms of the Company's social and environmental responsibility.

Directors may request meetings with the Group's senior executives including without executive corporate officers being present, providing that the latter are informed in advance.

Between meetings of the Board, the directors are provided with all important information relating to the Company and in particular all documents published by the Company for the benefit of its shareholders.

Article 7: The Chairman of the Board of Directors

The Chairman of the Board of Directors shall organize and supervise the work of the Board of Directors and report thereon to shareholders at the Annual General Meeting. The Chairman monitors the operations of the Company's management bodies and in particular ensures that the directors are able to perform their duties.

Shareholder relations with the Board of Directors, in particular on matters relating to corporate governance, are entrusted to the Chairman of the Board of Directors, as well as specific, ad hoc or long-term duties that the Board would like to entrust to the Chairman, who reports these duties to the Board of Directors.

The Chairman is appointed for a term that may not exceed his term of office as director. On reaching the age limit of 75, the Chairman shall remain in office until his term expires.

If the Chairman is temporarily indisposed or dies, the Board of Directors may delegate the duties of Chairman to a director. If he/she is temporarily indisposed, this delegation shall be given for a limited term and is renewable. If the Chairman dies, the delegation shall remain valid until a new Chairman is elected.

Article 8: Executive Management

Pursuant to Article L. 225-56 of the French Commercial Code, the Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. Nevertheless, these powers must be exercised within the scope of the Company's purpose and the powers expressly conferred by law to shareholders' meetings and the Board of Directors. The CEO represents the Company in its dealings with third parties.

However, the Board of Directors has decided, as a matter of internal procedure, to require its prior authorization for the following operations:

- any operation likely to affect the strategy of the Company and the companies it controls, their financial structure or the scope of their activity, in particular the signing or termination of any agreement likely to have a material effect on the future of the Company and/or its subsidiaries;
- any transaction or commitment exceeding Euro ten million (Euro 10,000,000), and in particular:
  - any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities;
  - any acquisition or assignment of claims, lease rights or other intangible assets;
  - any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities;
  - any acquisition or disposal of properties or real-estate rights;
  - any issue of securities by companies controlled directly or indirectly by the Company;
  - any action with a view to granting or obtaining any loan, credit or cash advance;
  - any transaction or any settlement relating to a dispute.

Nevertheless, the Euro 10 million threshold does not apply to transactions within the Mercialys group which, if applicable, will require the agreement of both the Chief Executive Officer and the Deputy Chief Executive Officer.

The Chief Executive Officer may delegate some or all of his powers to the Deputy Chief Executive Officer or to a member of the Management Committee.

The same applies to development projects covered by the Partnership Agreement with Casino, regardless of the amount concerned, which must be submitted to the Board of Directors for prior authorization in accordance with the terms of said agreement.

Furthermore, the Senior Management, in the person of the Chief Executive Officer or Deputy Chief Executive Officer, may be authorized, for a renewable period of one year, limited to the overall amounts set each year by the Board of Directors, to carry out the following transactions requiring the agreement of both the Chief Executive Officer and the Deputy Chief Executive Officer, if a Deputy Chief Executive Officer has been appointed. In the event that the Deputy Chief Executive Officer is unavailable temporarily or long term, the Chief Executive Officer may carry out these transactions alone.

- Sureties and guarantees:

  The Senior Management is authorized for a period of one year to give guarantees on the Company's behalf to its subsidiaries in proportion to the stake held, subject to the limit of an annual aggregate amount of Euro 100 million and an amount per commitment of Euro 10 million.

- Loans, confirmed credit facilities, all financing agreements and cash advances:

  The Senior Management is authorized to negotiate and set up loans, confirmed credit facilities, cash advances and all financing agreements, whether syndicated or not, including their renewal and extension, up to an annual limit of Euro 100 million.

- Commercial paper:

  The Senior Management is authorized for a period of one year to negotiate and implement a commercial paper program of a maximum of Euro 500 million and to negotiate and issue commercial paper up to a maximum of Euro 500 million.

- Bond issue

  The Senior Management is authorized to issue bonds of a total of Euro 300 million per year, and in this regard to determine the characteristics and terms and to carry out any related capital market transactions.

  The Chief Executive Officer and the Deputy Chief Executive Officer may delegate on an ad hoc basis some or all of the powers granted to him, apart from in the case of bond issues. The Senior Management shall regularly inform the Board of Directors of the use of such authorizations.

All these authorizations shall apply to transactions involving both the Company itself and the companies that it directly or indirectly controls.

The Chief Executive Officer's term of office shall be freely determined by the Board of Directors, but may not exceed three years. On reaching the age limit of 75, the Chief Executive Officer shall remain in office until his term expires.

If the Chief Executive Officer is temporarily indisposed, the Board of Directors shall appoint an acting Chief Executive Officer whose duties shall end on the date on which the Chief Executive Officer is once again in a position to perform his duties.

On a proposal from the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer, having the title of Deputy Chief Executive Officer.

The maximum number of Deputy Chief Executive Officers is five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of the powers granted to the Deputy Chief Executive Officer(s), who shall have the same powers as the Chief Executive Officer with respect to third parties.

However, as a measure of internal order, the Deputy Chief Executive Officer may carry out any transaction or undertaking in an amount less than or equal to Euro one million (Euro 1,000,000) and particularly:

- any subscription or purchase of securities, any acquisition of an equity interest, immediate or deferred, in any de facto or de jure grouping or company, and any disposal, total or partial, of equity interests or securities;
- any acquisition or assignment of claims, lease rights or other intangible assets;
- any contribution or exchange, with or without consideration, affecting assets, rights, stocks or securities;
- any acquisition or disposal of properties or real-estate rights;
- any issue of securities by companies controlled directly or indirectly by the Company;
- any transaction or any settlement relating to a dispute.

If the Chairman performs the duties of Chief Executive Officer, the Chief Executive Officer or each of the Deputy Chief Executive Officers shall be authorized to grant sub-delegations or substitute powers of attorney for one or more transactions or categories of transaction.

III. Committees

Article 9: Provisions common to all specialized committees

Pursuant to Article 19-III of the articles of association, the Board of Directors may establish one or more Specialized committees, the composition and remit of which it shall determine, and which shall conduct their activities under its responsibility. This remit may not delegate to the committee powers that are granted to the Board of Directors by law or by the articles of association. Each committee shall report to the Board of Directors on its assignments.

Committees shall have at least three members, drawn from directors who are individuals or permanent representatives or non-voting directors appointed by the Board of Directors. Members are appointed personally and may not be represented by someone else.

The Board of Directors shall determine the committee members' term of office, which may be renewed.

The Board of Directors shall appoint a Chairman for each committee for a maximum term corresponding to that of his or her term of office as a member of the committee.

Each committee shall decide how often it meets.

Each committee may decide as necessary to invite any person of its choosing to meetings.

The minutes of each committee meeting shall be drawn up, except where otherwise provided, under the authority of the committee Chairman and sent to the committee members. These are also made available to all Board members once they have been approved by the committee. The Committee Chairman shall report to the Board of Directors on his/her committee's work.

A report on each committee's activity shall be given in the Company's annual report, and in particular in the Board of Directors' corporate governance report.

Within the scope of its remit, each committee shall issue proposals, recommendations and opinions as appropriate. To that end, it may carry out or commission any studies likely to inform the Board of Directors' discussions.

Committee members shall receive additional directors' fees awarded by the Board of Directors on a recommendation from the Appointments and Compensation Committee.

At its meeting of August 22, 2005, the Board of Directors instituted an Audit Committee, called the Audit, Risks and Sustainable Development Committee since October 24, 2017, an Appointments and Compensation Committee and an Investment Committee.

Each committee draws up a set of rules, subject to the Board of Directors' prior approval, describing its organization, operation, remit and attributes.

Article 10: Audit, Risks and Sustainable Development Committee

10.1 Composition – Organization

The Audit, Risks and Sustainable Development Committee shall have at least three members, appointed by the Board of Directors from those of its members who have financial and management experience, and at least two-thirds of its members will be independent directors.

The Committee shall meet at least three times a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Audit, Risks and Sustainable Development Committee may consult any person of its choosing from the support divisions of the Company and its subsidiaries, including outside the presence of Senior Management. The Audit, Risks and Sustainable Development Committee may, in the performance of its assignment, call on any outside adviser or expert it deems useful.

The Audit, Risks and Sustainable Development Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

The Audit, Risks and Sustainable Development Committee draws up a set of rules, subject to the Board of Directors' prior approval, describing its organization, operation, remit and attributes.

10.2 Duties and responsibilities of the Audit, Risks and Sustainable Development Committee

In accordance with the provisions of Article L. 823-19 of the French Commercial Code, under the responsibility of the Board of Directors, the Audit, Risks and Sustainable Development Committee is tasked with monitoring matters relating to the preparation and checking of financial and accounting information.

10.2.1 Examination of accounts and financial statements

The Audit, Risks and Sustainable Development Committee's principal assignments are to assist the Board of Directors in its task relating to the examination and approval of the annual and half-year financial statements.

In the context of monitoring the process used to prepare the accounting, financial and extra-financial information, the Audit, Risks and Sustainable Development Committee shall review the annual and half-year financial statements of the Company and the Group and the related reports before they are approved by the Board of Directors. The Committee ensures that these are consistent with information of which it is aware by considering the appropriate nature of the accounting principles used and choices made and their compliance with the applicable accounting standards.

In the context of monitoring the process used to prepare the financial and extra-financial information, the Committee makes recommendations, where necessary, to guarantee the soundness of this information.

It shall review the terms for the approval of the financial statements and the nature, scope and results of the work carried out by the Statutory Auditors on that occasion within the Company and its subsidiaries.

As such, the Audit, Risks and Sustainable Development Committee shall consult with the Statutory Auditors, including without the representatives of the Company being present, and have access to their analyses and findings.

10.2.2 Statutory Auditors

The Audit, Risks and Sustainable Development Committee oversees the procedure for selecting Statutory Auditors and is informed of the procedure implemented within Group subsidiaries. In this role, the Committee reviews and makes a recommendation on the candidacies to present for appointment or renewal by the Annual General Meeting, which is communicated to the Board of Directors and drawn up in line with relevant regulations.

The Audit, Risks and Sustainable Development Committee ensures that the Statutory Auditors, with whom it has regular contact, respect the conditions of independence as defined by applicable law. As such, it shall examine all their dealings with the Company and its subsidiaries and issue an opinion on the fees they request.

The Audit, Risks and Sustainable Development Committee approves the provision of services other than the certification of financial statements that may be provided by the Statutory Auditors or member of their network in line with the relevant law. It defines the approval procedure under the conditions, where applicable, of the competent authorities.

It monitors how the Statutory Auditors carry out their mission.

The Audit, Risks and Sustainable Development Committee reports to the Board of Directors on the results of the mission to certify financial statements, the way in which this mission contributed to the soundness of financial information and the role it played in this process.

10.2.3 Monitoring the effectiveness of the internal control and risk management systems

The Audit, Risks and Sustainable Development Committee monitors the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit systems, in terms of procedures relating to the production and processing of accounting and financial information, without infringing on its independence. It examines the Company's exposure to financial and extra-financial risks.

The Audit, Risks and Sustainable Development Committee shall periodically examine the internal control procedures and, in general, the audit, accounting and administration procedures in effect in the Company and in the Group, in liaison with the Chief Executive Officer, Internal Audit Departments and the Statutory Auditors. The Audit, Risks and Sustainable Development Committee thus acts as the liaison body between the Board of Directors, the Statutory Auditors of the Company and its subsidiaries and the Internal Audit Departments.

The Audit, Risks and Sustainable Development Committee is also responsible for examining any transaction, fact or event that may have a significant impact on the situation of Mercialys or its subsidiaries in terms of commitments and/or risks. It shall verify that the Company and its subsidiaries have the appropriate means (audit, accounting, and legal) to guard against risks and anomalies in the management of the business of the Company and of its subsidiaries.

In the framework of the rules relating to regulated agreements and commitments, significant transactions concluded between Mercialys or its fully-owned subsidiaries on the one hand and related parties on the other may be brought before the Audit, Risks and Sustainable Development Committee, since these agreements or transactions reach the significance threshold defined by the rules. The Audit, Risks and Sustainable Development Committee is responsible for assessing the balance of the transaction and the appropriateness of the procedure followed to approve the terms, based on the files provided by the Senior Management for each agreement and/or transaction concerned. The Audit, Risks and Sustainable Development Committee shall formulate an opinion which is sent to the Senior Management and made available to the Board of Directors.

Article 11: Appointments and Compensation Committee

11.1 Composition – Organization

The Appointments and Compensation Committee is composed of at least three members the majority of whom are independent directors. Its Chairman is selected from among the independent directors.

The Committee shall meet at least twice a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Appointments and Compensation Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the Human Resources Department as well as of the Group's Administrative and Financial Department, in particular in order to inform the Committee on the compensation policy for the main senior executives.

In the performance of its assignment, it may call on any outside advisor or expert it deems useful.

The Appointments and Compensation Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

11.2 Duties and responsibilities of the Appointments and Compensation Committee

11.2.1 Duties relating to compensation

The assignments of the Committee are:

- to prepare setting the compensation of the Chairman of the Board of Directors, in the event that the functions of Chairman and Chief Executive Officer are separated;
- to prepare decisions on the compensation of the Chief Executive Officer and any Deputy Chief Executive Officer(s) and to propose, as required, qualitative and quantitative criteria for determining the variable component of such compensation;
- to assess all the other benefits and compensation awarded to the Chief Executive Officer and if applicable, any Deputy Chief Executive Officer(s);
- to examine proposed stock warrant, stock option and bonus share plans for employees and executives so that the Board of Directors may set the overall and/or individual number of options or shares awarded, as well as the terms and conditions for awarding them.

11.2.2 Duties relating to governance and appointments

The assignments of the Committee are:

- to examine the composition of the Board of Directors;
- to examine the candidacies for directorships, having regard to the candidates' business experience, skills and the extent to which they are representative in economic, social and cultural terms;
- to examine candidacies for the position of Chief Executive Officer and, where applicable, Deputy Chief Executive Officer;
- to obtain disclosure of all useful information relating to the methods of recruitment, compensation and status of the senior executives of the Company and its subsidiaries;
- to make any proposals and issue any opinion on the Directors' fees or other compensation and benefits granted to voting and non-voting directors;
- to assess the position of each director in light of any relationship they might have with the Company or with the Group's companies that might compromise their freedom of judgment or lead to potential conflicts of interest with the Company; the Committee may examine any proven or potential conflict of interest of a director and decide what action to take;
- to carry out regular appraisals of the Board of Directors and to ensure that the implementation of the governance rules is respected within the Board with regard to the AFEP-MEDEF Code and the application guide for the High Committee in charge of Corporate Governance.

Article 12: Investment Committee

12.1 Composition – Organization

The Investment Committee shall have five members, including two independent members, two members representing the majority shareholder and the Chairman of the Board of Directors.

The Committee shall meet at least twice a year, meetings being called by the Chairman, who may organize any additional meetings as circumstances require.

The Chief Executive Officer of the Company, is a permanent guest of the Investment Committee.

The Committee's opinions shall be adopted by a simple majority. When the Investment Committee considers a transaction involving the majority shareholder, its two representatives take part in the discussions in an advisory capacity only.

To this end, the Investment Committee shall have at its disposal, in liaison with the Chief Executive Officer, the services of the support and operational divisions of the Company and of the relevant subsidiaries.

In the performance of its assignment, it may also call on any outside adviser or expert it deems useful.

The Committee shall report to the Board of Directors on its work, studies and recommendations, the Board having entire discretion as to how it wishes to follow them up.

12.2 Duties and responsibilities of the Investment Committee

The assignments of the Investment Committee are:

- to examine the investment strategy and ensure that acquisitions and disposals are consistent with this strategy; in this respect, the Committee shall be regularly informed of planned investments and disposals;
- to examine and issue an opinion on the annual investment budget;
- to study and issue an opinion on planned investments and disposals subject to prior authorization by the Board of Directors, as set out in Article 8;
- to examine and give an opinion on (i) all renegotiations (annual or other) relating to the Partnership Agreement with the Casino group concerning development projects, (ii) all projects covered by the said agreement which must be submitted to the Board of Directors for prior authorization in accordance with the terms of the said agreement, and (iii) all decisions required for the Board of Directors in respect of the said agreement;
- to carry out all appropriate studies or assignments.

In the framework of the rules relating to regulated agreements and commitments, significant transactions concluded between Mercialys or its fully-owned subsidiaries on the one hand and related parties on the other may be brought before the Investment Committee, where these agreements or transactions reach the significance threshold defined by the rules. The Investment Committee is responsible for assessing the balance of the transaction and the appropriateness of the procedure followed to approve the terms, based on the files provided by the Executive Management for each agreement and/or transaction concerned. The Investment Committee shall formulate an opinion which is sent to the Senior Management and made available to the Board of Directors.

IV. Non-voting directors

Article 13: Non-voting directors

The Ordinary General Meeting may appoint non-voting directors to the Board of Directors, who may be individuals or legal entities chosen from among the shareholders. The Board of Directors may appoint a non-voting director subject to ratification at the next Annual General Meeting.

There may not be more than two non-voting directors. Their term of office is three years. They may be reappointed without limitation.

Any non-voting director shall be deemed to have resigned automatically at the end of the Ordinary General Meeting called to approve the financial statements for the year in which the non-voting director reaches the age of 80.

Non-voting directors attend Board meetings and provide comments and advice and take part in the discussions in an advisory capacity.

They may receive remuneration for their services, the aggregate amount of which is set by shareholders at their Ordinary General Meeting and maintained until a new decision is taken in another Annual General Meeting. The Board of Directors shall divide such compensation between non-voting directors as it deems appropriate.

V. Ethics applicable to members of the Board of Directors

Article 14: Principles

All directors must be able to perform their duties in accordance with the rules of independence, ethics and integrity.

In accordance with the principles of corporate governance, all directors shall perform their duties in good faith, in the way they consider best to further the Company's interests and with the due care expected of any normally prudent person performing such duties.

All directors undertake, in all circumstances, to maintain their freedom of appreciation, judgment, decision and action and to reject all pressure, direct or indirect, that may be exerted on them.

Article 15: Information provided to directors

Before accepting their assignment, all directors must acquaint themselves with the laws and regulations relating to their position, the applicable good governance practices and codes, and any requirements specific to the Company arising from the articles of association and these rules of procedure.

Directors have a duty to request the information which they believe necessary to fulfill their role. To this end, they must submit a request to the Chairman, within the appropriate time limits, for all useful information required to effectively participate in meetings with respect to the matters on the Board's agenda.

Each director may receive, if he or she deems it necessary, additional training on matters specific to the Group, its business units and sector and its social and environmental priorities, and on accounting or financial aspects to perfect their knowledge.

Article 16: Defense of the corporate interest – Absence of conflicts of interest

Even though directors are shareholders themselves, each director represents all shareholders and must act in the best interest of the company under all circumstances.

Each director has a duty of loyalty to the Company. He or she shall not act in any way that would be contrary to the interests of the Company or the Group's companies.

All directors undertake to verify that the Company's decisions do not favor one category of shareholders over another.

All directors shall inform the Board of any conflict of interest, real or potential, in which they may be directly or indirectly involved. In accordance with the provisions of Article 19 of the AFEP-MEDEF Code revised in June 2018, he or she is required to abstain from attending the debate and taking part in voting on the debate on related topics.

Each director must consult the Chairman before engaging in any activity or accepting any position or obligation that may place him or her in a position of conflict of interest, even if this is merely potential. The Chairman may take these matters to the Appointments and Compensation Committee.

Article 17: Control and appraisal of the operation of the Board of Directors

The directors must be attentive to how the powers and responsibilities of the Company's corporate bodies are shared out and exercised.

The directors must verify that no person can exercise uncontrolled discretionary power over the Company. They must ensure that the specialized committees created by the Board of Directors operate smoothly.

Once a year, the Board of Directors shall organize a discussion on how it operates. The Board of Directors shall also conduct a regular appraisal of its own operation, entrusted by the Chairman of the Board of Directors to the Appointments and Compensation Committee.

The non-Executive Directors meet at least once a year, without the Executive Directors or the directors representing the majority shareholder being present, to discuss any subject.

Article 18: Presence of directors – Accumulation of directorships

Each director must comply with current legal provisions governing the accumulation of offices, as well as the recommendations of the AFEP-MEDEF Code.

Each director will inform the Company of any offices held in other French or foreign companies. He or she will inform the Company of any new office or professional responsibility without undue delay. When a director holds an executive role within the Company, he or she must also request the opinion of the Board of Directors before accepting a new corporate office in a listed company that does not belong to the Group.

All Directors must devote the requisite time and attention to their duties. They shall be assiduous and attend all Board of Directors' meetings, general meetings of shareholders and meetings of committees of which they are members.

Article 19: Confidentiality

The Directors and all other persons who attend Board of Directors' meetings are subject to a general confidentiality obligation as regards the discussions and decisions of the Board and its committees.

Information of a non-public nature passed on to a member of the Board of Directors in the context of their duties is intended for them only. They must personally ensure that the information is kept confidential and may not disclose it under any circumstances. The same obligation also applies to the representatives of legal entities who are directors and to non-voting members of the Board.

Article 20: Shareholdings – Transactions involving Company securities

All company shares held by a director, natural person or legal entity, must be held in registered form. For directors who are natural persons, the company shares held his or her dependent minors and/or spouse (providing they are not separated), must also be held in registered form. Moreover, all directors shall inform the Company of the number of shares in the Company they hold at December 31 each year, at the time of any financial transaction, or at any time at the Company's request.

Each member of the Board of Directors undertakes to comply with the provisions of the Insider trading policy relating to the prevention of the use of insider information and securities transactions for which he or she has received prior written information, and all applicable legal or regulatory provisions.

In particular, in accordance with Article 19 of EU regulation No. 589/2014 dated April 16, 2014 covering market abuse and Article 621-18-2 of the French monetary and financial code ("*Code monétaire et financier*"), each director must inform the French stock exchange authority ("*Autorité des Marchés Financiers*") and the Company of any transactions carried out on the Company's financial instruments, under the conditions stipulated by the Insider trading policy. The same applies to persons who have close ties with members of the Board of Directors. Directors must notify persons with whom they have close ties of their reporting obligations and ensure that the Company has an up-to-date list of these persons at all times.

Directors should note that they are likely to have access to insider information and must ensure, before entering into any transactions in the Company's financial instruments that they are not in an insider situation.

Thus, as stipulated in the Insider trading policy in the event of possession of inside information, directors must, in particular, abstain from carrying out, either directly or indirectly or through an intermediary, any transactions in financial instruments to which inside information relates or in instruments to which these financial instruments are related, and must refrain from disclosing said information to third parties, for as long as the information has not been made public.

Moreover, each director must also abstain from carrying out any transactions relating to the Company's financial instruments, directly or indirectly, on his or her own behalf or for a third party, during the 30 days preceding the publication of the Company's annual and half-year financial statements and during the 15 days preceding the publication of the Company's quarterly revenue, as well as on the day on which said annual and half-year financial statements and quarterly revenue are published.

VI. Adoption of the Internal rules

These Internal rules were approved by the Board of Directors, during its meeting on August 22, 2005. Their most recent update was approved at the February 12, 2020 meeting.

9.2 Other regulatory disclosures

9.2.1 Factors that may have an impact in the event of a public tender offer

The structure of holdings in the Company's share capital and of the direct and indirect stakes in the Company's share capital of which it is aware pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code are provided in chapter 7, § 7.2, p. 322 *et seq.*

The articles of association impose no restrictions on the exercise of voting rights and transfers of shares, nor have any agreements been brought to the Company's attention in accordance with Article L. 233-11 of the French Commercial Code providing for preferential conditions for the sale or purchase of shares, nor is there any agreement between shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights.

The Company has not issued any shares carrying special control rights and there is no control mechanism provided in any employee shareholding scheme when control rights are not exercised by the latter.

Rules applying to the appointment and replacement of Board members, as well as amendments to the Company's articles of association, are described in § 9.1.3.2, p. 370 *et seq.*

The powers of the Board of Directors are described in chapter 4, § 4.1.2, p. 233 and 234, and in § 9.1.5, II, p. 376 *et seq.* As regards share issues and share buybacks, the powers delegated to the Board of Directors are indicated in chapter 7, § 7.2.2, p. 323. Agreements signed by the Company that are amended or can potentially be terminated in the event of a change of ownership of the Company are mentioned in chapter 6, § 6.2, p. 298 *et seq.*

Furthermore, there are no agreements providing for compensation for Board members or employees if they resign or are made redundant without just cause or if their employment ends as a result of a public tender offer.

Bank financing agreements include clauses which state that the debt may, at the request of a lending institution, become immediately refundable in the event of a change of ownership. Such a change of ownership will be considered to be effective in each of the following cases:

- in the event that the share of capital and voting rights held by Casino, Guichard-Perrachon and/or its subsidiaries as well as any entity directly or indirectly controlling Casino, in the Company falls below 20% or;
- in the event that a third party, which may include Casino, Guichard-Perrachon, acting alone or in concert, might control the Company within the meaning of Article L. 233-3 I and II of the French Commercial Code or;
- in the event that a third party other than Casino, Guichard-Perrachon and/or its subsidiaries, acting alone or in concert, might directly or indirectly hold more than 50% of the Company's capital or voting rights or;
- in the event that a third party, which may include, Casino, Guichard-Perrachon and/or its subsidiaries as well as any entity directly or indirectly controlling Casino, acting alone or in concert, might directly or indirectly hold more than 50% of the Company's capital or voting rights.

Furthermore, the contract for issuing the Euro 550 million in bonds arranged on December 2, 2014 and for the opening of a Euro 200 million tap on the pre-existing bond issue on November 27, 2015 that reaches maturity on March 31, 2023, and the contract for issuing the bonds arranged in connection with the Euro 150 million private placement on November 3, 2017, that reaches maturity on November 3, 2027, and the contract for issuing the Euro 300 million in bonds arranged on February 27, 2018 that reaches maturity on February 27, 2026 provide for an early redemption option, which can be exercised by investors in the event of a downgrade in Mercialys's long-term senior debt rating, but only if this downgrade is attributable to a change in the Company's control. A change in ownership shall be deemed effective if a third party (*i.e.* any person other than Casino, Guichard-Perrachon and its subsidiaries), acting alone or in concert with other third parties, comes into possession of more than 50% of the Company's voting rights. A rating downgrade shall be deemed to have taken place in the event of (i) a withdrawal of the rating by a rating agency, (ii) a downgrade in the rating to non-investment grade (*i.e.* a downgrade of at least two notches on the current BBB rating), or, (iii) if the rating is already in the non-investment grade category, a downgrade of at least one notch.

9.2.2 Research and development, patents and licenses

Mercialys's real estate development business consists of acquiring, owning and managing real properties for leasing purposes. In this respect, Mercialys does not conduct any research and development activities and does not own any patents. Furthermore, the Company considers that its business activity and profitability do not depend on any trademarks, patents or licenses.

9.2.3 Legal or arbitration proceedings

In the normal course of its business, Mercialys is involved in various legal or administrative proceedings and is subject to administrative checks. The Company sets aside provisions whenever a serious risk threatens to materialize before the end of the fiscal year, and it is possible to estimate its financial impact.

In the asset contributions made to Mercialys in October 2005, the Company was substituted for the contributing companies in connection with disputes involving such assets. In accordance with the contribution agreements entered into with the Company, the contributing companies concerned shall compensate Mercialys for any prejudice, loss, charge or damage compensation the latter might incur in connection with such disputes.

The main dispute concerns problems relating to roads on a site on Reunion Island. Nevertheless, the risk seems insignificant, given that the amount to which the dispute relates makes up less than 1.7% of recurring earnings for 2019.

There are no other governmental, judicial or arbitration proceedings, including any pending proceedings known to the Company or threatening it, likely to have, or having had over the past 12 months, significant impacts on its financial position or profitability.

9.3 Statutory Auditors and person responsible for the Universal Registration Document

9.3.1 Statutory Auditors: identification and fees

9.3.1.1 Principal auditors

Ernst & Young et Autres

12, place des Saisons

92400 Courbevoie Paris-La Défense 1

Signatory partner: Nicolas Perlier (since the fiscal year 2016)

Date of first appointment: August 19, 1999 (bylaws)

Renewal: Annual General Meeting of April 20, 2016

Date of expiry of final term of office: at the end of the Ordinary General Meeting to be held in 2022 to approve the financial statements for the fiscal year ended December 31, 2021

KPMG SA

Tour Eqho

2, avenue Gambetta

CS 60055

92066 Paris-La Défense Cedex

Signatory partner: Isabelle Goalec (since the fiscal year 2016)

Date of first appointment: May 06, 2010

Renewal: Annual General Meeting of April 20, 2016

Date of expiry of the term of office: at the end of the Ordinary General Meeting to be held in 2022 to approve the financial statements for the fiscal year ended December 31, 2021

9.3.1.2 Alternate auditors

Auditex

Alternate auditor for Ernst & Young et Autres

12, place des Saisons

92400 Courbevoie Paris-La Défense 1

Date of first appointment: May 06, 2010

Renewal: Annual General Meeting of April 20, 2016

Date of expiry of the term of office: at the end of the Ordinary General Meeting to be held in 2022 to approve the financial statements for the fiscal year ended December 31, 2021

Salustro Reydel

Alternate Auditor for KPMG SA

Tour Eqho

2, avenue Gambetta

CS 60055

92066 Paris-La Défense Cedex

Date of first appointment: April 20, 2016

Date of expiry of the term of office: at the end of the Ordinary General Meeting to be held in 2022 to approve the financial statements for the fiscal year ended December 31, 2021

9.3.1.3 Fees for the Statutory Auditors and the members of their networks covered by the Group

Years covered[1]: December 31, 2019 and December 31, 2018

	Ernst & Young				KPMG SA			
	Amount (ex. tax)		%		Amount (ex. tax)		%	
	2019	2018	2019	2018	2019	2018	2019	2018
Recurring audit reviews								
Independent audits, certification, review of individual and consolidated financial statements[2]								
• Mercialys SA (parent company)	159,000	156,000	54%	49%	159,000	156,000	75%	68%
• Fully consolidated subsidiaries	58,800	65,100	20%	20%	25,900	25,500	12%	11%
• DPEF review	33,500	38,000	11%	12%	-	-	-	-
Non-recurring reviews								
• Mercialys SA - Interim dividend	5,000	5,000	2%	2%	5,000	5,000	2%	2%
• Subsidiaries - Interim dividend	37,500	37,500	13%	12%	20,000	25,000	9%	11%
• Mercialys - Various transactions[3]	3,000	17,500	1%	5%	3,000	17,500	1%	8%
TOTAL	**296,800**	**319,100**	**100%**	**100%**	**212,900**	**229,000**	**100%**	**100%**

(1) For the period in question, these are the services performed in respect of a fiscal year taken into account in the income statement.

(2) Including the services of independent experts or members of the Statutory Auditors' network that they use in connection with the certification of financial statements.

(3) For 2019, corresponds to the fees related to the application of IFRS 16 and for 2018 to the issuance of a comfort letter as part of a Euro 300 million bond issue, as well as the review of the application of IFRS 9.

9.3.2 Declaration of the person responsible for the Universal Registration Document

Person responsible for the Universal Registration Document

Vincent Ravat

Chief Executive Officer

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Universal Registration Document is, to the best of my knowledge, fairly presented and free from material misstatement.

To the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all subsidiaries included in the scope of consolidation. I also declare that the Management Report (see cross-reference table on page 389) gives an accurate account of the development of the business, results and financial position of the Company and all subsidiaries included in the scope of consolidation and describes the main risks and uncertainties to which they are exposed."

In accordance with Article 28 of Commission Regulation (EC) No. 809/2004, the following information is included by reference in this Universal Registration Document:

- In respect of the fiscal year ended on December 31, 2018:

the Management Report, the consolidated financial statements, the Company's separate financial statements, and the corresponding Statutory Auditors' reports that appear in the 2018 Registration Document filed with the AMF on March 18, 2019 under filing number D.19-0165, on pages 379, 102 to 156, 161 to 183, 157 to 160 and 184 to 187 respectively.

- In respect of the fiscal year ended on December 31, 2017:

the Management Report, the consolidated financial statements, the Company's separate financial statements, and the corresponding Statutory Auditors' reports that appear in the 2017 Registration Document filed with the AMF on March 19, 2018 under filing number D.18-0148, on pages 353, 104 to 158, 163 to 188, 159 to 162 and 189 to 192 respectively.

The information included in those two Registration Documents, other than the information included above, are either replaced or updated by the information present in this Universal Registration Document. Both these Registration Documents are available for viewing at the Company's head office and on its website www.mercialys.com.

Paris, March 23, 2020

Vincent Ravat

Chief Executive Officer

9.4 Cross-reference tables

9.4.1 Universal Registration Document

This cross-reference table lists the items laid down in Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council and repealing Commission Regulation (EC) No 809/2004, and refers the reader to the pages of this Universal Registration Document in which the information relating to each of these items is mentioned:

	Pages
1. Persons responsible, third party information, experts' reports and competent authority approval	
1.1 Identity of persons responsible	386
1.2 Declaration of persons responsible	386
1.3 Experts' declaration	60 to 62, 111 to 114
1.4 Declaration relative to the filing of the document	1
2. Statutory Auditors	**384**
3. Risk factors	**273 to 295**
4. Information about the issuer	
4.1 Legal and commercial name of the issuer	365
4.2 Place of registration of the issuer, its registration number and its LEI	365
4.3 Date of incorporation and length of life of the issuer	365
4.4 Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address and telephone number of its registered office, and the issuer's website	366
5. Business overviews	
5.1 Principal activities	38 to 41
5.2 Principal markets	60 to 67
5.3 Important events in the development of the issuer's business	45
5.4 Strategy and objectives	56
5.5 Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	n/a
5.6 Basis for any statements made by the issuer regarding its competitive position	46 to 49
5.7 Investments	55
6. Organizational structure	
6.1 Summary description of the Group	298
6.2 List of significant subsidiaries	305 to 310
7. Operating and financial review	
7.1 Financial position	42 to 59, 118 to 171, 176 to 199
7.2 Operating results	49 and 50, 118, 176
8. Liquidity and equity capital	
8.1 Information about the equity capital	43, 120, 177
8.2 Sources and amounts of the issuer's cash-flows	44, 121, 178
8.3 Information on the borrowing requirements and funding structure of the issuer	41, 52 to 54, 150 to 154, 190 and 191
8.4 Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect the issuer's operations	n/a
8.5 Information regarding the anticipated sources of funds needed to fulfill the commitments referred to in item 5.7	n/a
9. Regulatory environment	**383 and 384**
10. Trend information	**56**
11. Profit forecasts or estimates	**56**
12. Administrative, management and supervisory bodies and Senior Management	
12.1 Board of Directors and Senior Management	214 to 234
12.2 Conflicts of interest involving administrative, management and supervisory bodies and Senior Management	242 and 243

	Pages
13. Compensation and benefits	
13.1 Amount of compensation paid and benefits in kind	243 to 270
13.2 Total amount set aside or accrued by the issuer to provide for pension, retirement or similar benefits	n/a
14. Board practices	
14.1 Date of expiry of term of office	215
14.2 Service contracts between members of the Board of Directors and the Company or any of its subsidiaries	242 and 243
14.3 Information about the Board of Directors' committees	236 to 240
14.4 Compliance with the applicable corporate governance regime	214
14.5 Potential material impacts on corporate governance, including future changes in the composition of the Board and committees	235 and 236
15. Employees	
15.1 Number of employees	91
15.2 Shareholdings and stock options	92
16. Major shareholders	
16.1 Shareholders holding more than 5% of the share capital	324 to 326
16.2 Existence of different voting rights	n/a
16.3 Direct and indirect control – Statement concerning control of the Company by the majority shareholder	324 to 326, 327 to 332
16.4 Arrangements that could result in a change in control	n/a
17. Related-party transactions	**171, 195 and 196, 241**
18. Financial information concerning the issuer's portfolio, financial position and profits and losses	
18.1 Historical financial information	42 to 60, 118 to 171, 176 to 201
18.2 Interim and other financial information	n/a
18.3 Auditing of historical annual financial information	172 to 175, 200 to 208
18.4 Pro forma financial information	n/a
18.5 Dividend policy	318 and 319
18.6 Legal and arbitration proceedings	384
18.7 Significant change in the financial or trading position	n/a
19. Additional information	
19.1 Share capital	322
19.2 *Memorandum* of incorporation and articles of association	370 to 374
20. Material contracts	**299 to 304**
22. Documents available	**320 and 321**

9.4.2 Annual Financial Report

The table below provides cross references for the information provided in this document constituting the Annual Financial Report as required of listed companies in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations:

	Pages
Separate financial statements	176 to 210
Consolidated financial statements	118 to 175
Management Report	389
Statement by the persons responsible for the Annual Financial Report	386
Statutory Auditors' report on the corporate and the consolidated financial statements	200 to 208, 172 to 175
Board of Directors' Corporate Governance Report	390
Statutory Auditors' observations on the Board of Directors' Corporate Governance Report established pursuant to Article L. 225-235 of the French Commercial Code	202

9.4.3 Management Report of the Board of Directors

The table below provides cross references for the information provided in this document constituting the Board of Directors' Management Report in accordance with Articles L. 225-100 and L. 225-100-2 of the French Commercial Code:

	Pages
Situation and activity of the Company during the past year	42 to 60, 176 to 199
Results of the Company, its subsidiaries and the companies they control	118 to 171, 305 to 310
Key performance indicators	46
Analysis of the development of business activity, results and financial position	42 to 60
Acquisitions of significant shareholdings in companies having their head office in France	n/a
Trade payables – Payment times	210
Progress made or difficulties encountered	38 to 41
Description of the main risks and uncertainties, in particular:	
• financial risks connected with the effects of climate change	72 and 73
• market risks (interest rate, foreign exchange, equities)	290 to 292
Internal control and risk management procedures	274 to 280
Indications concerning the use of financial instruments: objectives and the Company's policy in terms of financial risk management	280 to 292
Information about country risk	n/a
Significant events since the balance sheet date and the date of the Management Report	57, 171, 197
Expected changes and outlook	56
Trading in the Company's shares by executives and corporate officers	328 to 332
Information about social commitments to promote sustainable development	69 to 114
Information on the technological accident risk prevention policy	n/a
Changes made in the presentation of the separate (and consolidated) financial statements	126 and 127, 180 and 181
Main shareholders and share ownership structure and voting rights at December 31, 2019	324 to 326
Employee holdings in the share capital	332
Buying and selling of treasury shares	316 to 318
Net income for the period and proposed appropriation of income	118, 176, 338
Amount of dividends paid over the last three years	338
Research and development activities	n/a
Observations by the Works Council on the economic and social situation	n/a
Corporate Social Responsibility (CSR) Report	69 to 110
Statutory Auditors' Fees	385
Appendices	
Five-year summary of results	209

9.4.4 Corporate Governance Report

The table below provides cross references for the information provided in this document constituting the Board of Directors' Corporate Governance Report in accordance with Articles L. 225-37 and L. 225-37-4 of the French Commercial Code:

	Pages
Means of Senior Management of the Company	233 and 234
Appointments and duties of corporate officers	218 to 231
Membership and conditions for preparing and organizing the Board's work	215, 234 to 236
Diversity policy applied to members of the Board of Directors	216
Limitations to the powers of the Chief Executive Officer	233 and 234
Compensation paid to corporate officers	243 to 270
Trading in the Company's shares by executives and corporate officers	328 to 332
Agreements between an executive or major shareholder and a subsidiary	242 and 243
Monitoring of capital increase authorizations	323
Methods for shareholder participation at the Annual General Meeting	373 and 374
Reference to a corporate governance code	214
Information on factors likely to have an impact in the event of a public tender offer	383
Statutory Auditors' observations on the Corporate Governance Report	202

9.4.5 Extra-financial Performance Statement

The table below provides cross references for the information provided in this document constituting the Extra-financial Performance Statement in accordance with Article L. 225-102-1 of the French Commercial Code:

	Pages
Presentation of the business model	28 and 29
Description of the main extra-financial risks related to the Company's business activity	71 to 73
Description of policies for preventing, identifying and managing extra-financial risks and their results	70 to 73
Social consequences of the Company's operations	91 to 96
Environmental consequences of the Company's operations	75 to 82
Effect of the business with respect to human rights	90, 97
Effect of the business with respect to the fight against corruption	90, 97
Effect of the business with respect to tax evasion	97
Climate change consequences of the Company's operations and the use of the goods and services it produces	75 to 77
Social engagement	81 to 90
Circular economy	79 to 80
Fight against food waste	97
Fight against food scarcity	97
Respect for animal well-being	97
Responsible, fair and sustainable food supply	97
Collective agreements and impacts	95,98
Fight against discrimination and promotion of diversity	92 to 94

9.5 Subject index and glossary

9.5.1 Subject index

Subjects	Pages
Accounting principles	125, 126, 180 to 182
Acquisitions	121, 133, 142, 169, 170, 195
AFEP-MEDEF Code	214
Agreements	167 to 170, 192, 193, 298 to 304
Annual General Meeting	336 to 361, 373, 374
Appointments and Compensation Committee	20, 215, 239, 240, 242, 243 to 246, 380
Appraisal	55, 56, 60 to 67, 143 to 146, 282 to 283
Articles of association	370 to 374
Audit, Risks and Sustainable Development Committee	17, 20, 27, 215, 236 to 238, 241, 243 to 247, 274, 275, 280, 379, 380
Balance sheet	43, 120, 177
Biodiversity	16, 17, 72, 73, 81, 101, 393
Board of Directors	18, 19, 105, 107, 214 to 236, 240, 243 to 246, 370 to 372, 374 to 378
Bonus shares	91, 104, 162, 189, 254, 260, 268, 332, 333
Brand	14, 15, 303, 304
Capital gains	52, 55, 138, 185
Capitalization rate	55, 56, 143 to 146, 282, 283, 300, 396
Cash	44, 52, 121, 133, 152, 178, 188
Cash-flow Statement	44, 121, 178
CDP	35, 74, 263, 270
Chairman	3, 18, 19, 20, 215, 218, 233, 252 to 256
Chief Executive Officer	18, 24, 25, 45, 214, 219, 233, 234, 247 to 251, 261 to 263, 344, 371, 372, 386
Climate change	16, 17, 33, 34, 72, 73, 75 to 80, 100
Completions	40, 41, 46, 55
Conflicts of interest	240 to 243
Consolidated financial statements	117 to 175
Corporate officers	18 to 20, 24, 218 to 220
Corruption	72, 73, 90, 97
Cross-reference tables	387 to 390
Deputy Chief Executive Officer	18, 24, 25, 220, 233, 247 to 251, 268 to 270, 344
Director	18 to 20, 214 to 247
Directors' compensation	18, 243 to 247
Directorship	214 to 233
Disposals	40, 55, 121, 133, 178, 186
Diversity	16, 17, 18, 24, 34, 72, 73, 92 to 94, 104, 105
Dividend	38, 55, 56, 121, 163, 178, 188, 318, 319, 338
EBITDA	50, 51, 154, 191, 256, 259, 262, 264, 267, 269, 358, 360
Employees	7, 17, 23, 26, 27, 29, 34, 91, 96, 171, 209
Energy	17, 33, 72, 73, 75, 76, 99, 100
Environment	17, 33, 34, 72, 73, 75 to 81, 99 to 101, 390
Environmental certifications	17, 33, 72, 73, 78
EPRA	21, 22, 32, 35, 38, 41, 57 to 60, 99 to 107, 257, 262, 264, 269, 270
Equity	54, 123, 160 to 162, 188, 189
Ethics	27, 72, 73, 74, 90, 103, 236

Subjects	Pages
Financial Calendar	321
Financial debt	52 to 54, 150 to 154, 190 to 191
Fixed compensation	18, 20, 25, 170, 197, 249, 252, 255, 256, 261, 263, 269
French council of shopping centers (CNCC)	29, 108, 219, 256, 259
Funds From Operations	51, 52, 256, 257, 262, 263, 264, 265
Governance	18 to 21, 214 to 270
GRESB	3, 35, 74, 262
Income statement	42, 118, 176
Insurance	278
Interest rate	41, 53, 158, 159, 190, 191, 290 to 292
Internal rules	374 to 382
Investment Committee	20, 215, 238, 241, 242, 243 to 246, 380, 381
Liquidity contract	316 to 318
Local economic development	17, 23, 28, 72, 73, 85, 86, 103
Long-term compensation	25, 170, 197, 249, 250, 257, 262, 264, 269
Main highlights	128, 182
Management Committee	24, 105, 233, 234
Mapping	87, 97, 238, 274, 275, 280
MERY'21	16, 17, 70
Mobility	12, 13, 72, 73, 81, 82
Net Asset Value	32, 38, 41, 57, 58, 393
Net financial items	50, 51, 150, 151, 184
Net income attributable to owners of the parent	52, 160, 161, 337
Off-balance sheet commitments	166, 167, 192 to 194
Organization	128 to 130, 298, 305 to 310
Outlook	38, 56
Personnel expenses	29, 50, 137, 183
Pipeline	13, 40, 41
Rating agencies	35, 54, 292, 303, 314
Real estate portfolio	6, 60 to 67, 143 to 145, 262, 263, 282
Related parties	167 to 171, 195, 196, 241, 298 to 304
Rents	49, 50, 134 to 136, 182
Reports	172 to 175, 200 to 203
Resolutions	336 to 361
Responsible purchasing	16, 17, 23, 72, 73, 86 to 88, 97, 98, 103
Retailers	17, 22, 29, 33, 79 80, 84, 85, 89, 102, 103
Risk management	26, 27, 71 to 73, 82, 83, 158, 159, 274 to 294
Risks Prevention Committee	26, 27, 274, 275
Separate financial statements	176 to 210
Share buyback	316 to 318
Shareholder agreement	328
Shareholding	21, 38, 322 to 333
Social dialogue	98, 106
SRI	35
Stakeholders	22, 23
Statutory Auditors	171, 197, 384, 385
Stock exchange	314 to 321
Strategy	8 to 17
Subsequent events	57, 171, 197
Suppliers	25, 27, 29, 72, 73, 86 to 89, 155, 192, 210

Subjects	Pages
Tax	29, 51, 138 to 140, 155, 181, 185
Terms of payment	210
Thresholds crossing	327, 328
Training	16, 17, 34, 72, 73, 91, 92, 104
Treasury shares	160, 188, 316 to 318, 324 to 326
Variable compensation	18, 20, 25, 170, 197, 249, 250, 256, 258, 261, 262, 264, 269
Visitors	17, 22, 29, 82 to 84, 102
Waste	17, 33, 72, 73, 79, 100, 101
Water	17, 80, 101

9.5.2 Glossary

Ad'AP

Since January 1, 2015, the scheduled accessibility timetables (*Agendas D'accessibilité Programmée* – Ad'AP) allow managers or owners of public buildings or facilities open to the public to continue implementing or to implement the accessibility upgrades for their buildings after this date and in compliance with the obligations set by the law of February 11, 2005. An Ad'AP is thus a commitment to complete works within a determined time frame, to finance them and to respect the accessibility regulations, in exchange for the removal of the risks of sanction.

Asbestos Technical Report (DTA)

The Asbestos technical report (*Dossier Technique Amiante* – DTA) is a document drafted by a certified agency designed to organize the prevention of asbestos-related risks. The report has been compulsory since January 1, 2006, regardless of the construction date of a building and regardless of its use (residential, work, office building, buildings intended for industrial or agricultural use, common areas of community residential buildings).

Biodiversity

Biodiversity denotes all living species. It covers the diversity of genes, species and ecosystems and the way in which they interact.

BREEAM (Building Research Establishment Environmental Assessment Method)

BREEAM is the method developed by the Building Research Establishment, a private UK building research body, for assessing the environmental performance of buildings. It is the equivalent of AFNOR's HQE (*Haute Qualité Environnementale*) standard in France (www.breeam.com).

Built-up area

The total built-up area occupied by buildings or parts of buildings in a shopping center.

Capitalization rate

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

Casual Leasing

This concerns small stalls, generally measuring between 6 to 10 sq.m , and temporarily installed in the common parts. They are covered by specific contracts known as Short Term Agreements.

CNCC (Conseil National des Centres Commerciaux)

The CNCC, the national council of shopping centers, is the French professional organization that brings together all professionals in the shopping center industry (developers, managers, investors, brands, retailers, consultants and service providers) (www.cncc.com).

Company Savings Plan

A Company Savings Plan (PEE) is a collective savings system which allows a company's employees to build a securities portfolio with the company's help. The employee's payments to the plan may be topped up by contributions from the company. The sums are locked in for at least five years, but may be unlocked in exceptional circumstances.

Cost of debt

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

Current scope/like-for-like basis

The current scope includes all of Mercialys's portfolio at a given date, that is to say all assets held in the portfolio over the period analyzed.

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

EBITDA

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

Environmentally Protected/Classified Facility

Environmentally Protected or Classified Facilities are plants, workshops, depots, work sites and, more generally, facilities operated or held by any individual or public or private company, which may present a source of danger or nuisance to the neighboring area regarding health, safety, public health, agriculture, protection of nature, environment and landscapes, rational use of energy, conservation of sites and monuments or archaeological heritage sites.

EPRA (European Public Real Estate Association)

Non-profit organization founded in 1999, bringing together many property companies listed on the stock market in Europe. EPRA specifically issues recommendations concerning the publication of financial information, in order to ensure consistency and comparability of a number of financial and operational ratios between real estate companies (www.epra.com).

EPRA NAV (Net Asset Value)

NAV (Net Asset Value) is an indicator of the net market value of the asset of a real estate company. EPRA considers this indicator as providing a long-term vision of the company's management of its property assets. It is calculated exclusive of transfer taxes, deferred taxation, and change in market value of the fixed-rate debt and financial instruments. The ratio measures the value of a real estate company from the viewpoint of the business as a going concern.

EPRA Net Initial Yield

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

EPRA NNNAV (Triple Net Asset Value)

NNNAV (Triple Net Asset Value) corresponds to NAV after taking into account deferred taxes and the market value of fixed rate debt and financial instruments. This ratio aims to assess the spot net asset value of a real estate company.

EPRA Topped-up net initial yield rate

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

ERNMT

The ERNMT is the audit of the natural, mining and technological risks of a given property that informs the buyer or tenant of the potential risks in the municipality where such buyer or tenant plans to buy or rent. The ERNMT should be included in the *Dossier de Diagnostic Technique* (DDT or technical audit dossier), and given to the future buyer or tenant.

FFO (Funds from operations)

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

Financial rating

Rating agencies (Standard & Poor's in Mercialys's case) award a financial rating, after a detailed analysis of various corporate financial criteria, to show the borrower's credit quality and the level of risk associated with debt instruments from the issuer.

Food court

A food court is a space where consumers are offered a wide variety of foods from different counters and where, after having purchased their meal from one of the restaurateurs, they can sit down to eat at a shared table. It can also simply be a group of different traditional restaurants in a specific area. Food courts can be inside or outside.

Global Warming Potential (GWP)

Global warming potential (GWP) is an indicator that measures the cumulative effect of all the substances that aggravate the greenhouse effect. The indicator currently only tracks direct greenhouse gases (GHG), *i.e.* the six gases (CO_2, CH4, N2O, CFC, HFC, SF6) listed in the Kyoto protocol. This indicator is expressed in "CO_2 equivalent", because the greenhouse effect attributed to CO_2 is defined as 1 and the effects of other substances are expressed relative to that of CO_2.

Grenelle Environment Forum

The Grenelle Environment Forum is a series of political meetings which were held in France from July 6 to October 25, 2007. They brought together representatives of government and civil society in order to make long term decisions on the environment and sustainable development. The commitments made during these consultations gave rise to five major pieces of legislation: the so called Grenelle I law, the law on environmental liability, the GMO law, the law on organization and regulation of rail transport, and the so called Grenelle II law. These various laws introduced measures affecting the energy, construction, transport, biodiversity, environmental risk and health sectors.

Gross leasable area

The Gross Leasable Area (GLA) of a shopping center is the sum of the sales areas of the businesses within it, excluding the collective circulation spaces (aisles in shopping centers). The gross leasable area includes storerooms and technical premises.

ICC (Construction Cost Index)

The Construction Cost Index (ICC) measures the change in the construction cost of new buildings whose main use is non-community residential housing in mainland France. It is a price index based on observation of construction contracts agreed between project owners and the companies providing building works, excluding other housing cost components (land charges, ancillary promotional costs, financial costs, etc.). This index is used, along with the Retail Rent Index (ILC), for the indexation of commercial rents (www.insee.fr).

ILC (Retail Rent Index)

The quarterly index of retail rents (ILC) consists of the weighted sum of the indices reflecting changes in consumer prices, new construction prices and retail trade revenues. It covers retail tenants and artisans undertaking a commercial activity. This index is used, along with the Construction Cost Index (ICC), for the indexation of commercial rents (www.insee.fr).

Interest Coverage Ratio (ICR)

Ratio indicating the coverage rate of financial expenses: relationship between EBITDA and net cost of financial debt.

Invoiced rents

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

Legionella

Legionella are bacteria naturally present in water and mud, responsible for respiratory diseases (lung infection), known as legionnaire's disease. They usually colonize water networks, especially domestic hot water, air-conditioning installations and cooling towers. Certain water sources may trigger legionnaire's disease.

LFS (Large Food Store)

This is a food store whose gross leasable area is in excess of 750 sq.m.

LSS (Large Specialty Store)

This is a store specializing in a particular sector (sports, household appliances, toys, etc.) whose gross leasable area is in excess of 750 sq.m.

LTV (Loan-to-Value)

As its name suggests, this indicator is a measure of the level of debt of real estate companies. It is calculated by dividing consolidated net debt by the appraisal value of total assets, including or excluding transfer taxes, plus the value of equity associates' securities.

MGR (Minimum Guaranteed Rent)

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

Net rental income

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

Occupancy cost ratio (OCR)

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

Pension Savings Plan

A pension savings plan (PERCO) is a corporate arrangement that enables employees to build savings. The sums are locked in until retirement, but may be unlocked in exceptional circumstances. The employee's payments to the plan may be topped up by contributions from the company. At the time of retirement, the sums are released either as pension payments or, if permitted by the collective agreement, as a lump-sum.

Portfolio of development projects or pipeline

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

Mercialys splits its pipeline into three categories:

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

Recovery rate

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

Renewable energy

Renewable energy denotes sources of energy that are replenished faster than they are used, and are thus inexhaustible on a human scale. Renewable energy is provided by the sun, wind, heat from the earth, waterfalls, tides or plant growth. It generates little waste or emissions.

Rental revenues

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

Retail Parks

Term used to denote an open air shopping center with a parking lot shared by all outlets.

Sales area

The sales area is the area dedicated to the circulation of customers when shopping and paying (cash desks), the surface used to display the products sold, and the circulation areas for sales staff. The sales area does not include storerooms and technical premises.

Shopping center

A shopping center is a collection of stores grouped around one or more anchor brands (large food or specialty stores) ensuring a flow of customers or prospects. According to the CNCC, a shopping center must have at least 20 stores or services, with a gross leasable area (GLA) of at least 5,000 sq.m.

SIIC (Real Estate Investment Company)

The tax regime of SIICs (listed real estate investment companies) was established by the French Finance Law No. 2002-1575 of December 30, 2002 and came into effect on January 1, 2003. This regime applies to property companies investing in real estate assets with a view to leasing them. In return for a significant distribution of their income (95% of recurring revenue, as determined via parent company's profits, and 70% of capital gains on asset disposals), SIICs are exempt from corporate tax.

Stakeholder

A partner, whether individual or collective, that is actively or passively involved in Mercialys's decisions and projects. A stakeholder may be internal (employees) or external (shareholders, customers, suppliers, regional authorities, etc.).

Total vacancy rate

The total vacancy rate is the rental value of all vacant premises relative to the annualized minimum guaranteed rent for occupied premises + the rental value of all vacant premises. The total vacancy rate includes the current financial vacancy rate + the "strategic" vacancy rate, *i.e.* premises deliberately left vacant to facilitate extension/redevelopment plans. Note that the consolidated vacancy rate published by Mercialys does not include agreements related to Casual Leasing Activity.

Variable rents

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

Yield on cost

The yield on cost is the estimated return on investment projects. For each project, the rate is calculated by dividing the net rental income created by the project by its total implementation cost.

Yield rate

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

Photo credits: Agence Armstrong and Arnault de Giron

Designed & published by LABRADOR INFORMATION DESIGN +33 (0)1 53 06 30 80

MERCIALYS

16-18, rue du Quatre-Septembre - 75002 Paris

E-mail: contact@mercialys.com

www.mercialys.com