MERCIALYS

2018 Registration document

INCLUDING THE ANNUAL FINANCIAL REPORT AND THE INTEGRATED REPORT



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

A detailed summary can be found in the heading of each chapter.

IR Refers to the Integrated Report, the different sections of which are modeled on the reference framework established by the International Integrated Reporting Council (IIRC).

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.

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2018 Registration Document

INCLUDING THE ANNUAL FINANCIAL REPORT AND THE INTEGRATED REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document is a full free translation of the original French test. The original document has been filled with the Autorité des Marchés Financiers (AMF) on March 18, 2019, in accordance with article 212-13 of the AMF's General Regulations. After filing, this document as a Reference Document could be used to support a financial operation if accompanied by a prospectus duly approved by the AMF.

REAL ESTATE AND RETAIL EXCELLENCE

2018 marked another year of success for Mercialys, with excellent financial, extra-financial and operational results. In this Integrated Report, the Company outlines the reasons behind this lasting success, which has seen Mercialys cement its position as one of France's leading shopping center operators.



Éric Le Gentil
Chairman of the Mercialys Board of Directors

3 QUESTIONS FOR THE CHAIRMAN

Eric Le Gentil, how would you summarize 2018?

Mercialys once again enjoyed excellent performance in 2018 in a difficult environment. The Company generated solid results, with organic growth in invoiced rents of +3.7% and Funds From Operations (FFO) up +4.5%, excluding the impact of the carrying cost linked to the early refinancing of the Euro 480 million bond issue maturing in March 2019. These results far exceed the targets Mercialys had set for 2018 and reflect the relevance of its strategy and the quality of its operations. The Board of Directors will propose to the Annual General Meeting of April 25, 2019 the payment of a dividend of Euro 1.12 per share (including the interim dividend of Euro 0.50 per share already paid in October 2018), up +2.8% compared with 2017 and offering a 5.3% yield on the EPRA[(1)] NNNAV of Euro 21.14 per share at the end of 2018 and a 9.4% yield on the annual closing price.

More generally, from 2018 we can take away the following 3 points. First, the Company once again proved its operational excellence with footfall and retailer sales far above the national average. Second, the successful and swift completion of 4 development projects, namely 3 hypermarket transformations in Annecy, Besançon and Brest, and the major renovation-extension of the Cap Sacré-Cœur center on Reunion Island. Third, new progress in the governance of Mercialys, whose Board of Directors now has 64% of independent directors, following Casino Group disposal of 15% of the Company's share capital.

(1) European Public Real Estate Association.

> From 2018, we take away three main points: the demonstration once again of Mercialys operational excellence, the successful and swift completion of four development projects and further progress in the governance of the Company

In early 2019, you announced the separation of the roles of Chairman and Chief Executive Officer. Why is this change being made, and what are the strategic priorities you have set for 2019 and the coming years?

I did indeed propose to the Board of Directors meeting of February 13, 2019 the dissociation of the roles of Chairman and Chief Executive Officer of the Company. In this way, we continue to ensure that Mercialys has the very best governance practices. Mr Vincent Ravat, previously Chief Operating Officer, was unanimously appointed Chief Executive Officer. He proposed that Ms Elizabeth Blaise, Chief Financial Officer, became Deputy Chief Executive Officer, a proposal that was also unanimously approved by the Board.

In terms of strategic priorities, over the last quarters we have been working on the future of the shopping centers, by thinking about the form they may take to ensure they always closely meet consumer needs. Our reflections resulted in 5 major strategic pillars which will now shape the Company's operational dynamic, in addition to the economic fundamentals of the business model. Mercialys is also actively looking at new investment options and schemes to diversify its sources of projects while maintaining a solid financial profile.

What is your CSR[(2)] strategy for the coming years?

In 2015, Mercialys determined a CSR strategy up to 2020. Strong progress has been made in all priority issues, as shown by the Company's meteoric rise up the various CSR rankings. In 2019, Mercialys will review all of its projects and extend its objectives to continue making progress in these key areas.

Among Mercialys' many key recent CSR initiatives, the Company set up in 2018 a strategy to reduce its carbon emissions in line with the limitation of the increase in global temperature to 2°C by 2050. In 2019, it will submit it to the Science Based Target initiative (SBTi)[(3)] for approval. This year, the Company also repeated, in the preamble to its 2018 Registration Document, the Integrated Report, in line with the philosophy and the reference framework determined by the International Integrated Reporting Council (IIRC) and consistently with its status as a French leader in the transparency of financial and extra-financial publications.

Euro 185.2 million
of invoiced rents

+3.7%
of organic growth

Euro 1.25 per share
of Funds From Operations

(2) Corporate social responsibility.
(3) Independent nonprofit association organization that checks the compatibility of carbon objectives set by companies with the aim of limiting the increase in global temperatures to 2°C by 2050.

> We have identified 5 new strategic pillars for development, to further build on the Company's business model and the prime positions of its assets, and secure lasting value creation. Some of these areas may become strategic in the retail real estate dynamics of the future.

3 QUESTIONS FOR THE CHIEF EXECUTIVE OFFICER



Vincent Ravat
Mercialys Chief Executive Officer

Vincent Ravat, you have just been appointed Chief Executive Officer. What dynamic do you plan to consolidate in the field of real estate?

I will continue to capitalize on the Company's three competitive advantages, namely a portfolio of evolving, modular real estate assets, an adaptative, omnichannel, retail concept and a powerful, CSR dynamic with a strong local presence.

We have identified 5 new strategic pillars for development, to further build on the Company's business model and the prime positions of its assets, and secure lasting value creation.

First, we plan to position Mercialys' sites sites as service hubs for their retailers and end customers, so that they are no longer merely places for shopping, but market places.

We also want to involve the centers in consolidating last-mile logistics flows, their central geographic position and their anchoring within their catchment areas helping to solve the problem of the cost of local delivery.

84.3%
of EBITDA margin

Euro 20.86
per share of EPRA NAV

Euro 3,780 million
of portfolio value
(including transfer taxes)

Euro 568 million
of development
projects

We will also further improve our knowledge of each customer, to provide tailored responses and always more precisely address their changing needs.

We will then continue to anchor Mercialys' operations in a sustainable development and sharing narrative, encouraging people to consume better, not more.

Finally, we will work to go beyond the traditional use of shopping centers to make them real living places, with the development of mixed-use programs and the addition of leisure facilities.

What will be the impacts of this new strategic vision on the Company's organization and financial balances?

These new focus areas are split into 35 operational priorities involving all Mercialys employees in an organization in project mode and with a test and learn approach. They rely on the proven ability of our teams to engage in cross-functional working, share experiences and innovate internally. They provide a powerful unifying dynamic to motivate human resources.

Some of these areas may become strategic in the retail real estate dynamics of the future. Through our initiatives we are preparing both the Company and its employees for these underlying changes. Employees have the opportunity to develop new skills, as we strongly encourage them to show initiative and put their ideas forward. Our aim is to most precisely respond to the new modes of consumption and the expectations of customers who are now taking many societal and environmental considerations into account. On this point, the CSR strategy in place at Mercialys since years will form the foundations which employees can build on to ensure responsible growth for the Company.

In terms of financial balances, our employees are aware that each priority must strengthen the centers within their catchment area and meet the profitability criteria which has always driven Mercialys' growth, thence securing its future and the durability of its performance.

What is the outlook for 2019?

2019 will be a year of greater operational and financial discipline. Given the tension on the retail real estate assets market, Mercialys will seek to maintain its balance sheet position, by backing the value of its investments with that of its asset disposals. Depending on the level of disposals in 2019, the depth and flexibility of its development project portfolio will enable it to be highly responsive when launching projects.

Confident in the future and in its own expertise, Mercialys has set the following targets for 2019:

- organic growth in invoiced rents of around +3% including indexation, of which at least +1% excluding indexation;
- Fund From Operations (FFO) growth of at least +4%;
- dividend at least stable, within a range of 85% to 95% of 2019 FFO.

> "2019 will be a year of greater operational and financial discipline."

MERCIALYS AND ITS ECOSYSTEM

Mercialys is a real estate company founded in 2005 and specialized in the management and enhancement of retail assets.

The Company is a key shopping center operator in France with 48 shopping centers and 7 city center assets at the end of December 2018[1]. Mercialys' assets are rolled out over 873,000 sq.m and host more than 600 international, national and local retail chains and over 100 million visitors a year.

IDENTITY CARD

Mercialys' activity is primarily targeted at ensuring the profitability of its sites. The Company adopts an agile and proactive approach to the management of its portfolio, with all of its initiatives aimed at improving lettability, value and durability.

To do so, Mercialys has developed, since its creation, a dynamic commercial strategy, precisely tailoring its retailer mix to each catchment area and to changes in consumer trends.

The Company also implements a continuous and selective investment and disposal strategy, developing, on one hand, modular and environmentally friendly assets, and frequently disposing of, on the other hand, its mature sites to reinvest the funds particularly in its highly value-accretive pipeline.

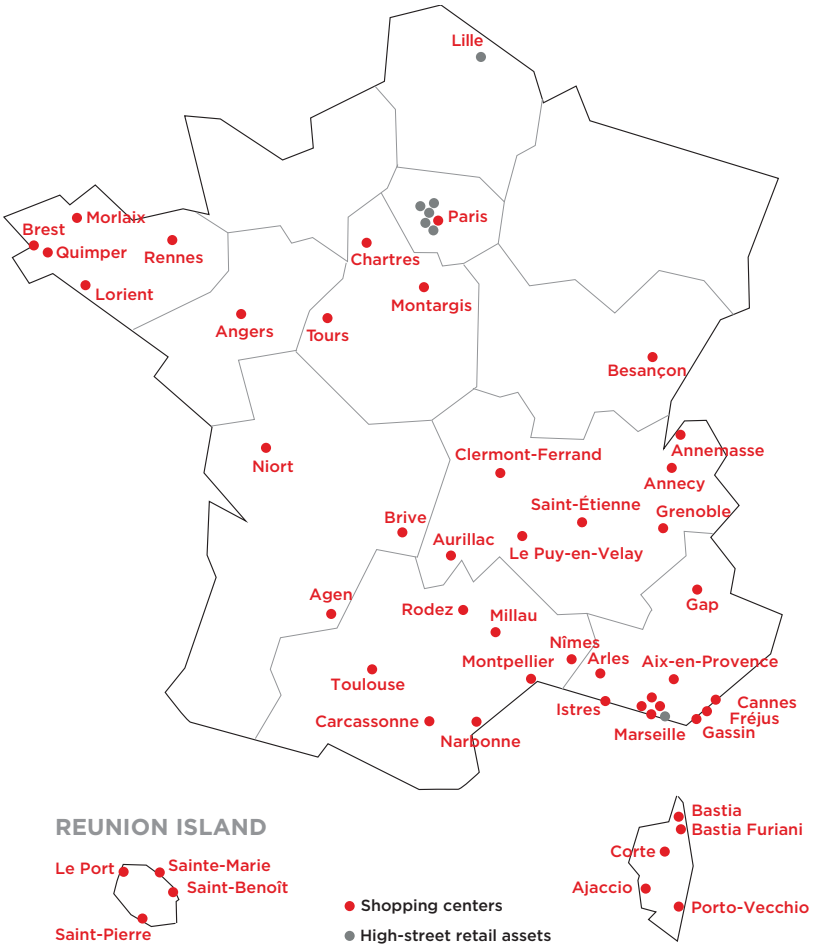
Lastly, as a leading retail real estate company, Mercialys plays an important role in interacting with retailers, end customers, local authorities and associations, in addition to shaping the urban fabric. This broad economic and social role encourages it to be constantly attentive to all of its stakeholders and to practice its activity with total respect for ethical and compliance principles.



(1) In addition to 6 dispersed assets

All Mercialys sites are located in regions of mainland and overseas France with more favorable demographic changes and disposable income than the national average, enabling Mercialys shopping centers to benefit from positive underlying socio-economic factors.

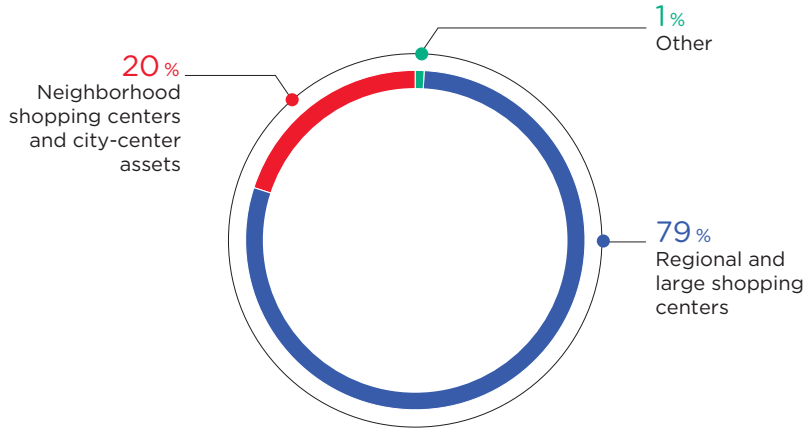
Portfolio at the end of 2018(2)



(2) Excluding dispersed assets.

Breakdown of portfolio

(as % of the appraisal value, including transfer taxes)



The Company has a mixed organization. It is structured around central functions at head office and employees at its various site, each site having at least one center manager, who works under a regional director.

Mercialys outsources, via mandates and a services agreement, some of its administrative activities, including the rental management of its centers.

108 employees

36% of employees on site

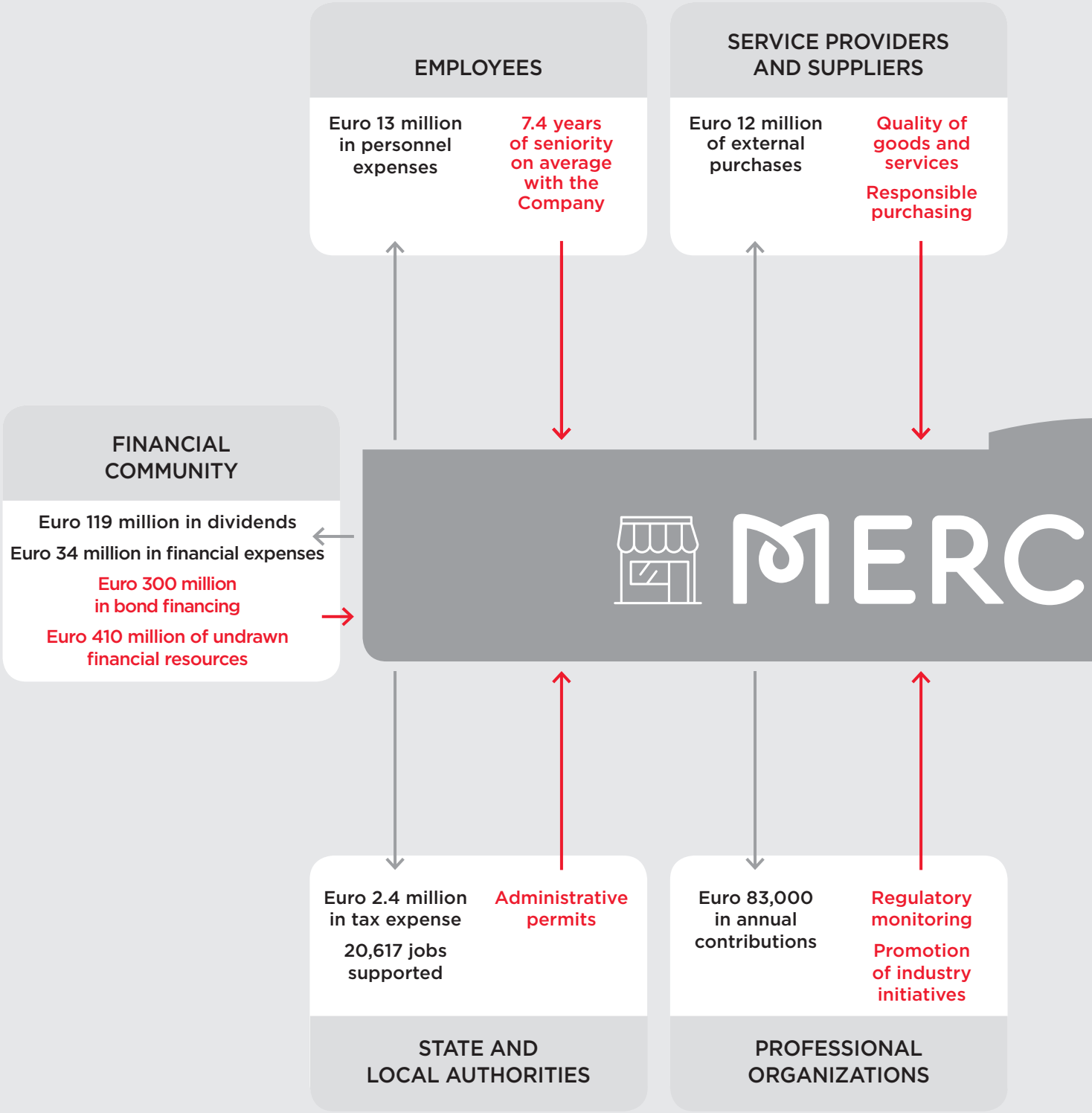
62% of participants in teleworking

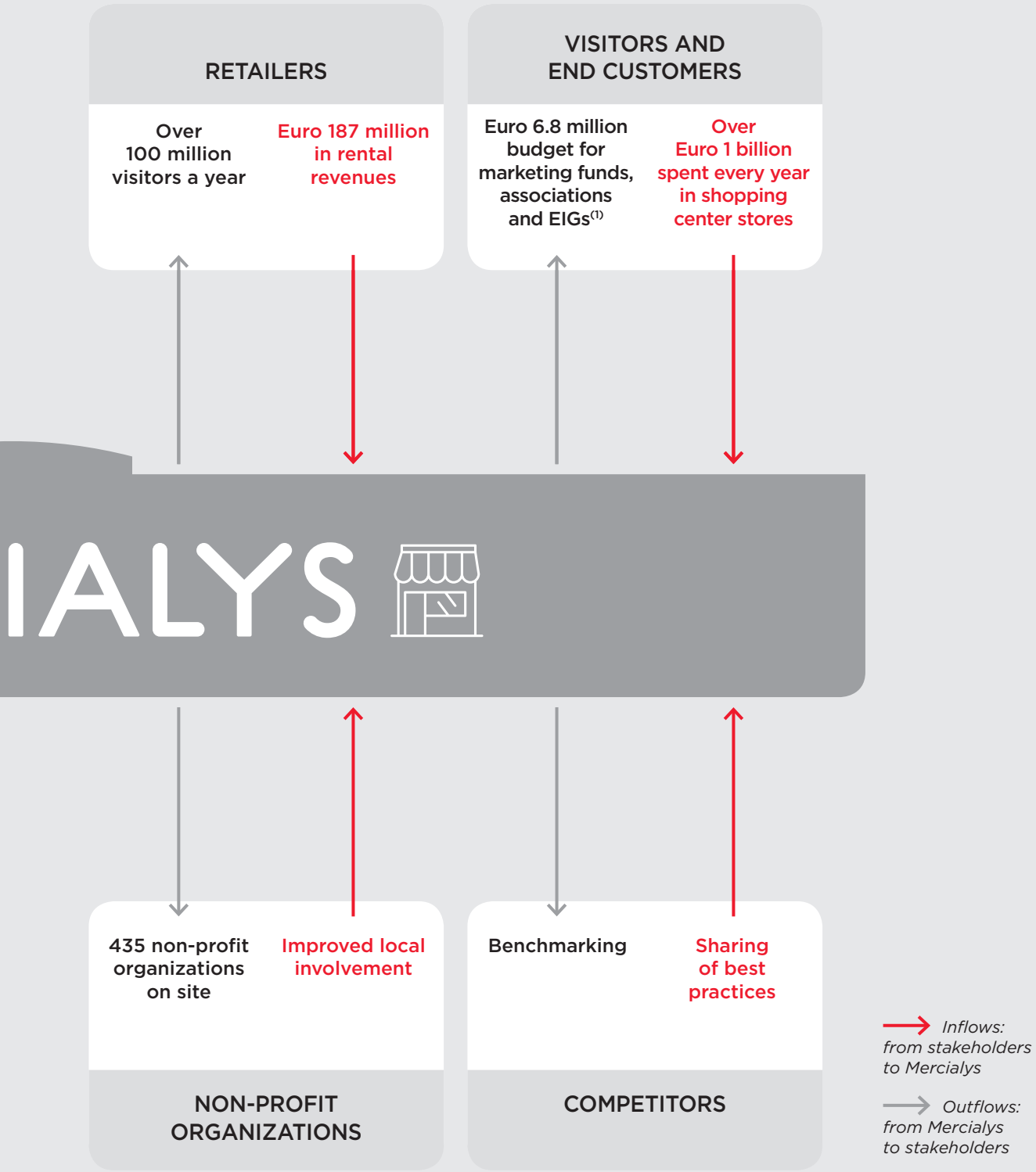
Core business	Letting
	Asset management
	Center management
	Property management
	Delegated project management
Support services	CSR
	Marketing and Communication
	Finance
	Accounting and Management control
	Arbitrage
	Legal
	Human resources

- In-house operations
- Partially outsourced operations
- Fully outsourced operations

COMPANY ECOSYSTEM

Mercialys' operations are part of an important stakeholder ecosystem with which it interacts regularly. These interactions take the form of dialogues and both incoming and outgoing flows, reflecting the sharing of value between all parties involved.





(1) Economic Interest Group.

THE KEYS TO A WINNING OFFER

As a retail real estate company, the Mercialys model is at the crossroads of two key sectors in the French economy: real estate properties and retail trade.

The Company's operational and financial stakes are therefore linked to, first, its understanding of the changing trends in end customer consumption habits and its ability to adapt accordingly to the needs of its retail chain tenants, and second, to its command of its real estate properties and, more specifically, to its ability to make evolve its properties in line with its positioning as a multi-local real estate company, the new conception of urban spaces and the challenge of ecological transition.

SECTORS UNDER TRANSFORMATION

Sustained demographics	Increase in the number of households	Single-parent families
Aging population	Diversity	Image and self-oriented culture
Connectivity and digitization	Mobility and nomadism	Reallocation of time
Internationalization of exchanges	Flexibility and adaptability	Collaborative economy
Aspirations towards responsible capitalism	Local anchorage within the regions	Ecological awareness and change in regulations

Under the effect of sociological, demographic and technological changes, which lead to new lifestyles, new habits and mentalities, the consumer and urban planning sectors are undergoing a deep transformation. For Mercialys, these transformations represent multiple opportunities to daily rethink and redesign retail and real estate.

Impact on consumption

- **Search for authentic, organic and natural products**
- **Search for distinctive products with good value for money**
- **Search for efficiency in purchasing**
- **Convergence of brick&mortar and e-commerce...**

Impact on real estate assets and development

- **De-compartmentalization of spaces and diversity in usage**
- **Modularity and reversibility of assets**
- **Energy and environmental efficiency**
- **Involvement in the local community...**

The changes currently afoot in the retail sector are complex. While consumption habits are evolving, the breakdown of the consumption of French households has changed little over the last decade[1], with half covered by the products available in shopping centers. These sites remain very widely preferred by consumers, with 65%[2] of French people preferring to purchase their products, across all categories, in store. This trend is particularly marked for the latest generations. Further, across all generations, buyers who spend a lot online also spend large amounts in physical stores, which leads to question the opposition often made between e-commerce and traditional shopping.

(1) Insee.
(2) PG Mediabrands, in partnership with Ipsos and Google, 11 European countries, 4,800 respondents per country.

THE MERCIALYS VALUE PROPOSITION

Thanks to its proven retail and real estate experience, constantly listening to stakeholders and attentive to market changes, Mercialys has a fine understanding of the ongoing changes and their underlying factors.

Today's French consumers are polymorphous, with expectations that are sometimes paradoxical. Most of them find themselves confronted with a choice matrix combining 3 fundamental needs with a continuous arbitrage between value and effort. On this basis, they determine the path of least resistance between their need and a product that will meet it, irrespective of whether the distribution channel is physical or digital.



Consumer choice matrix

NEED FOR SIMPLICITY

NEED FOR HUMANITY

NEED FOR EXPERIENCE

PERCEIVED VALUE
High/low money spent
Societal and environmental impact

VS

PERCEIVED EFFORT
High/low time spent
Immediate/non-immediate gratification

A polarization of the retailers and shopping centers is noted, without correlation to either their business segment or their size. While the customer journey fragments, winning operators set themselves apart by adopting a clear position and developing a strong identity, by focusing on transparency and product quality, by cultivating local connections for local, responsible trade, and by working on the fluidity of omnichannel logistics.

These are the retailers Mercialys selects in its centers and and this is the way it develops its assets since the Company was established, in order to build leading shopping destinations. Its value proposition can be resumed as follows: offer retail chains end customers, via a network of shopping centers with a solid footing in their local reality, the certainty of finding most of the products they are looking for to meet their needs immediately, in a quick and easy purchasing experience, with good value for money and a social interaction.

To do this it relies on its three competitive advantages:

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

RETAIL KNOW-HOW
An adaptive and omnichannel retail concept

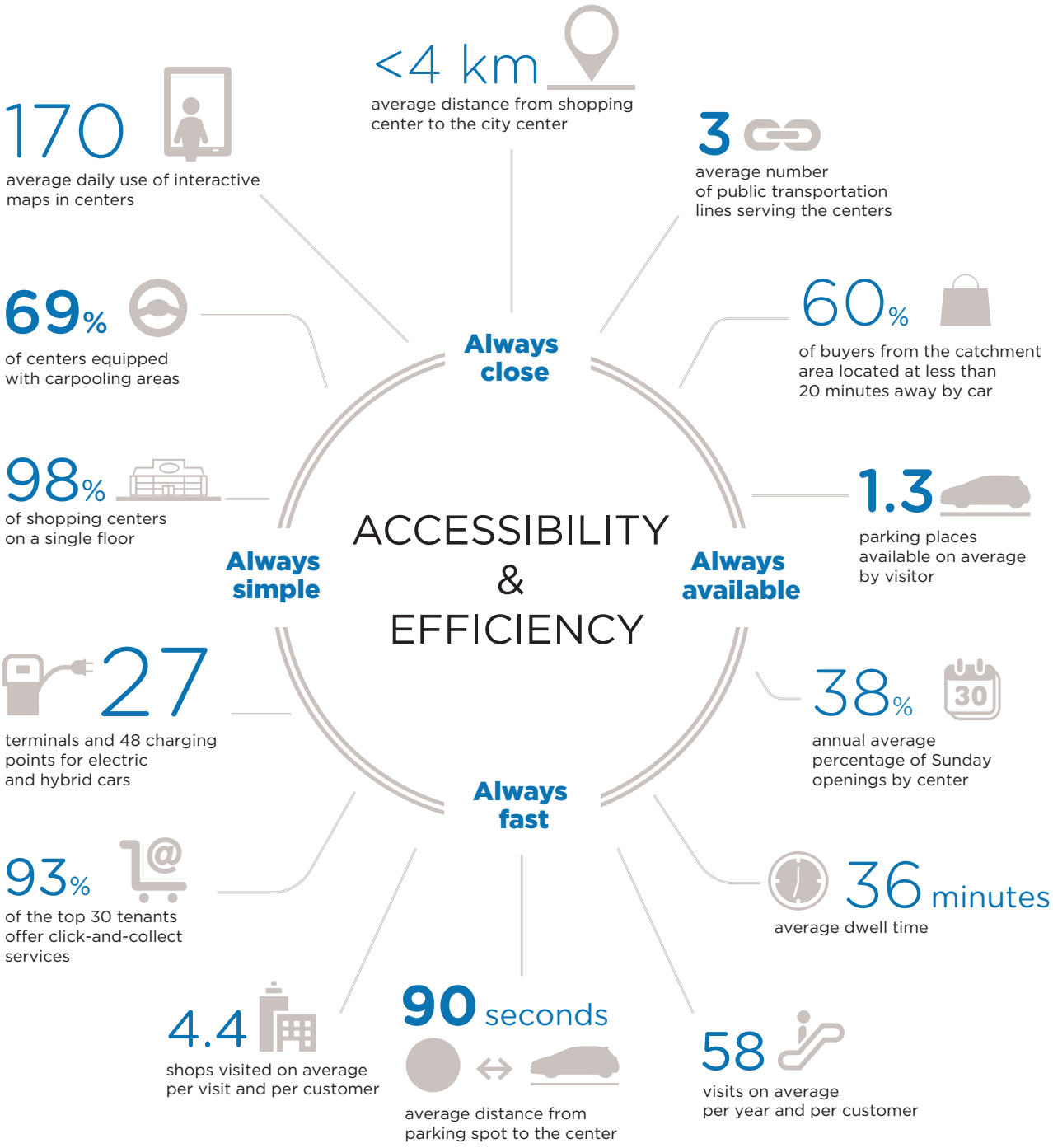
CSR KNOW-HOW
A powerful, responsible dynamic with a strong local presence

A PORTFOLIO OF EVOLVING, MODULAR REAL ESTATE ASSETS

The first competitive advantage of Mercialys lies in its proven real estate know-how and the quality of its assets. The design of its shopping centers is based on two key success factors which make for a simple, smooth shopping journey: accessibility and efficiency.

Accessibility relies on asset design and prime geographic positions. Mercialys' sites are always located at the heart of their primary catchment area, not far from city centers, and are extremely well served by public transport. They offer long opening hours, optimized parking facilities and clear signboards inside the shopping centers, etc.

Efficiency refers both to efficient purchasing, but also the ability of Mercialys to rapidly make evolve its physical assets, to ensure they always respond appropriately to changing needs in their catchment areas and thus consolidate their competitive positions.



Valued at Euro 3,780 million including transfer taxes at the end of 2018, Mercialys' asset portfolio makes it one of France's leading retail real estate companies, both in terms of size and quality of its sites.

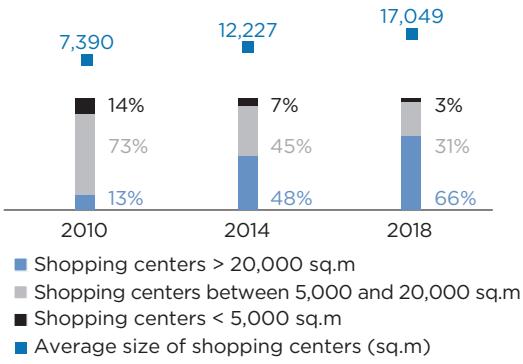
At the end of 2018, the average size of Mercialys shopping centers[1] was 17,000 sq.m and the average value was Euro 74 million including transfer taxes, a very significant increase since 2010 thanks to the Company's accretive investment strategy and regular arbitrage.

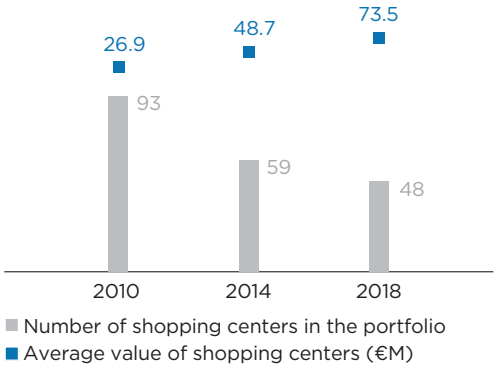
At the end of 2018, the portfolio was refocused on a selective number of sites:

- leaders or co-leaders in their catchment areas;
- located in the most dynamic regions of mainland France and overseas territories;
- with a residual real estate and retail development potential.

BREAKDOWN OF MERCIALYS ASSETS BY SIZE

(AS A % OF THE APPRAISAL VALUE INCLUDING TRANSFER TAXES)





FEATURES OF MERCIALYS SHOPPING CENTERS LOCATIONS

	Demographic growth[1]	Growth in gross disposable income per inhabitant[1]
Mercialys geographic exposure[2]	+6.5%	+17.2%
France average[3]	+4.7%	+14.8%
Outperformance	**173 pb**	**237 pb**

(1) Over the 2005-2014 period, last fully available INSEE data.
(2) Weighted by surface area.
(3) Mainland France.

84% **proportion of shopping centers located within the 1st or 2nd commercial zone of their catchment area[1]**

(1) In proportion of the appraisal value including transfer taxes.

All the development projects carried out by Mercialys are aimed at strengthening the attractiveness of its sites and consolidating their leadership. At the end of 2018, the Company had a pipeline of Euro 568 million, comprising:

- retail space requalification projects (reduction of spaces dedicated to hypermarkets and installation of new shops and medium-sized stores);
- new retail space creation projects (extension of shopping centers, construction of retail parks, food courts);
- mixed-use urban projects (renovation and redevelopment of high-street retail assets incorporating a mixture of functions and programs).

Mercialys project portfolio is extremely deep and flexible. First, it covers 30 out of the Company's 55 shopping centers and city-center assets[2]. Then, it is divisible and phasable, enabling very fast project launches and completion schedules. Furthermore, all of the developments take place on existing (brownfield) sites, thence their risk profile is fully controlled.

PORTFOLIO OF MERCIALYS DEVELOPMENT PROJECTS

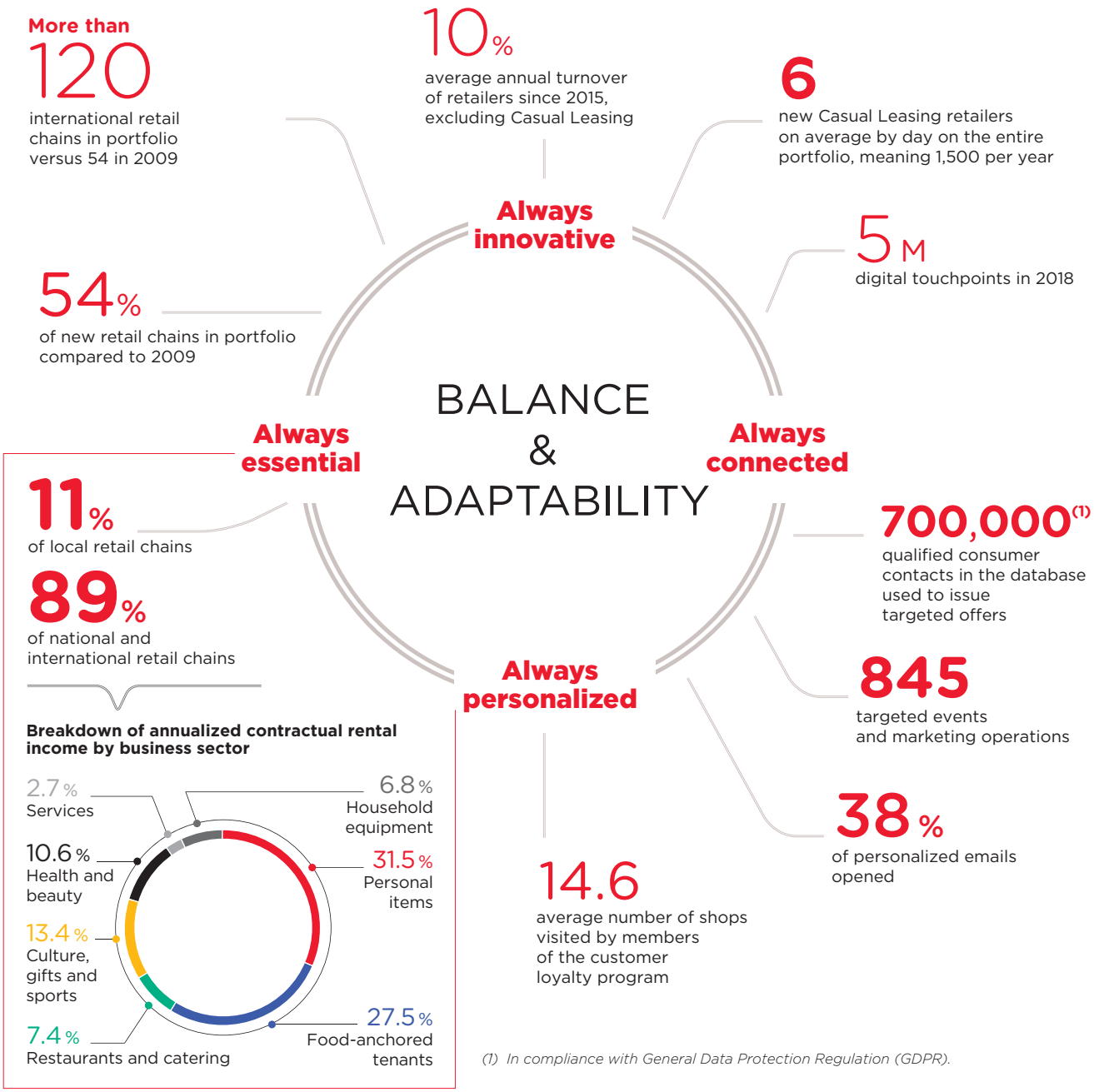
in Euro million	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost	Completion date
Committed projects	12.1	11.7	0.9	7.1%	2019
Controlled projects	207.3	207.0	10.4[1]	6.7%[1]	2020/2022
Identified projects	348.3	348.2	21.6[1]	7.0%[1]	2022/2025
TOTAL PROJECTS	**567.7**	**566.9**	**32.9[1]**	**6.9%[1]**	**2019/2025**

(1) Excluding impact of mixed-use high-street projects for Euro 85 million of investments, which could also generate property development margins

(1) Excluding high-street assets.
(2) In addition to 6 dispersed assets.

AN ADAPTIVE AND OMNICHANNEL RETAIL CONCEPT

The second competitive advantage of Mercialys is its retail know-how, a skill acquired and honed over several years of exemplary initiatives and developments in the field. The omnichannel retail concept developed by Mercialys for its centers perfectly addresses the needs of its retailers and end customers and relies on two key factors to ensure absolute success: balance and adaptability.



(1) In compliance with General Data Protection Regulation (GDPR).

Balance refers, first, to the core of products and services offered by Mercialys sites, that are designed to meet the vast majority of customer requirements with a good price accessibility, central to arbitrages of consumption. It also means achieving a careful tenant mix, in terms of both segment exposure and exposure to a particular type of retailer, making the assets highly resilient.

Adaptability means the ability of these tenant mixes to evolve in response to changing requirements within the catchment areas, shopping habits, times of year, etc. Casual Leasing complements, on that point, the traditional leases, providing an endless source of retail innovation, and affording opportunities for centers to differentiate themselves and to renew their appeal. Thanks to the high turnover of tenants and concepts, Casual Leasing helps to stimulate the merchandising mix, thereby guaranteeing new discoveries for customers at each visit and an offering that changes to reflect trends, seasons and events. Adaptability also means the ability of Mercialys to identify and meet the individual requirements of its customers, thanks to its powerful omnichannel marketing and service ecosystem: G La Galerie.

AN EVOLUTIONARY B TO B AND B TO C MARKETING AND SERVICE ECOSYSTEM

In addition to its solid and adaptive merchandising mixes, Mercialys also has a centralized marketing platform that offers services to retail chains and end customers. Called G La Galerie, this powerful ecosystem brings together the physical and digital shopping journeys to form a robust, personalized communication tool that refines the customer experience, builds loyalty, and makes exchanges between Mercialys, retailers and end customers more fluid.

It offers visitors an omnichannel, personalized and engaging shopping experience, designed to satisfy them, increase footfall at centers and boost retailer sales. It completes the raft of physical marketing events and initiatives which take place regularly at the shopping centers, all at a cost much lower than an approach on a center-by-center basis.

G La Galerie

- **An architectural concept and a unique brand**
- **National marketing campaigns around a strong identity and local implementation of events and activities**
- **Services and an integrated B to B and B to C digital ecosystem**

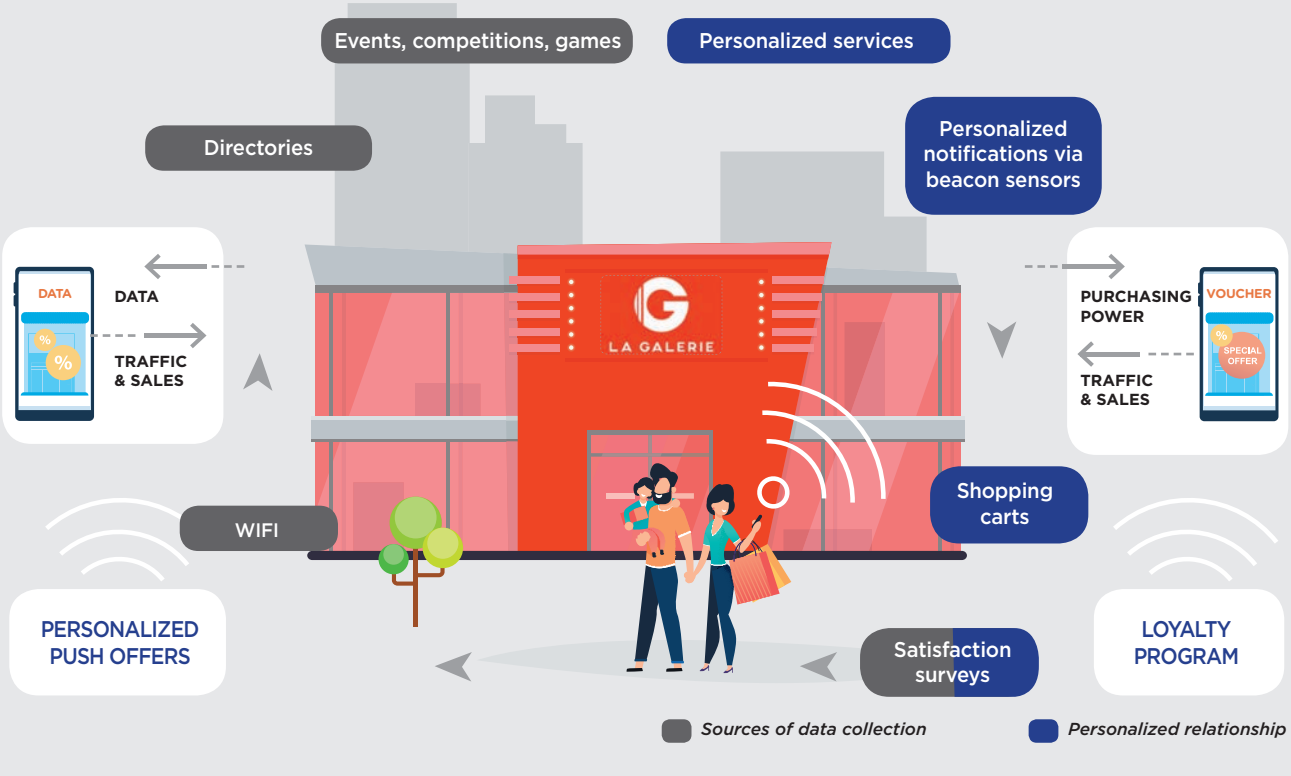
In the field of customer knowledge, the G La Galerie ecosystem makes it possible to develop an incredibly accurate knowledge of needs and thus tailor and differentiate the retail offer. As illustrated by the diagram below, Mercialys' marketing efforts are designed to benefit each touchpoint with a customer to collect information and enrich its profile. To date, Mercialys is aware of 20% of individual customers on average from each catchment area out of the approximately 40 centers fully equipped with the system.

This customer knowledge is based on dozens of criteria, such a the frequency of visits, level of satisfaction and the retailers visited. Since 2018, Mercialys can also access the average spend of customers, irrespective of the retailer.

This improved understanding of needs and habits is a powerful tool for boosting customer loyalty. All of this data enables precise targeting to notify customers about events at the centers and specific retailer offers to secure the best rates of return to stores.

Furthermore, the Mercialys database makes it possible to work on the shopping centers' traffic on a store-by-store basis. This is because each center is able to share with its tenants statistical analyses of its database, to plan relevant targeted marketing initiatives for each store, its customers or prospects, and in the end for the site as a whole.

All Mercialys marketing tools, developed since 2015, are proprietary, enabling the Company to free itself of the rising costs of purchasing traffic from the GAFAs(1).



(1) Google, Apple, Facebook and Amazon.

A POWERFUL, RESPONSIBLE DYNAMIC WITH A STRONG LOCAL PRESENCE

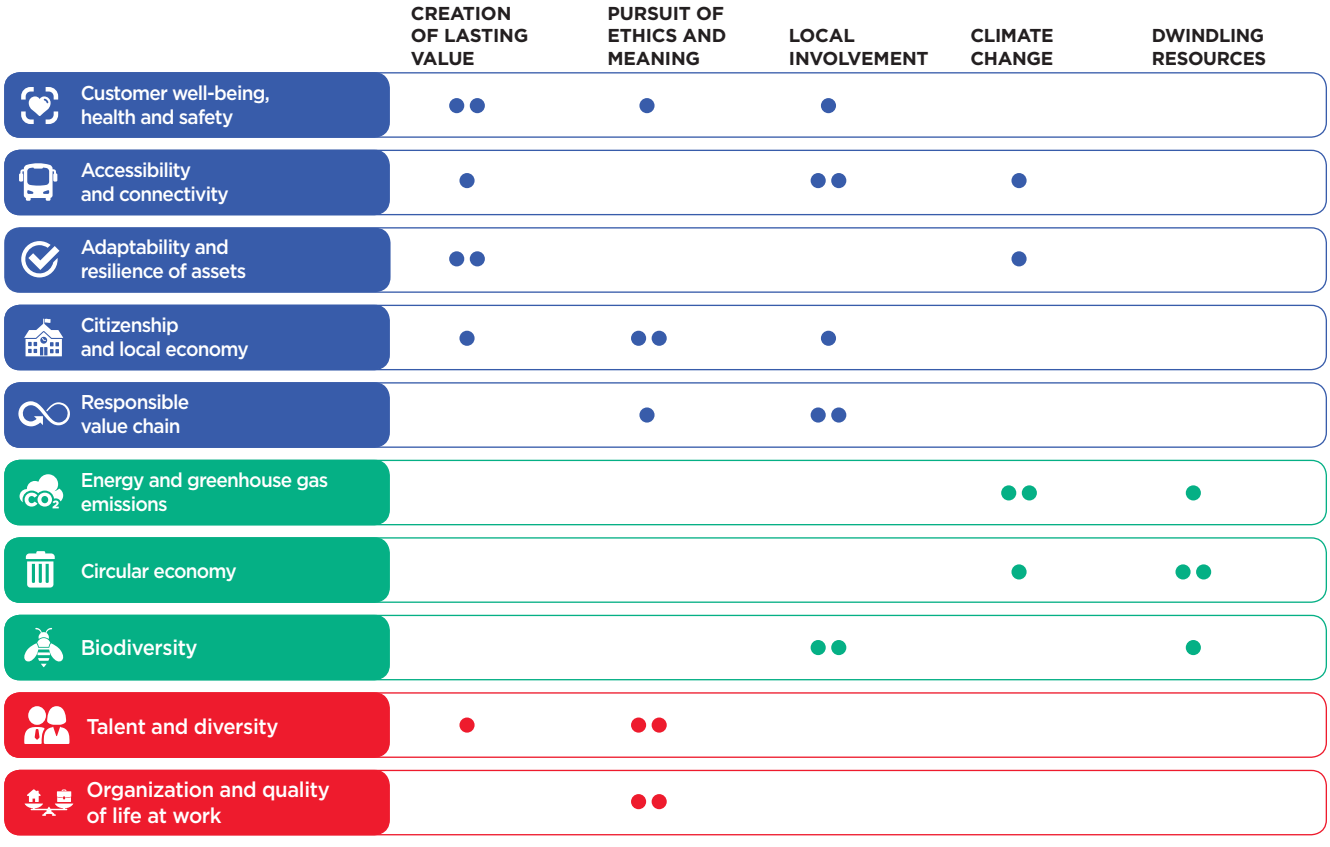
The third competitive advantage of Mercialys comes from its ability to listen and take into account all stakeholders. Its positioning at a very local level enables it to accurately grasp the problems and expectations of civil society. With a presence in a wide range of regions and cities across France, Mercialys is able to precisely determine multiple local realities and requirements, thus ensuring that it always acts in a responsible manner.

Given the central economic and social positioning of its shopping centers, Mercialys has made CSR an integral part of its growth and success, by formalizing its CSR strategy, called MERY'21, in 2015.

This strategy is reflected in particular in the day-to-day ethical management of the centers and in their commitments to the socio-environmental dynamics of their regions.

MERY'21: a local response to global issues for each asset

Major global issues that Mercialys must confront include the following: creation of lasting value, pursuit of ethics and meaning, local involvement, climate change and dwindling resources. These issues underlie risks and opportunities that the Company has identified and ranked, defining 10 operational priorities which enable it to address them. Each priority in its CSR strategy covers one or several of these issues according to a scale that is presented in the diagram below.



●● *Significant impact* ● *Moderate impact*

By doing this, the MERY'21 priorities cover the entire scope of risks associated with the Company's operations, created by its business relations or its products and services. They also make it possible to identify and develop opportunities for value creation and progress in the short and long-term, to further consolidate the domination of the centers within their catchment areas.

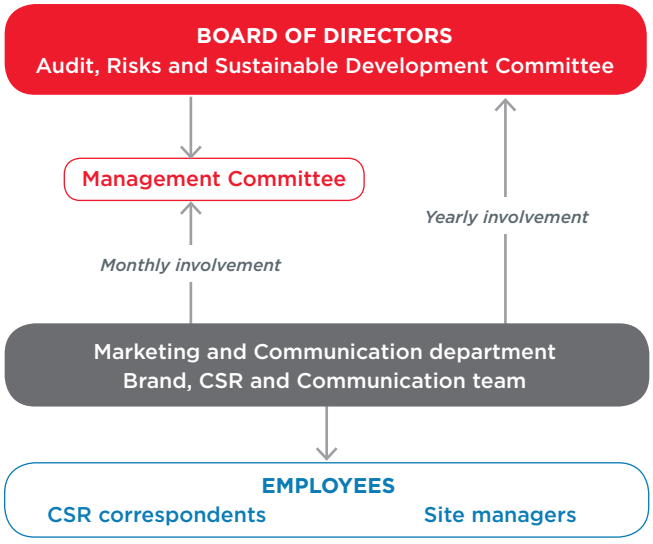
These priorities, as well as the solutions identified to attain their objectives (quantitative and qualitative) by 2020, are outlined in the table below. Although solutions are defined generally, most of them are implemented locally based on operational action plans tailored to the specific needs and realities of each site.

PRIORITIES	DESCRIPTION	OBJECTIVES
Customer well-being, health and safety	• Managing safety, health and environmental risks at the centers • Develop ways to set Mercialys assets apart and make them the preferred choice	• 100% of assets with high-level risk management • Increase comfort and quality of life in the centers • Boost visitor satisfaction • Improve tenant satisfaction
Accessibility and connectivity	• Offer responsible alternatives for retailers and customers • Ensure accessibility for all	• 15% increase in visitors traveling to centers using forms of transport other than a gasoline car • 80% of visitors have a positive image of the accessibility of the centers
Adaptability and resilience of assets	• Develop the ability of assets to adapt to environmental and societal factors • Introduce measures to mitigate the impact of these factors	• Increase the number of assets with BREEAM In-Use certification • Ensure the adaptability of the assets
Citizenship and local economy	• Support local economic development • Participate in local public life	• Promote local employment • Facilitate social harmony
Responsible value chain	• Include CSR clauses in contracts • Work in partnership with retailers to reduce the environmental impact of the centers • Make customers aware of CSR	• 80% of purchases over Euro 10,000 with CSR clauses • Make the value chain aware of CSR
Energy and greenhouse gas emissions	• Decrease the carbon footprint of the centers by improving their energy performance and working on their energy mix	• Reduce energy consumption per sq.m by 20% by 2020 • Reduce scope 1 and 2 emissions per sq.m by 80% by 2050
Circular economy	• Improve waste sorting and work on outlets to avoid sending waste to landfill or incinerating it without energy recovery	• Recover 55% of waste in 2020 • Reduce water consumption by 15%
Biodiversity	• Protect ordinary biodiversity, by providing adapted spaces through a considered management of green spaces	• Be involved in the protection of ordinary biodiversity
Talent and diversity	• Recruit, develop and retain talent • Ensure equal opportunities via an adapted recruitment process, equal access to training and a similar evolution	• Identify, attract and retain talent • Combat all forms of discrimination
Organization and quality of life at work	• Ensure a safe, quality working environment • Regular dialogue with employees	• Ensure employee health and safety • Increase employee commitment

To implement this CSR strategy, Mercialys has a dedicated team within the company's Marketing and Communication department. This team, called «Brand, CSR and Communication», is made up of experts, and reports to Senior management on a monthly basis. This organization ensures that decisions are made in line with the company's strategy and that the achievements, objectives and best practices are communicated and circulated more efficiently to all stakeholders.

The CSR team participate in each Management Committee meeting and, as a minimum yearly, in the meetings of the Audit, Risks and Sustainable Development Committee, to provide updates on the implementation of the CSR strategy.

The priorities are dealt with operationally by a network of correspondents spread over all the Company's services and functions, and key indicators are monitored using a dedicated online tool: MERY RSE.



A VALUE-CREATING BUSINESS MODEL

Mercialys' strategy is based on a continuous transformation of its retail offering and its real estate assets, in order to adapt them to changing purchasing habits and develop and consolidate rental revenues while respecting its environment.

To do this, the Company relies on five types of resources, operated within a financial and extra-financial business model that creates value for all stakeholders.

RESOURCES TO SERVE THE STRATEGY

HUMAN RESOURCES

108 expert employees

38.6 years average age

53% women

41% managers

1,281 training hours

INTELLECTUAL RESOURCES

Intangible capital, made up in particular of the G La Galerie ecosystem and the substantial qualified customer database

Organizational capital, perfectly synthesized in the Company's four values: proximity, agility, commitment and innovation

FINANCIAL RESOURCES

Euro 410 million in undrawn financial resources

A balanced financial profile:

- 1.8% average cost of drawn debt
- 3.7 years of average maturity of drawn debt
- 40.8% LTV excluding transfer taxes(1)
- 5.0x ICR(2) and 9.4x Net debt/EBITDA

LAND RESOURCES

Euro 568 million in development projects for the 2019-2025 period

30 assets concerned, 55% of the portfolio(3)

ENVIRONMENTAL, SOCIAL AND SOCIETAL RESOURCES

54,683 MWh of energy used

134,028 m³ of drinking water used

20,617 local jobs supported by the activities of centers and stores

1,474 job offers proposed by centers

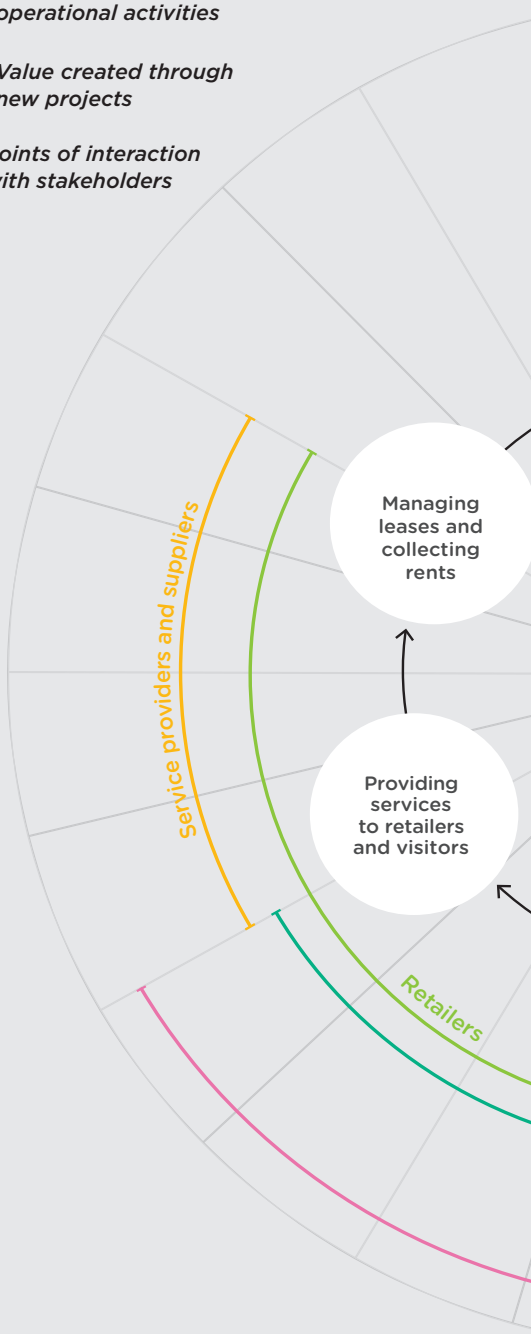
3 information meetings on major ongoing projects

A VIRTUOUS CIRCLE OF ACTIVITIES ACRO

Value created through operational activities

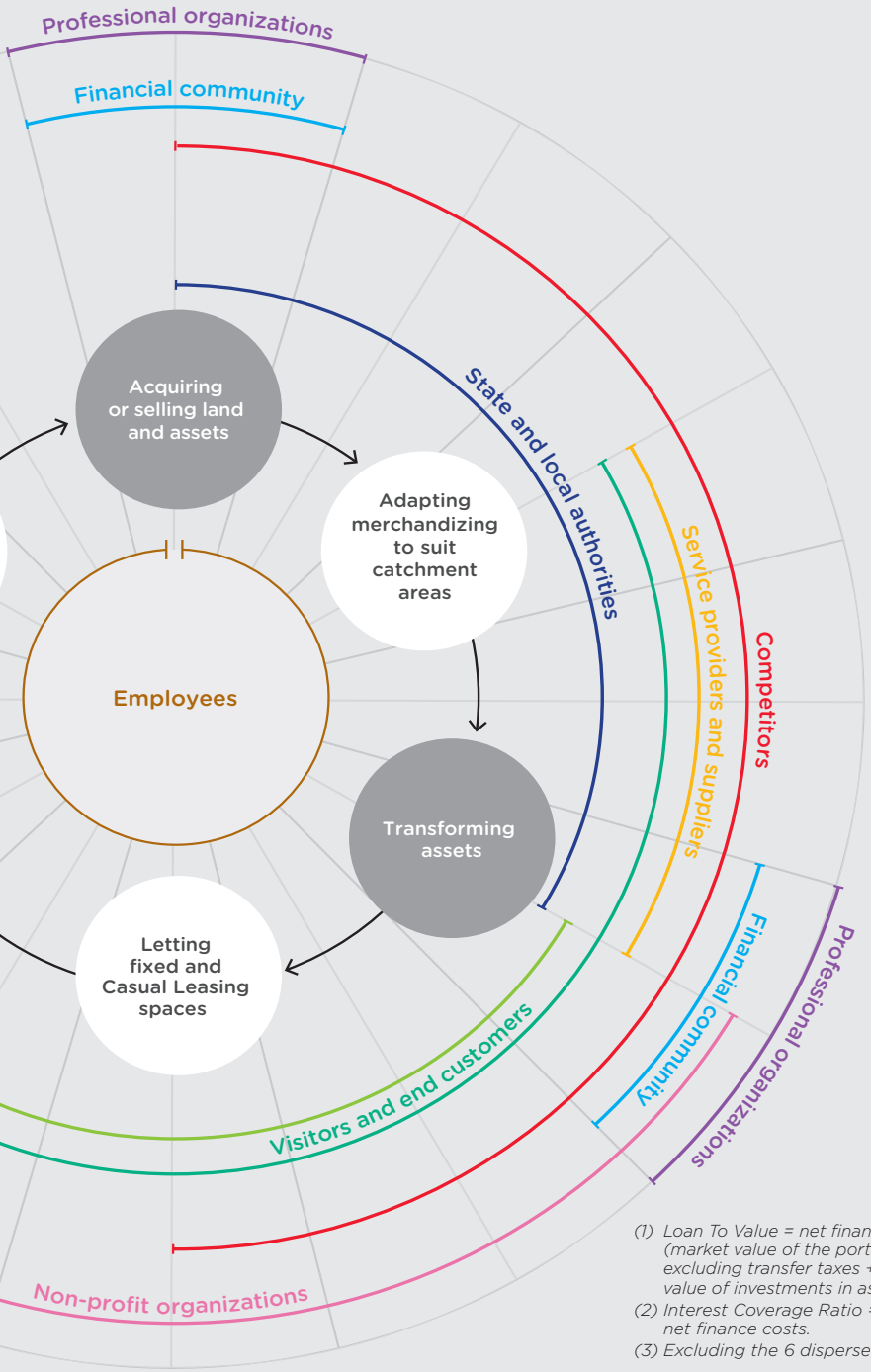
Value created through new projects

Points of interaction with stakeholders



OSS THE ENTIRE REAL ESTATE CYCLE

LASTING RESULTS



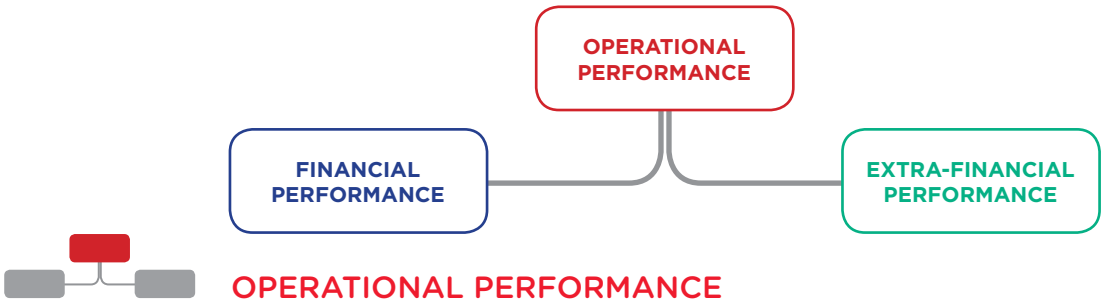
FINANCIAL RESULTS

EXTRA-FINANCIAL RESULTS

(1) Loan To Value = net financial debt/ (market value of the portfolio excluding transfer taxes + market value of investments in associates).
(2) Interest Coverage Ratio = EBITDA/ net finance costs.
(3) Excluding the 6 dispersed assets.

CREATION OF SUSTAINABLE FINANCIAL AND EXTRA-FINANCIAL VALUE

Mercialys creates lasting value thanks to an organization fully devoted to the pursuit of short, medium and long term excellence. Its performance is monitored on a daily basis using several key operational indicators, and has resulted in excellent financial and extra-financial results year after year.



OPERATIONAL PERFORMANCE

Mercialys' centers operational performance is determined by:

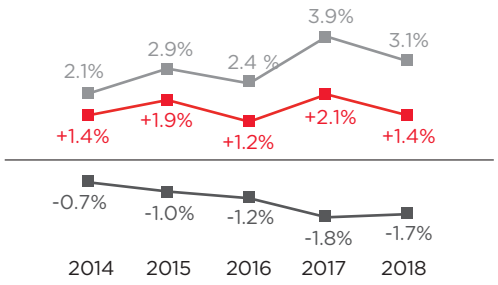
- their **footfall**, understood as the number of visitors counted at the entrance to the shopping centers across all of the Company's large centers and main neighborhood shopping centers;
- **retailer sales**, which is a measure of the sites' appeal and of retailers' operational performance, and thus tenants' financial health;
- the **occupancy cost ratio**(1) borne by the retailers in the centers, used to assess the weight of the real estate cost in their operating accounts and, by extension, the sustainability of the rents charged;
- the current financial **vacancy rate**(2), which enables an assessment of the centers' operational management.

In 2018

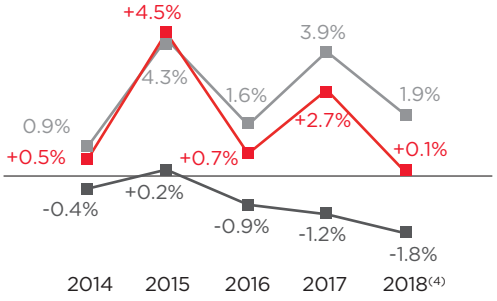
The operational excellence of Mercialys enabled its centers, once again, to outperform the indexes of the French council of shopping centers (CNCC) in 2018, both in terms of footfall and in retailer sales.

This robust performance over a prolonged period of time reflects the expertise of the management teams, the relevance of investment decisions and the intrinsic quality of the assets portfolio.

CHANGE IN SHOPPING CENTERS FOOTFALL (3)

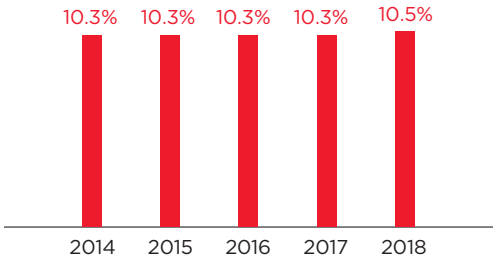


CHANGE IN RETAILER SALES (3)

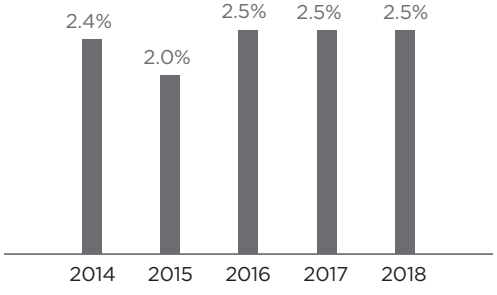


Mercialys — CNCC — Outperformance

CHANGE IN OCCUPANCY COST RATIO



CHANGE IN CURRENT FINANCIAL VACANCY RATE



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

(2) Mercialys vacancy rate does not include agreements relating to the Casual Leasing activity.

(3) Mercialys' large centers and main neighborhood shopping centers based on a constant surface area, representing more than 80% of the value of the Company's shopping centers. The Le Port site on Reunion Island was excluded from the scope in 2018, given the significant non-recurring impact related firstly to extension work and secondly to the inauguration effect.

(4) For the year to end-November 2018.

FINANCIAL PERFORMANCE

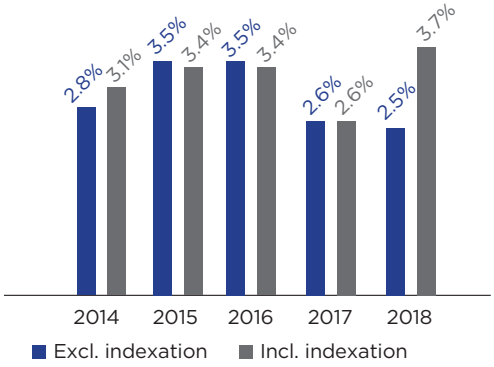
Mercialys financial performance is principally assessed via:

- the **organic growth** in rents, which is a measure of the intrinsic evolution of the Company's revenues excluding, notably, the impact of any acquisitions or disposals;
- the **EBITDA** [(1)] margin, which gauges the efficiency of its operational management;
- **Funds From Operations (FFO)**, which assesses changes in its recurring results;
- the **net asset value (NAV)**, or residual underlying value of the Company's assets, after repayment of its creditors;
- **LTV, ICR** and **Net debt to EBITDA** ratios, which make it possible to assess the sustainability of its debt;
- the **dividend yield**, 95% of the FFO and 60% of the capital gains being payable in the form of dividends depending on the tax status of the Real Estate Investment Trusts (SIICs), a status from which Mercialys has benefited since 2005.

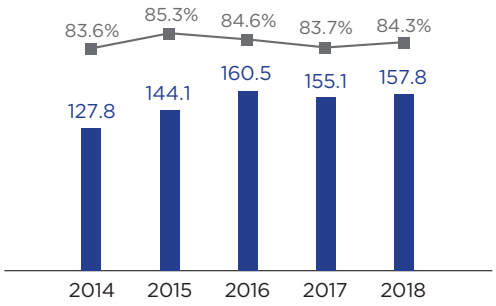
In 2018

Mercialys posted a 14th consecutive year of organic growth in its invoiced rents, thereby confirming a proven capacity to adapt its assets over time. Once again, the results generated were excellent, allowing for the revaluation of the property portfolio, the maintenance of a balanced financial structure and an attractive dividend return.

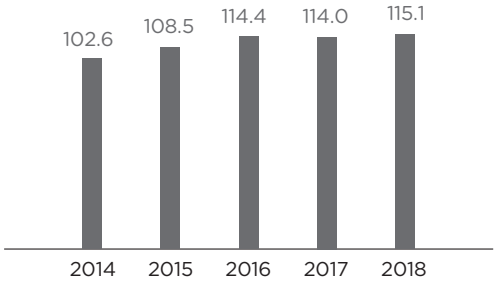
CHANGE IN THE ORGANIC GROWTH RATE OF INVOICED RENTS



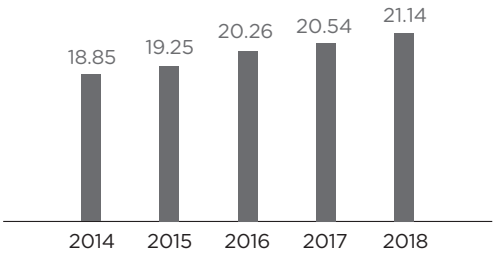
CHANGE IN EBITDA *(IN EURO MILLION)* AND EBITDA MARGIN



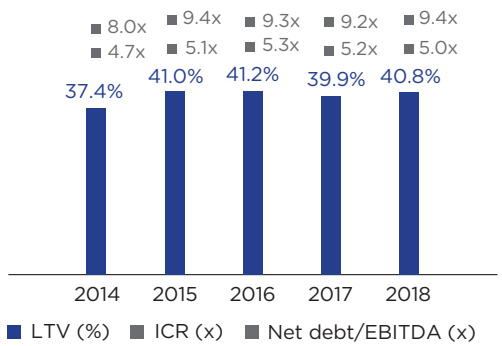
CHANGE IN FUNDS FROM OPERATIONS *(IN EURO MILLION)*



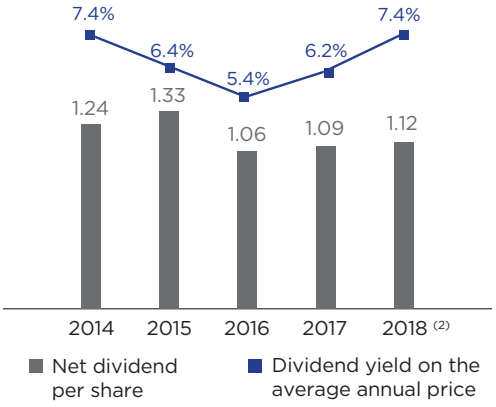
CHANGE IN EPRA NNNAV *(IN EURO PER SHARE)*



CHANGE IN LTV (EXCLUDING TRANSFER TAXES), ICR AND NET DEBT TO EBITDA RATIO



CHANGE IN DIVIDEND *(EURO PER SHARE)* AND DIVIDEND YIELD



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

(2) Subject to the approval by the Annual General Meeting on April 25, 2019.

EXTRA-FINANCIAL PERFORMANCE

Mercialys extra-financial performance is monitored via:

- the **areal energy intensity** of its centers, which is a gauge of their efficiency in the field of energy consumption;
- the **proportion of the portfolio that is BREEAM In-Use certified**, the leading international certification in the retail real estate sector;
- the **proportion of new leases signed in the year covered by environmental clauses,** which shows the cooperation between the Company and its retailers in the field of sustainable development;
- **direct and indirect carbon emissions (scopes 1 and 2)**, a key monitoring indicator to manage Mercialys' carbon footprint, connected to its commitment to tackling climate change;
- **employee training**, which ensures their professional development and the right match of their profiles with future skills needs;
- **the gender pay gap**, or the ability to ensure the equal treatment of all employees and recognize their unique talents and diversity.

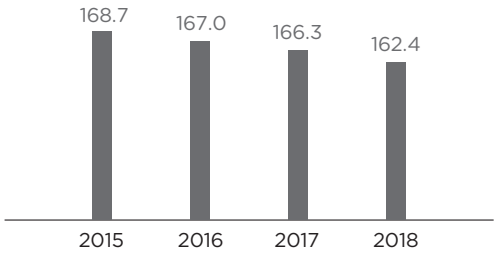
In 2018

Mercialys continued its drive to reduce its environmental impact, further reducing the areal energy intensity of its shopping centers. 56% of its portfolio is now BREEAM In-Use certified.

The Company also continued its efforts to provide employees with equal working conditions, both via training programs and via compensation levels

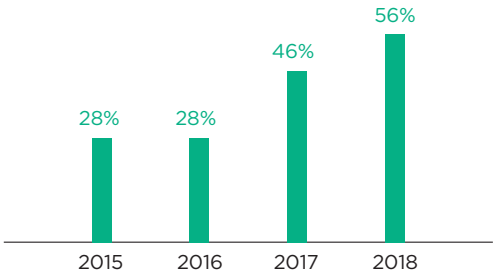
CHANGE IN AREAL ENERGY INTENSITY

(IN KWH/SQ.M - LIKE-FOR-LIKE BASIS)

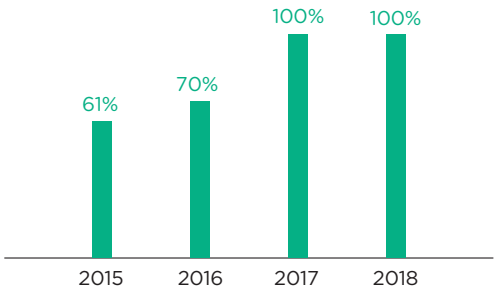


CHANGE IN THE PROPORTION OF PORTFOLIO WITH BREEAM IN-USE CERTIFICATION

(IN % OF THE APPRAISAL VALUE INCLUDING TRANSFER TAXES)

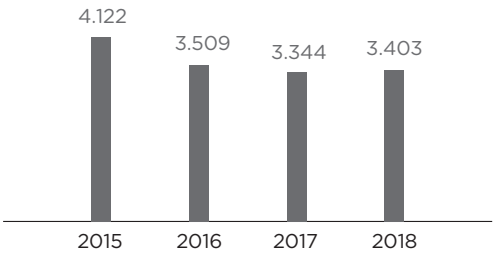


CHANGE IN THE PROPORTION OF LEASES SIGNED DURING THE YEAR COVERED BY ENVIRONMENTAL CLAUSES

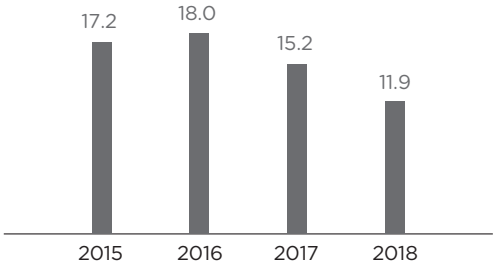


CHANGE IN DIRECT AND INDIRECT CARBON EMISSIONS

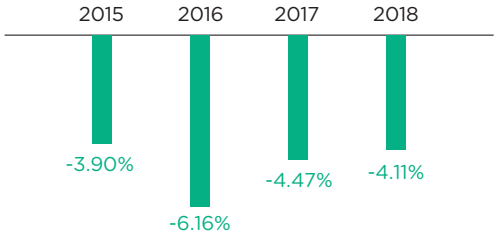
(SCOPES 1 AND 2 - IN TONS CO2 EQUIVALENT - LOCATION-BASED METHOD - LIKE-FOR-LIKE BASIS)



CHANGE IN THE AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE TRAINED



CHANGE IN THE PAY GAP BETWEEN MEN AND WOMEN (1)



Mercialys 2018 extra-financial performance is in line with the targets of its MERY'21 CSR strategy and have once again been acknowledged by the best industry benchmarks and rating agencies.

Mercialys achieved *Prime* status from ISS-Oekom and was included on the CDP's(2) *A-list*, in recognition of its remarkable progress in the field of sustainable development, in taking into account the expectations of all of its stakeholders and in the pluralistic nature of its value creation.

In addition, for the fifth year in a row, Mercialys leadership in gender equality was recognized by the Prize for the best feminization among the top 100 SBF 120 companies. These feminization rankings for the governing bodies of the major listed companies is organized every year by the French Secretary of State in charge of gender equality and Ethics & Boards.

Finally, Mercialys' firm commitment to the transparency of information was once again recognized, the Company being very widely applauded in 2018 for the quality and clarity of its reporting. First of all by the EPRA, which once again gave it two Gold Awards, one for its financial communications, the other for its extra-financial communications. Then, at the 9th ceremony of the Grands Prix de la Transparence(3), where it was awarded the 2018 Grand Prix Toutes Catégories, naming the company leader among the SBF 120 in terms of the transparency of financial and extra-financial information and of regulatory reporting.

2015	Score: 64/100	-	Score: not comparable Member of the Gaïa index	Score: 47/100	Rating: D+	Rating: A	-	79th in the SBF 120	BPR Gold award	10th in the SBF 120
2016	Score: 64/100	-	Score: 73/100 Member of the Gaïa index	Score: 47/100 (no review in 2016)	Rating: D+	Rating: A	Score: 39/100 (4)	83rd in the SBF 120	BPR Gold Award	6th in the SBF 120
2017	Score: 84/100 Obtained Green Star status	Rating: A-	Score: 79/100 Member of the Gaïa index	Score: 51/100	Rating: C-	Rating: A	Score: 67/100 (4)	3rd in the SBF 120 Price for the best improvement in the year	BPR Gold Award sBPR Gold Award	12th in the SBF 120
2018	Score: 87/100 Green Star status	Rating: A Inclusion on the A-List	Score: 82/100 Member of the Gaïa index	Score: 51/100 (no review in 2018)	Rating: B- Obtained Prime status	Rating: BBB	Score: 67/100(4) (no review in 2018)	1st in the SBF 120 Grand Prix Toutes Catégories	BPR Gold Award sBPR Gold Award	4th in the SBF 120

(1) Excluding senior executives.

(2) Carbon Disclosure Project: nonprofit international organization which studies each year the impact of major listed companies on CO_2 emissions and climate change.

(3) The Grands Prix de la Transparence awards are given each year to French companies listed on the SBF 120 for their regulatory reporting judged on the basis of 205 ojective criteria regarding their main financial communication materials.

(4) Estimated.

CONTROLLED RISK PROFILE

Mercialys excellent results are generated with a measured risk profile and complying with the best practices in the field of professional conduct. The entire Mercialys risk management and internal control system is aimed at ensuring the achievement of the objectives set by the executives without jeopardizing the future of the structure, and ensuring compliance with professional ethics and standards.

Organization and approach

Mercialys risk prevention approach is community-based. The Company has indeed decided to place risk management at both the heart of its strategy and of its operations, entrusting its steering to a Risk Prevention Committee (RPC) that reports directly to Senior management and involves all employees in implementing the operational measures.

The RPC's main aim is to manage risks by:

- identifying and analyzing the risks borne by Mercialys;
- evaluating the existing procedures and implementing actions to complete or optimize risk mitigation;
- organizing checks on the correct application of procedures by operational staff.

The RPC works in direct liaison with the Mercialys Audit, risks and sustainable development committee, the prerogatives of which are to regularly acquaint itself with the features of the risk management and internal control mechanisms in place and make observations and recommendations on the completed audits.

The RPC also relies on all Company employees, who must ensure that the internal control and risk management procedures are effective. Employees play a preventive role in the strategy by engaging in frequent discussions with the head of internal control on possible improvements to the procedures and/or when new risks are identified.

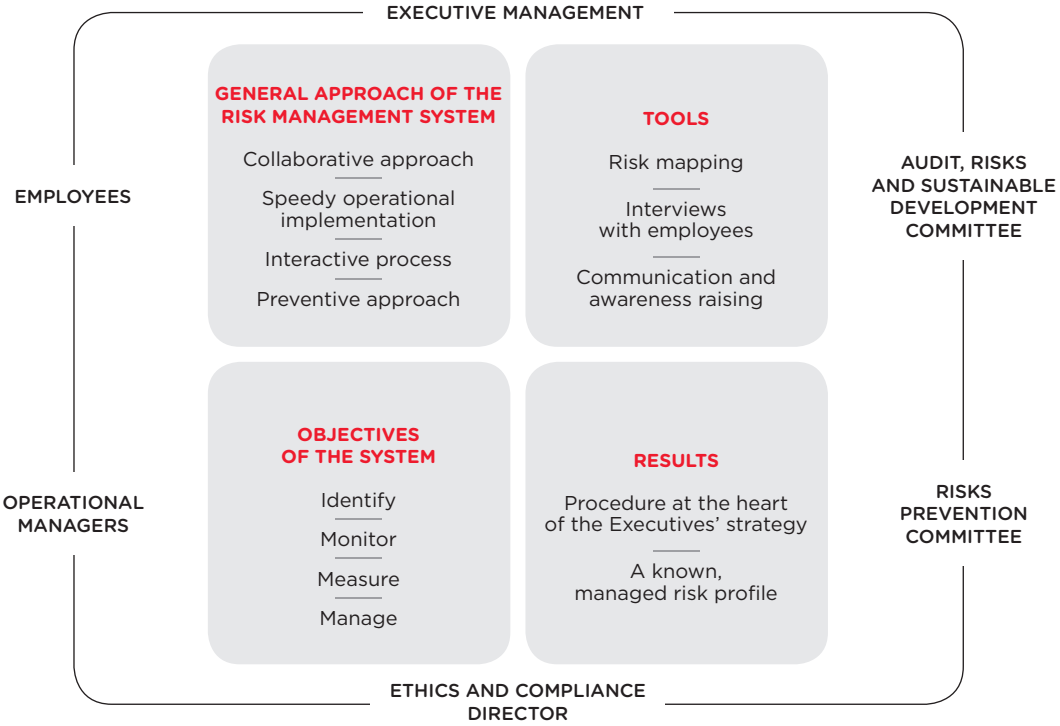
Risk mapping

The essential tool the RPC uses to manage risks is risk mapping, which involves analyzing all risks to which Mercialys is exposed to. 67 risks of 3 major types have been identified to date and categorized into 10 categories. Each one is scored according to its impact (on the FFO if it is quantifiable) and likelihood of occurrence.

The mapping, which is regularly updated, is based on an iterative process of risk review depending on the situation Mercialys finds itself in at the time. Active oversight and regular discussions with employees make it possible to monitor trends and, if needed, quickly and effectively adapt hedging levels and tools.

As well as giving Mercialys a high-performance way of monitoring its risks, risk mapping is also an opportunity to communicate internally about these issues, and strengthen the culture of sharing, promoting an individual as well as a collective approach to managing risks.

SUMMARY OF RISK MANAGEMENT STAKEHOLDERS AND SYSTEM



List of priority risks

Following the publication in the Official Journal of the European Union on June 30, 2017 of (EU) Regulation 2017/1129 of June 14, 2017 reviewing the Prospectus directive, Mercialys decided to anticipate regulatory changes relating to the clarity and simplification of the way information about risks is presented.

To do this, the Company adopted a risk classification based on their relative importance, limiting itself to describing in chapter 5 «Risk factors» of its 2018 Registration Document the 12 risks deemed the highest priority out of the 67 risks of all kinds identified, and dealt with by its Risk Prevention Committee.

RISK TYPE	RISK CATEGORY	RISK	RISK TREND
FINANCIAL	Equity and financial	Risk concerning the capitalization rate and portfolio value	↗
	Equity and financial	Risk concerning the interest rates and cost of debt	↗
	Business-related	Insurance-related risk	→
	Business-related	Suppliers' payment risk	↘
EXTRA-FINANCIAL	Health and safety	Risk related to health and safety	→
	Business-related	Risk related to portfolio impairment/deterioration	→
	CSR	Risk linked to climate change	→
OPERATIONAL	Business-related	Risk linked to letting	→
	Equity and financial	Risk of financial counterparties (retailers)	→
	Business-related	Risk related to rental management	↘
	Business-related	Risk related to Delegated Project Management	→
	IT	Risk related to the protection of the personal data of clients, suppliers and employees	↘

↗ *Rising* → *Stable* ↘ *Decreasing*

In addition, although for triggering thresholds reasons Mercialys is not required to issue an extra-financial performance statement, the Company has decided to continue its approach of perfect transparency by adhering to the regulatory requirements relating to the European Directive on extra-financial reporting and continues to submit its information to the opinion of an Independent Third Party Body.

Chapter 2 «Corporate Social Responsibility» of its 2018 Registration Document, reorganized according to best industry practices, present all priorities of its CSR strategy and the way they comprehensively cover the 27 extra-financial risks that affect the Company (3 of them are among the 12 high-priority risks referred to above). Each priority is precisely described, and a limited number of relevant quantitative indicators was selected to measure the efficiency of the action plans introduced and the evolution of the residual risks over the years.

Ethics, an integral part of the risk prevention system

Mercialys also has an Ethics and Compliance Director, also acting as DPO(1), who has carried out specific preventive mapping of ethics and compliance risks. This director is a member of the Risks Prevention Committee and also serves as the Company's Ethics officer. His work is based on the Company's Charter of ethics and code of business conduct that is available in French and English on the corporate website: www.mercialys.com. Any employee can easily contact him as part of a whistleblowing process in accordance with applicable legislation. 84% of employees attended the ethics training session held in 2018 (vs 85% in 2017).

Mercialys also pays special attention to preventing insider trading. The Company has an Insider trading policy that specifically addresses these matters and systematically reminds the people concerned of the beginning of blackout periods(2).

Finally, lobbying activities are exercised exclusively at national level by industry associations of which the Company is a member (EPRA, CNCC(3) and FSIF(4)).

(1) Data Protection Officer: person in charge of data protection within a company.

(2) Periods during which no transactions on Mercialys financial instruments are allowed.

(3) National Shopping Centre Council: French professional organization that brings together all professionals in the shopping center industry and regularly publishes national performance indicators.

(4) French Federation of Real Estate Companies: industry association, in touch with the administration, economic and social bodies and other associations in the real estate industry.

GOVERNANCE AT THE SERVICE OF OUTPERFORMANCE

Mercialys' strategy is driven by management bodies that meet the best international standards. The composition of the Board of Directors and of the Specialized Committees reflects the structure of its shareholder base, both diverse and balanced. The constant pursuit of operational excellence is reflected in the ambitious targets set for the Company's Executives and the associated compensation structures.

MANAGEMENT BODIES ALIGNED WITH THE BEST STANDARDS

Board of Directors

The Board of Directors went through changes in 2018 which led it to review its membership and enabled it to further consolidate the Company's excellent practices, thereby strengthening in particular its capacity to develop its proactive and responsible strategy.

Until February 13, 2019, the functions of Chairman of the Board of Directors and Chief Executive Officer were combined. Since this date and to further improve the quality of Mercialys' governance, a decision was made to separate the functions of Chairman of the Board of Directors and of Chief Executive Officer. Mr Éric Le Gentil remains Chairman of the Board of Directors and Mr Vincent Ravat was appointed Chief Executive Officer. Ms Elizabeth Blaise, on her side, was appointed Deputy Chief Executive Officer.

Further, following the disposal of 15% of Mercialys' capital, announced on July 26, 2018, Casino Group reduced its representation at Mercialys Board of Directors from four to three seats. Therefore, there are now 11 directors on the Board, 7 of which are independent and a majority of women.

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 at all times that its duties are accomplished with the required independence and objectivity.

Attendance rate in 2018
89%

Average age at the end of 2018
55 years

Parity at the end of 2018
54.5%
women

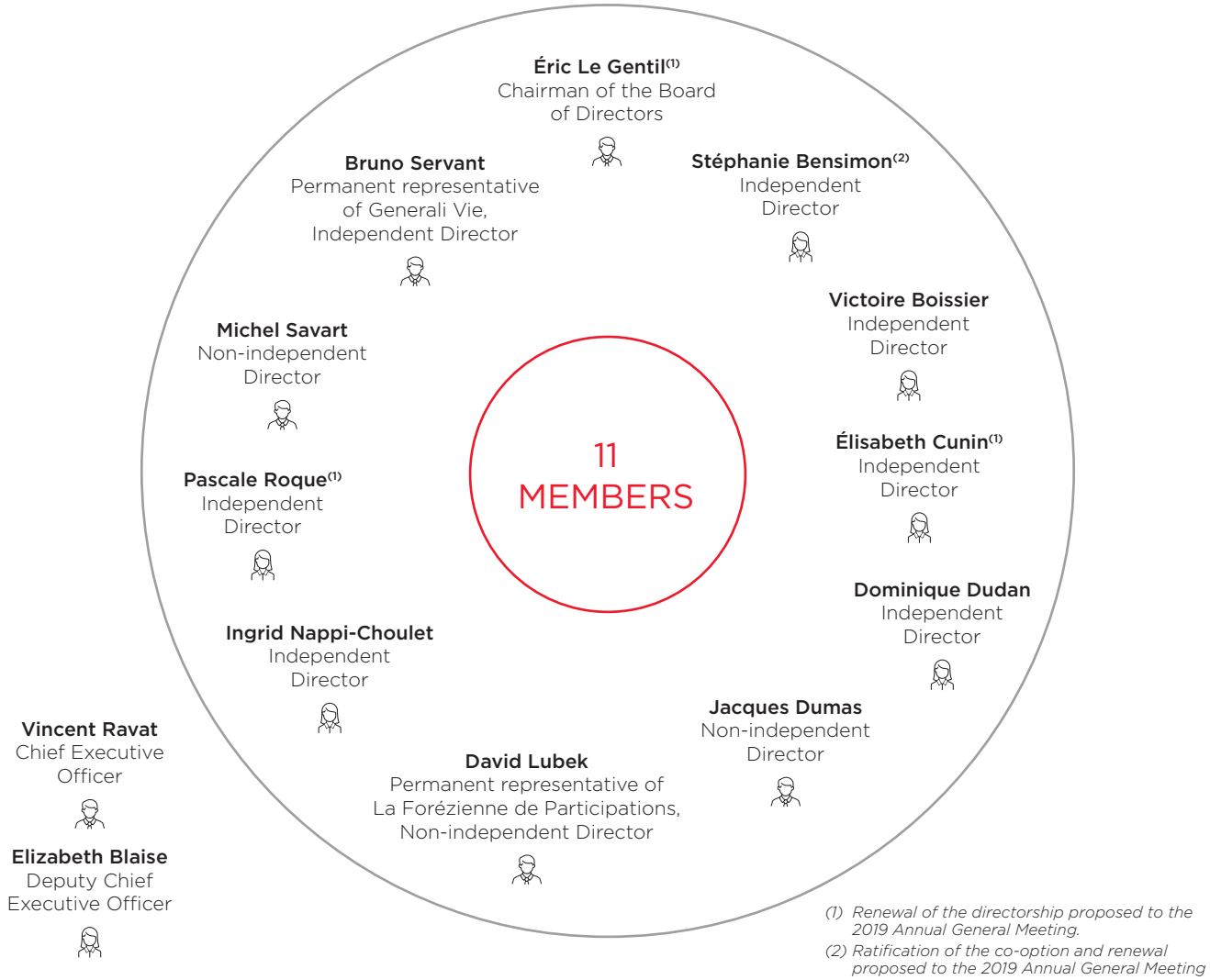
Number of meetings in 2018
11

Independence at the end of 2018
63.6%

Average seniority at the end of 2018(1)
4 years

(1) With Mercialys' Board of Directors.

Composition of the Board of Directors as of February 13, 2019 - date of approval of the 2018 financial statements



(1) Renewal of the directorship proposed to the 2019 Annual General Meeting.
(2) Ratification of the co-option and renewal proposed to the 2019 Annual General Meeting

With the co-option of Stéphanie Bensimon, Mercialys confirms its strong commitment to diversify and to renewing the competencies of its Board of Directors, which is made up of a panel of experienced members and with proven expertise. This composition guarantees a professional and skilled approach to all the issues encountered by Mercialys, well beyond the retail and real estate aspects, and is a source of innovation and strategic foresight.

Board members' competencies

	Real Estate/ Construction/ Urban Planning	Research	Legal/ Human Resources	Finance/ Accounting	Company management	Insurance	Retail/ Hospitality	Others(1)
Éric Le Gentil	●		●	●	●	●		●
Stéphanie Bensimon	●		●	●	●			
Victoire Boissier	●			●	●		●	
Élisabeth Cunin	●		●	●	●		●	●
Dominique Dudan	●		●	●	●		●	●
Jacques Dumas	●		●	●	●		●	
David Lubek	●			●	●	●	●	
Ingrid Nappi-Choulet	●	●		●				●
Pascale Roque	●		●	●	●		●	
Michel Savart	●		●	●	●		●	
Bruno Servant	●			●		●		●

(1) IT, Health, CSR...

Specialized Committees

The composition of the three Specialized Committees which assist the Board of Directors, namely the Audit, risks and sustainable development committee, the Investment committee and the Appointments and compensation committee is based on the same logic. All chaired by female independent directors, they endeavor to guarantee balanced representation, independence and expertise of their members, to achieve an objective and enlightened management of the Company and a long-term, distinctive strategy.

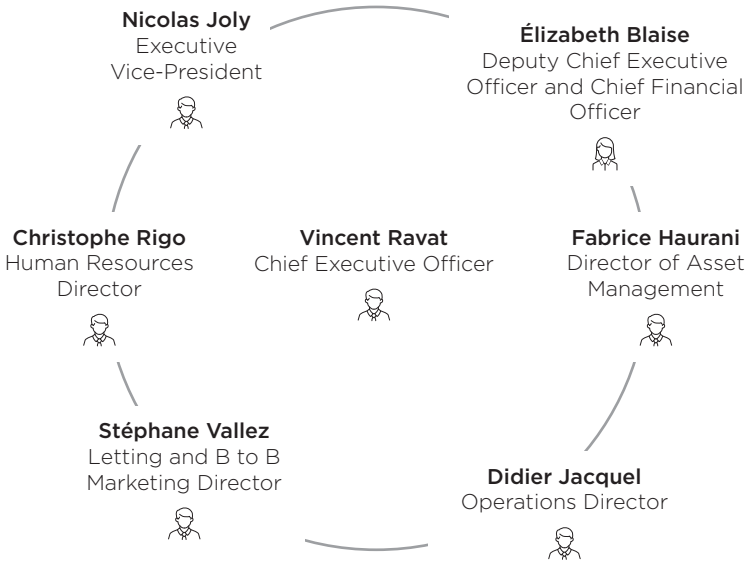
Composition of the Specialized Committees as of February 13, 2019 - date of approval of the 2018 financial statements

AUDIT, RISKS AND SUSTAINABLE DEVELOPMENT COMMITTEE	INVESTMENT COMMITTEE	APPOINTMENTS AND COMPENSATION COMMITTEE
4 MEMBERS	5 MEMBERS	5 MEMBERS
Ms Stéphanie Bensimon *(Chairwoman)* Ms Ingrid Nappi-Choulet Ms Pascale Roque Mr Michel Savart	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	Ms Elisabeth Cunin *(Chairwoman)* Ms Victoire Boissier Ms Dominique Dudan Mr Jacques Dumas Mr Éric Le Gentil
75% / 4 / 90%	40% / 4 / 88%	60% / 4 / 96%

Independent members rate — *Number of meetings in 2018* — *Attendance rate*

Management Committee

As of February 13, 2019, the Mercialys Management Committee was made up of a team of 7 members. All the members of the Committee have an excellent understanding of the business and sectoral challenges of Mercialys. Their varied professional backgrounds and experiences offer opportunities for numerous exchanges and ideas, and their complementary competencies, combined with the versatility of each one of them, strengthens the Committee's organizational flexibility. The Management Committee meets once a month, at a frequency considered appropriate given the rhythms of Mercialys' activity. Its members as of February 13, 2019 included:



A DIVERSE, BALANCED SHAREHOLDER BASE

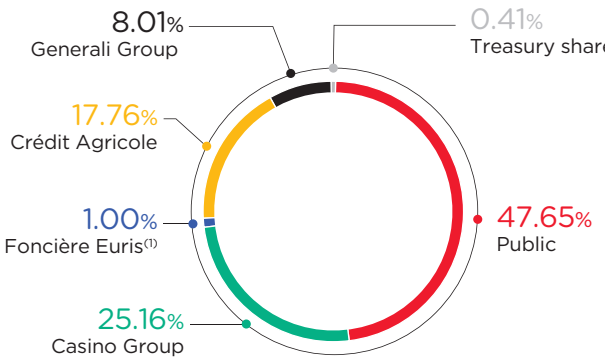
Mercialys has been listed on Euronext Paris, in compartment A, under the ticker MERY and ISIN FR0010241638 since its IPO on October 12, 2005. The Company is a member of SBF 120 and the Gaia SRI Index. The number of shares comprising its share capital at December 31, 2018 totaled 92,049,169 shares.

Mercialys' responsible strategy and sustainable outperformance are made possible by the nature of its shareholding. Historically, the Company has always had a stable shareholder base, marked by the presence of an industrial reference shareholder which supports and encourages the development of action plans which create value over the medium and long-term.

The presence of this industrial shareholder in the capital refocuses expectations toward a less short-termist attitude and develops a strategy more in step with the structurally long timescales in the real estate industry. By ensuring a good understanding of business priorities and more specifically retail, and by ensuring a better consideration of CSR issues, ethics and stakeholder expectations, this shareholder contributes to the Company's sustainable growth.

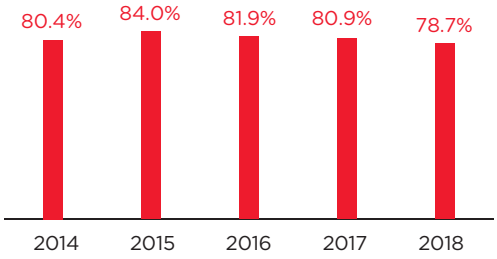
Nevertheless, Mercialys shareholding structure is still largely open, diversified and balanced. The 48% of free float provides significant liquidity to the Company's shares and the capacity to build up significant positions. Mercialys also guarantees equal treatment for all its shareholders, in accordance with the «one share, one vote» rule and facilitates voting at Annual General Meetings (electronically or on paper), as well as the submission of questions and motions. This leads to high voter participation rate each year at Annual General Meetings.

BREAKDOWN OF SHARE CAPITAL AT DECEMBER 31, 2018



(1) Foncière Euris also holds an option of 0.99% through a financial derivative instrument with physical settlement. In addition, with Rallye it is economically exposed on 4.5% with cash settlement only.

HISTORY OF VOTER PARTICIPATION RATE AT ORDINARY GENERAL MEETINGS



A MEASURED AND RESPONSIBLE COMPENSATION POLICY

In accordance with the recommendations of the AFEP-MEDEF Code, the compensation policy for Mercialys' executives is under control and aligned with the interests of shareholders. It is reviewed annually by the Board of Directors, after consultation with the Appointments and compensation committee.

Chairman of the Board of Directors

Since the adoption of the two-tier governance structure on February 13, 2019, the compensation of the Chairman of the Board of Directors, Mr Éric Le Gentil, is made up of a fixed part, determined after taking into account benchmark studies conducted by the Appointments and compensation committee and in light of the roles conferred upon him outside of the general allocations provided for by law:

- maintain relations with major shareholders and with the Company's major financial and/or industrial partners;
- participate in the development of strategy and oversee its implementation;
- be the interface between the Board of Directors and the Senior management.

Éric Le Gentil does not receive, as President, any variable compensation either in cash or shares. He receives directors' fees as a Director and in respect of his participation in the Investment committee and the Appointments and compensation committee.

His compensation structure for 2019 is as follows:

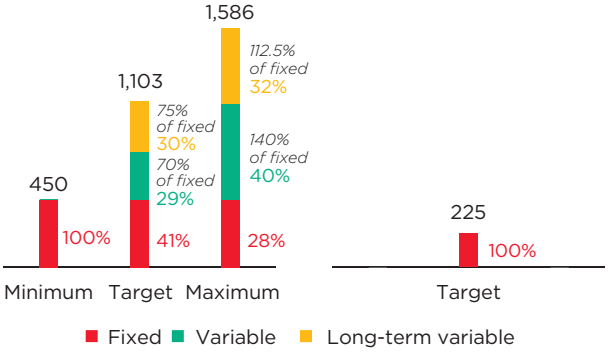
- fixed yearly compensation: Euro 225,000, i.e. 50% of his 2018 fixed compensation as Chairman and Chief Executive Officer;
- directors' fees: as provided by the rules in force within the Company.

Compensation structure of Mr Éric Le Gentil

2018
AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER

2019
AS CHAIRMAN

(IN EURO THOUSANDS)



Chief Executive Officer and Deputy Chief Executive Officer

The compensation structure for the executive corporate officers, Mr Vincent Ravat, Chief Executive Officer, and Ms Elizabeth Blaise, Deputy Chief Executive Officer, since February 13, 2019, is made up of a fixed part, an annual variable part and a long-term incentive part in the form of a bonus share award.

The level of fixed compensation paid by Mercialys to corporate officers is very reasonable in light of the excellent results generated every year by the Company, the experience and level of the executive corporate officers, and compared with industry practices.

The fixed compensation of Mr Vincent Ravat, Chief Executive Officer, after taking into account the benchmarks produced by the Appointments and compensation committee, was raised from Euro 300,000 to Euro 360,000 in light of his new role. The fixed salary of Ms Elizabeth Blaise, Deputy Chief Executive Officer, was set at Euro 230,000 in light of her new role. As the Deputy Chief Executive Officer is continuing to perform her duties as Chief Financial Officer, her remuneration is divided as follows: half on the basis of her corporate function and half in respect of her contract of employment.

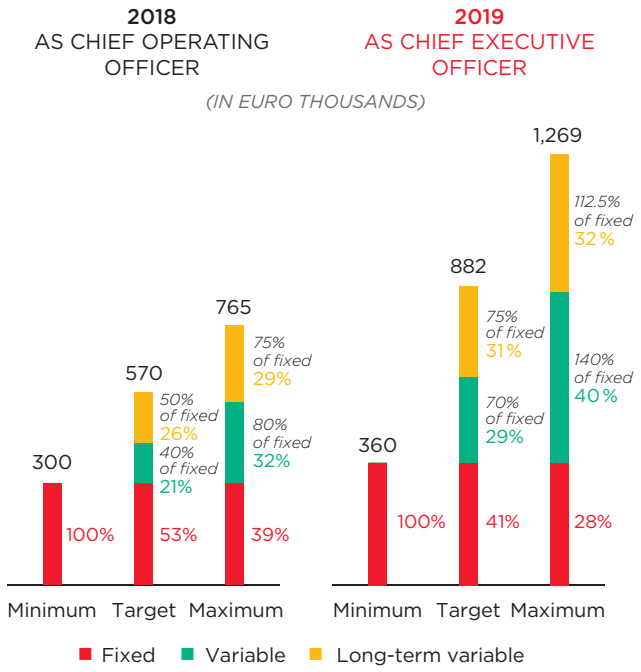
The criteria, objectives and thresholds used to determine the annual variable compensations are also logical and demanding. In 2018, 80% of the compensation depended on quantitative criteria (individual and Group) including 1 CSR target for 10%, and 20% on managerial criteria, in order to assess the performance of executives on the basis of essentially quantifiable elements. It was decided to maintain the 2018 variable compensation mechanism for the 2019 compensation policy, which will be put to the vote of the Annual Shareholder Meeting to be held on April 25, 2019.

Finally, a multi-year long term incentive, in the form of a bonus share award, is designed to permanently associate executives with Mercialys shareholding performance. For 2019, this share allocation will be subject:

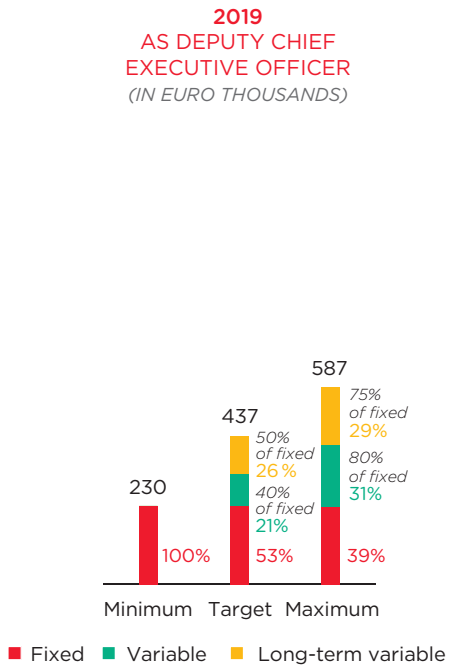
- for 40%, to a relative performance criteria of the Mercialys share including dividends (Total Shareholder Return - TSR) measured over 3 years, between January 1, 2019 and December 31, 2021;
- for 20%, to rental revenues organic growth measured as an annual average over 3 years between January 1, 2019 and December 31, 2021;
- for the remaining 40%, to a FFO growth criteria, measured as an annual average over 3 years between January 1, 2019 and December 31, 2021.

These shares are subject to a three year vesting period, with a condition of presence within the Company at the conclusion of these three years, as well as a two year holding period (of which at least 50% of the shares until termination of their corporate position). These time frames are in accordance with the recommendations of proxy agencies.

Compensation structure for Mr Vincent Ravat



Compensation structure for Ms Elizabeth Blaise



FINANCIAL CALENDAR

April 23, 2019[1]
2019 first quarter activity

April 25, 2019
Annual General Meeting

April 29, 2019[2]
Ex-dividend date

May 02, 2019[2]
Dividend payment date

July 24, 2019[1]
2019 half-year earnings

July 25, 2019
Financial information meeting

October 16, 2019[1]
2019 activity at end-September

(1) After market close.
(2) Subject to approval by the Annual General Meeting on April 25, 2019.

WARNING

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

This document contains certain statements that may be based on projections regarding future events, trends, projects or objectives. These projections include, by nature, identified and unidentified risks and uncertainties that could cause Mercialys' strategy and actual results to differ materially from the results anticipated in these statements.

Please refer to Mercialys Registration Document for the financial year ended December 31, 2018, found on the Company's website at www.mercialys.com, and more specifically to the chapter 5 "Risk Factors", for more details regarding certain significant factors, risks and uncertainties that may affect the Company's business.

Mercialys makes no commitment, in any form, to publish updates or adjustments to these forward-looking statements, nor to report new information, in case of new future events or any other circumstances that might cause these statements to be revised.


+ 2.5 %
Organic growth in rents excluding indexation
—
84.3 %
EBITDA margin
—
+ 4.5 %
FFO growth excluding carrying cost

1

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1.1 Activity report

Organic growth in invoiced rents was once again sustained in 2018, standing, excluding indexation, at a level of +2.5%, higher than the target of +2% fixed by the Company, and at +3.7% including indexation. The Funds From Operations (FFO) stood at Euro 115.1 million, up by +1.0%, representing Euro 1.25 per share[(1)]. Excluding the impact of the carrying cost related to refinancing the bond maturing in 2019 for Euro 4.1 million, it increased by +4.5%, which is significantly higher than the target of +2% fixed by Mercialys.

This performance is once again explained by the proven ability of the Company to constantly develop its portfolio, guaranteeing the attractiveness and letting ability of its sites. Indeed, in 2018, Mercialys shopping centers continued to outperform the national average of the CNCC (the French Council of Shopping Centers), showing a positive spread of +310 bp in footfall and +190 bp in retailer sales growth. The reversion generated over the period stood at a still very positive rate of +10.1%.

The Loan to Value ration (excluding transfer taxes) stood at 40.8% at the end of 2018, slightly up compared to the end of 2017. Three shopping centers were sold by Mercialys in 2018 and February 2019 for an amount of Euro 33.7 million including transfer taxes: the Saint-Paul site on Reunion Island, the Lannion site and the Gap site. These disposals, completed at values 3% on average above appraisal values, helped funding the Company's project portfolio. No acquisitions were made in 2018.

Building on eight years of success with asset sales, Mercialys intends, in a context of increasing polarization for retail assets, to continue rolling out this portfolio rotation strategy and has identified around Euro 200 million of assets including transfer taxes for potential sales, representing approximately 5% of the portfolio value at end-December 2018

While investor appetite for retail property assets has reduced, as reflected in disposal delays, Mercialys has, in parallel, the ability to adapt the pace of its projects and decided to slow the rate of its investments in 2019. Thus, after Euro 79.5 million in 2018, the Company will limit its development projects to Euro 12.1 million in 2019, which will help maintain a sound financial profile. Depending on the development of asset disposals over the coming months, Euro 23.9 million of additional projects may be launched soon, covering the Aix-Marseille Plan de Campagne site.

Also, consumption habits are changing, notably developing interdependency between online and offline retail. The physical store remains the format that is very widely preferred by consumers and Mercialys sites have characteristics that enable clients to benefit from the best quality-price ratio while saving time. To always address at best final customers requirements and further strengthen its competitive position, the Company is working on five transformation pillars, aiming to further establish its shopping centers in their community and consolidate their leadership, an essential factor in retailer profitability. These five major development pillars, described below, round out the Company's longstanding strategic priorities.

EPRA NNNAV increased by +2.9% over the year at Euro 21.14 per share. Mercialys will propose, to the General Meeting of April 25, 2019, the distribution of a dividend of Euro 1.12 per share with respect to 2018, up by +2.8% compared to 2017, representing a yield of 9.4% on the share price at end-December 2018 and 90% of 2018 FFO. The 2018 FFO therefore covers both the payment of the dividend (Euro 103 million) and maintenance capex (Euro 9 million).

In 2019, Mercialys will continue moving forward with its proven strategy of constant adaptation of its assets and continuous optimization of its retail offer. Against a backdrop of uncertainty, both at commercial level (following disruptions related to the demonstrations at the end of 2018) and in terms of rotation of the portfolio (due to decreased appetite among investors for retail assets), the Company will also be very attentive and responsive to market developments, particulary concerning its investments.

Mercialys has set the following objectives for 2019:

- organic growth in invoiced rents of around +3% including indexation, of which at least +1% excluding indexation. Although indexation will remain high, the Company will prudently externalize its reversion potential in 2019, maintaining sustainable occupancy cost ratios for retailers over the long term;
- Funds From Operations (FFO) per share growth of at least +4% compared to 2018;
- dividend within a range of 85% to 95% of 2019 FFO, at least stable compared to 2018.

(1) Calculated on the average non-diluted number of shares (basic), namely 91,733,866 shares.

1.1.1 Dual governance structure set up

The Board of Directors, at its meeting of February 13, 2019, which approved the 2018 financial statements, decided unanimously, on the proposal of its Chairman and Chief Executive Officer, Eric Le Gentil, to separate the positions of Chairman and Chief Executive Officer. The Company's governance, which already complied with the best market standards, has accordingly been further improved.

Eric Le Gentil remains Chairman of the Board of Directors, and Vincent Ravat, previously Chief Operating Officer, has been appointed Chief Executive Officer with immediate effect. Elizabeth Blaise has been appointed Deputy Chief Executive Officer, and remains the Company's Chief Financial Officer.

Eric Le Gentil is also a member of the Investment Committee, on which Vincent Ravat is a permanent guest member. Eric Le Gentil has also joined the Appointments and Compensation Committee, which continues to be chaired by a female independent director, with independent directors making up 60% of the Committee.

The Board of Directors has already indicated that it will ask the Annual General Meeting of April 25, 2019 to renew the term of office of Eric Le Gentil to allow, in the event of a favorable vote by the shareholders, the renewal the new governance for three years, with Eric Le Gentil as Chairman of the Board of Directors, Vincent Ravat as Chief Executive Officer and Elizabeth Blaise as Deputy Chief Executive Officer.

1.1.2 Five pillars to further develop the attractiveness of Mercialys shopping centers and invent tomorrow's retail property

While consumption habits are evolving under the effect of sociological, demographic and technological changes, the breakdown of the consumption of French households in each category has changed little over the last decade [(1)], with half covered by the products available in shopping centers.

Physical retail also remains very widely preferred by consumers, with 65% of French people preferring to purchase their products, across all categories, in store. This trend is particularly marked for the latest generations [(2)].

Stores still represent a strong format for generating purchases. Indeed, "showrooming" is a marginal activity that represents just 5% of traffic in physical assets [(2)], while 86% of online buyers say that they use collection points amongst their delivery channels, 38% use click&collect and 24% e-reservations with in-store payments, generating additional trade flows in physical assets. 33% of online buyers who opted to collect their orders rather than have them home delivered in 2018 took advantage of their journey to buy other products at these same physical points of sale [(3)].

Omni-channel retailers also benefit from an "emotional premium"[(4)] over retailers that are fully online. 83% of European consumers prefer to see and touch products before buying them, while 79% like to try before they buy and 62% like to be advised by sales staff in stores[(5)]. For comparison, the rate of returns due to customer dissatisfaction with products sold online is high, coming in at 24%[(6)].

Despite the very dominant position of physical retail, habits and mentalities are changing and Mercialys, as a major player for shopping centers in France, is developing its model so that it can respond to consumers' expectations.

To that end, the Company has established five development pillars which, added to its legacy business, now enhance its operations in the real estate and commercial segments:

1. **From asset manager to retail and services hub,** aiming to strengthen Mercialys' "marketplace" dimension by, in addition to leasing high-quality retail spaces, increasing the number of high-performance services provided for retailers and end customers;
2. **From landlord to last-mile player**, aiming to capitalize on the central geographical position of Mercialys' commercial assets and their locations within their catchment areas in order to provide a solution to the issue of local logistics costs;
3. **From customer knowledge to personalized customer relationships**, aiming to address consumers' changing requirements even more effectively and individually;
4. **From mass market consumption to better living**, ensuring that Mercialys' actions are consistent with a sustainable development and sharing approach;
5. **From mono to multi-functional sites**, aiming to move beyond the traditional use of shopping centers to make them real living environments.

These pillars are broken down into **35 in-house projects**, mobilizing the Company's employees within a "project mode" organization and with a "test and learn" approach.

The budget allocated for the current test phases is approximately Euro 1 million.

(1) INSEE.
(2) IPG Mediabrands, in partnership with Ipsos and Google, 11 European countries, 4,800 respondents per country.
(3) e-Commerce and remote sales federation (Fevad) – 2018 key figures.
(4) OC&C ranking of French peoples' favorite brands.
(5) Cetelem consumption observatory, 2018
(6) LSA 2018 – e-commerce: use customer content to limit product returns.

1.1.3 One major extension and three large food store transformation projects completed, for an average net yield of 6.2%

In November, Mercialys completed and inaugurated its **flagship project on Reunion island**, Cap Sacré-Cœur shopping center, located in the municipality of Le Port in the north-west of the island. This project, which represents Euro 4.6 million in additional annual rental income for a yield of 6.2%, is based on a 9,200 sq.m extension, which has welcomed 45 new stores, and a full refurbishment of the existing section. Its innovative letting has attracted numerous national and international retailers that were not present locally until now, such as the Turkish fashion clothing brand Koton, the Spanish decoration brand Muy Mucho and the American cosmetics brand MAC, as well as Levi's.

This center, which is now the largest on Reunion island and bigger than the Sainte-Marie site, also owned by Mercialys, has achieved significant success, with 143,000 visitors during its inauguration week and combined footfall of over 820,000 visitors for November and December 2018, despite the major disruption linked to social unrest. Located in a residential hub with 400,000 inhabitants, these footfall figures reflect the regional scale and power of attraction of this leading site in the Indian Ocean.

Mercialys also delivered **three large food store transformation projects**, representing Euro 0.4 million of additional rental income on an annualized basis for a yield on cost of 6.1%. 4,220 sq.m of space was reworked, enabling three new medium-sized stores to be set up in three different shopping centers, further strengthening their retail mix and consolidating their distinctive identity within their catchment areas.

The retailer Action opened in Annecy, making it possible to capture the retail potential of residential property developments near this site, offering affordable products for first-time buyers. Fnac also opened its second store in Franche-Comté at Mercialys' Besançon site. Lastly, New Yorker inaugurated its first store in Brest at Mercialys' site, perfectly supplementing the retail mix of this center, which attracts high numbers of visitors aged 18-35.

1.1.4 Euro 33.7 million including transfer taxes of disposals in 2018 and February 2019, with Mercialys aiming to further concentrate its portfolio

Mercialys finalized the disposal of three shopping centers in 2018 and February 2019.

The sale of the Saint-Paul site on Reunion island was completed in June 2018 **for Euro 14.6 million including transfer taxes**, generating a capital gain of Euro 3.3 million.

The sale of the Lannion site for **Euro 12.0 million including transfer taxes** in December 2018, generating Euro 3.0 million of capital gains, and the Gap site in February 2019 for **Euro 7.1 million including transfer taxes**, are in line with Mercialys' asset rotation strategy, notably looking to divest centers that are well integrated into their local environments but of limited size based on the Company's criteria.

These sales, completed at values above their appraisals, are helping fund the Company's project portfolio.

Building on eight years of success with asset sales, Mercialys intends, in a context of increasing polarization for retail assets, to continue rolling out this rotation strategy and has identified around Euro 200 million of assets including transfer taxes for potential sales, representing approximately 5% of the portfolio value at end-December 2018.

1.1.5 Review of the portfolio of development projects and focus on selectivity for investments in 2019

Investor appetite for commercial property declined in 2018, which was reflected in the timeframes for sales. In this context, and to safeguard its main financial balances, Mercialys has carried out an in-depth review of its project portfolio, based on their profitability and the trends for the corresponding catchment areas.

At end-December 2018, the Company's project portfolio represented **Euro 568 million** through to 2025, down Euro -257 million from June 30, 2018. This change reflects the delivery of projects in 2018 for Euro 79.5 million, as well as the realignment to focus on projects with higher expected yields and controlled risk profiles. Total potential additional rental income now represents **Euro 32.9 million**(1) for a highly accretive average yield rate of **6.9%**(1).

Mercialys is committed to creating value for shareholders and maintaining its balance sheet equilibrium. It was therefore decided to **limit, at this stage, the value of projects in 2019 to Euro 12.1 million**, corresponding to the projects already underway at the Le Port site on Reunion island, including the development of indoor and outdoor food courts and the retail park.

Euro 23.9 million of additional projects at the Aix-Marseille Plan de Campagne site, corresponding to the conversion of large food stores and the first phase of the center's extension, may be implemented quickly, depending on developments with the disposals of assets over the coming months.

Mercialys' project portfolio remains **very deep and flexible**, with projects covering 30 out of the 55(2) shopping centers and high-street retail assets held at the end of 2018 by the Company, and a real ability to accelerate or decelerate each project in line with the trends for requirements in their catchment areas.

(in millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost	Completion date
Committed projects	**12.1**	**11.7**	**0.9**	**7.1%**	**2019**
Le Port	**12.1**	**11.7**	**0.9**	**7.1%**	**2019**
Food court	0.8	0.4	-	-	-
Retail Park	11.3	11.3	-	-	-
Controlled projects	**207.3**	**207.0**	**10.4(1)**	**6.7%(1)**	**2020 / 2022**
Redevelopments and requalifications	**66.2**	**65.9**	**4.4**	**6.7%**	**2020 / 2021**
o.w. Aix-Marseille Plan de Campagne (transf.)	10.4	10.4	-	-	-
Extensions and retail parks	**88.9**	**88.9**	**6.0**	**6.7%**	**2020 / 2022**
o.w. Aix-Marseille Plan de Campagne (ext. phase 1)	13.5	13.5	-	-	-
Mixed-use high-street projects	**52.2**	**52.2**	**na**	**na**	**2021 / 2022**
Identified projects	**348.3**	**348.2**	**21.6(1)**	**7.0%(1)**	**2022 / 2025**
TOTAL PROJECTS	**567.7**	**566.9**	**32.9(1)**	**6.9%(1)**	**2019 / 2025**

- *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) Excluding the impact of mixed-use high-street projects representing Euro 85 million of investment, which could also generate property development margins.

(1) Excluding the impact of mixed-use high-street projects for Euro 85 million of investments, which could also generate property development margins.
(2) 54 pro forma for the disposal of the Gap site completed in February 2019, in addition to six geographically dispersed assets representing a total appraisal value including transfer taxes of Euro 24.7 million.

1.1.6 EPRA NNNAV up +2.9% over 12 months

Mercialys' portfolio value represents **Euro 3,780.2 million** including transfer taxes, up +1.2% over 12 months and down slightly by -0.4% over six months. Like-for-like[(1)], Mercialys' portfolio value is up +0.4% over 12 months and down -1.0% over six months.

Excluding transfer taxes, the portfolio value comes to Euro 3,556.9 million, also up by +1.2% over 12 months and down -0.4% over six months.

At end-2018, Mercialys' portfolio mainly comprised **55[(1)] shopping centers and high-street sites**, with 45% regional or large shopping centers and 55% leading local retail sites (neighborhood shopping centers and city-center assets).

The average size of these shopping centers (excluding high-street retail assets) was 17,000 sq.m at the end of 2018[(2)], compared with an average of 7,400 sq.m in 2010. Their average value was Euro 74 million including transfer taxes[(3)], versus Euro 26.9 million in 2010.

The average appraisal yield rate came to **5.10**% at December 31, 2018, compared with 5.07% at June 30, 2018 and 5.13% at December 31, 2017. The 3 bp reduction in the yield rate between 2017 and 2018 is linked primarily to changes in scope (acquisition of the Le Port site extension and sale of the Saint-Paul and Lannion shopping centers) and the positive contribution of investments made over the period (notably requalification of large food stores and residual payments on redevelopment projects completed in 2017), increasing the value of the assets redeveloped without affecting rents, automatically reducing the headline rate.

Like-for-like and excluding the effect of investments, an increase in appraisal rates on certain categories of assets had an overall effect of +8 bp on the portfolio's average rate. This development resulted in a Euro -51 million drop in the portfolio value excluding transfer taxes, reflected in the change in the Net Asset Value as detailed below.

Mercialys' EPRA NNNAV is up +2.9% over 12 months to Euro 21.14 per share. This change of Euro +0.60 per share over one year factors in the following impacts:

- dividend payment: Euro -1.18;
- Funds From Operations: Euro +1.25;
- 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 +0.06, including a yield effect for Euro -0.55, a rent effect for Euro +0.51, and other effects for Euro -0.11;
- change in fair value of fixed-rate debt: Euro +0.63;
- change in fair value of derivatives and other items: Euro -0.16.

Note that the EPRA NNNAV at end-2018 was higher than the EPRA NAV, which came to Euro 20.86 per share, stable compared with the end of 2017. This difference is related to the change in the fair value of fixed-rate debt, which reflects a market value for this debt that is lower than its nominal value.

1.1.7 Optimized financial structure, with a competitive cost of financing

In February 2018, Mercialys completed the early refinancing of a Euro 479.7 million bond issue maturing in March 2019 with a new Euro 300 million eight-year bond issue based on a very favourable coupon of 1.80%. In 2018, taking into account the Euro 150 million private placement from November 2017 and hedging, this refinancing generated a carrying cost of Euro 4.1 million. This negative impact on FFO will be neutralized after the redemption of this bond.

The **real average cost of drawn debt** for 2018 came to **1.8%**, lower than 2017 (1.9%).

The **average maturity of drawn debt** was 3.7 years at December 31, 2018. Restated for the negative impact of the bond maturing in March 2019, this represents 4.8 years.

Mercialys' financial structure is still extremely solid. The **LTV ratio excluding transfer taxes[(4)]** came to **40.8%** at December 31, 2018. The **ICR[(5)]** was **5.0x** at December 31, 2018, versus 5.2x at December 31, 2017. The change in this indicator reflects the carrying cost for the early refinancing of the bond maturing in March 2019.

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

(1) Sites on a constant surface basis.
(2) 17,200 sq.m pro forma for the Gap site disposal in February 2019.
(3) Euro 75 million pro forma for the Gap site disposal in February 2019.
(4) LTV (Loan To Value): Net financial debt/(portfolio's fair value excluding transfer taxes + market value of investments in associates for 2018, i.e. Euro 64.4 million, vs Euro 67.2 million in 2017), since the value of the portfolio held by associates is not included in the appraisal value.
(5) 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, 2018. These standards are available on the European Commission website at (https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en).

The accounting policies set out below were applied consistently to all the periods presented in the consolidated financial statements, after taking into account, or with the exception of, the new standards and interpretations described below.

1.2.1 Financial statements

1.2.1.1 Consolidated income statement

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017
Rental revenues	**187,287**	**185,318**
Non-recovered property taxes	(860)	(1,248)
Non-recovered service charges	(4,141)	(4,656)
Property operating expenses	(6,920)	(7,227)
Net rental income	**175,367**	**172,188**
Management, administrative and other activities income	3,076	4,066
Other income	285	277
Other expenses	(8,335)	(9,065)
Personnel expenses	(12,581)	(12,398)
Depreciation and amortization	(37,016)	(34,822)
Reversals of/(Allowances for) provisions	(1,481)	(1,528)
Other operating income	30,481	178,364
Other operating expenses	(25,610)	(172,005)
Operating income	**124,186**	**125,077**
Income from cash and cash equivalents	430	156
Gross finance costs	(31,697)	(30,219)
(Net finance costs) / income from net cash	**(31,267)**	**(30,063)**
Other financial income	285	254
Other financial expenses	(2,195)	(2,173)
Net financial items	**(33,177)**	**(31,982)**
Tax expense	(2,402)	(645)
Share of net income from equity associates and joint ventures	1,012	2,540
CONSOLIDATED NET INCOME	**89,619**	**94,991**
attributable to non-controlling interests	8,768	8,324
attributable to owners of the parent	80,851	86,666
Earnings per share[1]		
Net income, attributable to owners of the parent (in euros)	0.88	0.94
Diluted net income, attributable to owners of the parent (in euros)	0.88	0.94

(1) Based on the weighted average number of shares over the period adjusted for treasury shares:
- weighted average number of shares (non-diluted) in 2018 = 91,733,866 shares;
- weighted average number of shares (fully diluted) in 2018 = 91,733,866 shares.

1.2.1.2 Consolidated balance sheet

Assets

(in thousands of euros)	Dec 31, 2018	Dec 31, 2017
Intangible assets	2,710	2,486
Property, plant and equipment other than investment property	8	10
Investment property	2,322,755	2,305,414
Investments in associates	35,160	38,445
Other non-current assets	46,773	37,529
Deferred tax assets	1,727	319
Non-current assets	**2,409,134**	**2,384,203**
Trade receivables	22,341	15,839
Other current assets	49,448	59,713
Cash and cash equivalents	377,106	196,913
Investment property held for sale	3,753	113
Current assets	**452,648**	**272,578**
TOTAL ASSETS	**2,861,781**	**2,656,781**

Equity and liabilities

(in thousands of euros)	Dec 31, 2018	Dec 31, 2017
Share capital	92,049	92,049
Additional paid-in capital, treasury shares and other reserves	587,551	626,468
Equity, attributable to owners of the parent	679,601	718,517
Non-controlling interests	199,944	202,023
Equity	**879,545**	**920,540**
Non-current provisions	1,063	857
Non-current financial liabilities	1,208,999	1,377,454
Deposits and guarantees	22,081	22,694
Other non-current liabilities	3,580	-
Deferred tax liabilities	-	578
Non-current liabilities	**1,235,723**	**1,401,583**
Trade payables	14,769	12,516
Current financial liabilities	690,939	281,396
Current provisions	7,538	6,265
Other current liabilities	33,218	34,432
Current tax liabilities	49	49
Current liabilities	**746,513**	**334,658**
TOTAL EQUITY AND LIABILITIES	**2,861,781**	**2,656,781**

1.2.1.3 Consolidated cash flow statement

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017
Net income, attributable to owners of the parent	80,851	86,666
Non-controlling interests	8,768	8,324
Consolidated net income	**89,619**	**94,991**
Depreciation, amortization and provisions, net of reversals	41,507	43,590
Expenses/(income) relating to stock options and similar	235	421
Other calculated expenses/(income)[1]	(1,964)	(1,775)
Share of net income from equity associates	(1,012)	(2,540)
Dividends received from associates	4,397	2,625
Income from asset disposals	(8,119)	(14,965)
Cash flow	**124,663**	**122,346**
Expense/(Income) from net financial debt	31,268	30,063
Tax expense (including deferred tax)	2,402	645
Cash flow before net finance costs and tax	**158,333**	**153,055**
Taxes received/(paid)	(305)	(2,547)
Change in working capital requirement relating to operations, excluding deposits and guarantees[2]	8,729	13,491
Change in deposits and guarantees	(612)	48
Net cash flow from operating activities	**166,144**	**164,046**
Cash payments on acquisitions of:		
• investment property and other fixed assets	(79,294)	(102,808)
• non-current financial assets	(221)	-
Cash receipts on disposals of:		
• investment properties and other fixed assets[3]	27,890	164,173
• non-current financial assets	-	-
Investments in associated companies[4]	(975)	(26,956)
Impact of changes in the scope of consolidation with change of ownership	(44)	-
Impact of changes in scope of consolidation related to associates	-	-
Change in loans and advances granted[7]	(7,826)	(23)
Net cash flow from investing activities	**(60,470)**	**34,386**
Dividends paid to shareholders of the parent company	(62,403)	(57,829)
Interim dividend	(45,805)	(37,637)
Dividends paid to non-controlling interests	(10,844)	(11,468)
Other transactions with shareholders[5]	-	(1,260)
Changes in treasury shares	(3,510)	(1,100)
Increase in borrowings and financial liailities[6]	1,080,043	1,281,260
Decrease in borrowings and financial liabilities[6]	(857,000)	(1,164,500)
Net interest received	31,140	29,997
Net interest paid	(56,715)	(54,724)
Net cash flow from financing activities	**74,904**	**(17,260)**
CHANGE IN CASH POSITION	**180,577**	**181,171**
Net cash at beginning of year	196,469	15,298
Net cash at end of year	377,046	196,469
• of which cash and cash equivalents	377,106	196,913
• of which bank overdrafts	(60)	(444)

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017
(1) Other calculated expenses and income primarily comprise:		
discounting adjustments to construction leases	*(444)*	*(546)*
lease rights received and spread out over the term of the lease	*(1,980)*	*(1,720)*
financial expenses spread out	*402*	*399*
interest on non-cash loans	*(50)*	*-*
(2) The change in working capital requirement breaks down as follows:		
trade receivables	*(7,076)*	*13,935*
trade payables	*2,228*	*(7,046)*
other receivables and payables	*13,577*	*6,602*
	8,729	*13,491*

(3) 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.

In 2017, cash inflows related to disposals were essentially composed of five service galleries sold to the Casino Group for Euro 36.0 million, the transformed hypermarket at Toulouse Fenouillet sold to the Casino Group for Euro 30.6 million, the site at Poitiers Beaulieu for Euro 69.7 million, the site at Fontaine-Lès-Dijon for Euro 24.9 million and the site at Rennes Saint-Grégoire for Euro 2.3 million. These amounts were net of expenses.

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

In December 2017, La Diane purchased from Casino Group the shares in the company Sacré-Cœur, running the project at Le Port on Reunion island, for Euro 15.7 million and the associated current account for Euro 11.2 million.

(5) In December 2017 Mercialys acquired all of the shares of the stake held by the minority shareholder in SCI Kerbernard for Euro 1.3 million.

(6) In 2018 and 2017, the increases and reductions of borrowings and financial debt corresponded to subscriptions and redemptions of commercial papers and the establishment of the new bond representing Euro 298,466 thousand net of expenses in 2018 and Euro 148,260 thousand net of expenses in 2017.

(7) Mercialys granted a supplementary loan to SCI Rennes Anglet for Euro 7.8 million.

1.2.2 Main highlights of 2018

Bond issue

In February 2018, Mercialys issued a new bond of a nominal amount of Euro 300 million maturing in February 2026. This issue bears a coupon of 1.80%.

Disposal of the Saint-Paul site

In June 2018, Mercialys sold the Saint-Paul site on Reunion island for an amount of Euro 14 million excluding transfer taxes, generating capital gains of Euro 3.3 million.

Completion of the Le Port shopping center extension project

In November 2018, Mercialys inaugurated the extension of its shopping center Cap Sacré-Cœur, located in the municipality of Le Port on Reunion island. This project, run by the company Sacré-Cœur, included the creation of an extension of 9,200 sq.m hosting 45 new stores and the complete renovation of the existing part.

Disposal of the Lannion site

In December 2018, Mercialys sold the Lannion site for an amount of Euro 11.2 million excluding transfer taxes, generating capital gains of Euro 3.0 million.

1.2.3 Summary of the main key indicators for the period

	Dec 31, 2018
Organic growth in invoiced rents	+2.5%
EBITDA[1]	Euro 157.8 million
EBITDA/rental revenues	*84.3%*
Funds From Operations (FFO)	Euro 115.1 million
Funds From Operations (FFO[2]) per share	Euro 1.25
Fair value of the portfolio (including transfer taxes)	Euro 3,780.2 million
Change vs. 12/31/2017 (total scope)	+1.2%
Change vs. 12/31/2017 (excluding the impact of 2017 and 2018 disposals)	+0.4%
EPRA NNNAV per share	Euro 21.14
Change vs. 12/31/2017	+2.9%
Loan to Value (LTV) - excluding transfer taxes	40.8%

(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 +10,1%[1] for the period.

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

The number of expired leases at end-2018 is due to ongoing negotiations, non-renewal of leases with payment of eviction compensation, comprehensive negotiations by retailers, tactical delays, etc.

	Number of leases	Annual MGR* + variable (in Euro million)	Share of leases expiring (% Annual MGR + variable)
Expired at 12/31/2018	374	17.0	9.3%
2019	139	6.6	3.6%
2020	185	13.0	7.1%
2021	159	9.2	5.1%
2022	167	10.6	5.8%
2023	119	8.5	4.7%
2024	155	10.4	5.7%
2025	143	9.3	5.1%
2026	243	25.9	14.2%
2027 and beyond	483	71.6	39.3%
TOTAL	**2,167**	**182.1**	**100.0%**

* *MGR = Minimum Guaranteed Rent.*

The **recovery rate** over 12 months to the end of December 2018 remains high at 96.7%, slightly down in relation to June 30, 2018 (97.1%) and to December 31, 2017 (97.0%). This development is essentially due to a dispute with a tenant concerning non-recurrent re-invoicing of work.

The **current financial vacancy rate** - which excludes "strategic" vacancy designed to facilitate extension/redevelopment plans - remained at a very low level. It stood at 2.5%[2] at December 31, 2018, stable compared to June 30, 2018 and December 31, 2017. The total vacancy rate[3] stood at 3.0% at December 31, 2018, an improvement compared to June 30, 2018 and to December 31, 2017 (3.4%).

(1) Vacancy base at the last known rent for relettings.
(2) The occupancy rate, as with Mercialys' 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 **occupancy cost ratio** [1] of tenants stood at 10.5%, stable compared to June 30, 2018 and slightly up compared to December 31, 2017 (10.3%). 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 (2.9%) no other tenant represents more than 2% of total rental income.

The percentage of Casino in total rental income was 28.7% at December 31, 2018, down compared to June 30, 2018 (29.4%) and to December 31, 2017 (28.9%). This development is due to the overall growth of rental income.

The table below shows the **breakdown by retailer** (national, local and Casino Group retailers) of contractual rents on an annualized basis:

	Leases Dec 31, 2018 (in number)	Annual MGR* + variable Dec 31, 2018 (in Euro million)	Dec 31, 2018 (in %)	Dec 31, 2017 (in %)
National and international retailers	1,498	109.4	60.1%	58.4%
Local retailers	599	20.4	11.2%	12.7%
Casino cafeterias/restaurants	6	1.1	0.6%	0.6%
Monoprix	8	11.6	6.4%	6.4%
Géant Casino and other entities	56	39.7	21.8%	21.9%
TOTAL	**2,167**	**182.1**	**100.0%**	**100.0%**

* *MGR = Minimum Guaranteed Rent.*

The **breakdown by business sector** (including large food stores) of Mercialys rents also remains highly diversified:

	Dec 31, 2018	Dec 31, 2017
Restaurants and catering	7.4%	7.3%
Health and beauty	10.6%	10.3%
Culture, gifts and sports	13.4%	13.2%
Personal items	31.5%	31.7%
Household equipment	6.8%	7.2%
Food-anchored tenants	27.5%	27.6%
Services	2.7%	2.6%
TOTAL	**100.0%**	**100.0%**

The **structure of rental income** at December 31, 2018 shows that leases with a variable component represent the dominant share in terms of rent:

	Number of leases	(in Euro million)	Dec 31, 2018 (in %)	Dec 31, 2017 (in %)
Leases with variable component	1,283	99.1	54%	54%
• of which Minimum Guaranteed Rent		94.2	52%	51%
• of which variable rent		4.9	3%	4%
Leases without variable component	884	83.0	46%	46%
TOTAL	**2,167**	**182.1**	**100%**	**100%**

Also, leases index-linked to the French Retail Rent Index (ILC) made up the predominant share of rents at December 31, 2018:

	Number of leases	(in Euro million)	Dec 31, 2018 (in %)	Dec 31, 2017 (in %)
Leases index-linked to the Retail Rent Index (ILC)	1,693	164.7	93%	91%
Leases index-linked to the Construction Cost Index (ICC)	241	10.6	6%	7%
Leases index-linked to the Tertiary Activities Rent Index (ILAT) and non-adjustable leases	233	2.0	1%	2%
TOTAL	**2,167**	**177.3**	**100%**	**100%**

(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.

1.2.5 Review of 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 despecialization indemnities paid by tenants and spread out over the firm period of the lease (usually 36 months).

(in thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
Invoiced rents	185,213	183,514	+0.9%
Lease rights	2,074	1,805	+14.9%
Rental revenues	**187,287**	**185,318**	**+1.1%**
Non-recovered service charges and property taxes	(5,000)	(5,904)	-15.3%
Property operating expenses	(6,920)	(7,227)	-4.2%
Net rental income	**175,367**	**172,188**	**+1.8%**

The change in invoiced rents of **+0.9 points** results from the following factors:

- sustained organic growth in invoiced rents[1]: **+3.7 points**, representing Euro +6.9 million;
- acquisitions made in 2018: **+0.3 point**, representing Euro +0.6 million;
- impact of asset disposals in 2017 and 2018: **-2.0 points** or Euro -3.7 million;
- other effects, primarily including strategic vacancy linked to current redevelopment programs: **-1.1 points**, representing Euro -2.1 million.

Like-for-like, invoiced rents are up **+3.7 points**, including in particular:

- **+1.2 points** as a result of indexation[2];
- **+2.5 points** as a result of all the actions carried out on the portfolio, the renewals and re-letting having generated an annual average growth in the rental base of +10.1%[3] over the fiscal year.

Lease rights and despecialization indemnities[4] received over the period stood at **Euro 5.4 million**, against Euro 1.5 million at December 31, 2017 and break down as follows:

- Euro 5.3 million of lease rights related to the re-letting activity (vs. Euro 1.5 million in 2017), of which Euro 4.5 million received on the Le Port site on Reunion island, which was the subject of a significant extension project delivered in November 2018;
- an insignificant amount of despecialization indemnities, as in 2017.

After taking into account the deferrals on the firm duration of leases specified by IFRS standards, the lease rights recognized in 2018 stand at Euro 2.1 million, against Euro 1.8 million in 2017.

Rental revenues stood at **Euro 187.3 million** at December 31, 2018, up by +1.1% compared to the end 2017.

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 11.9 million for 2018, against Euro 13.1 million for 2017. The ratio of non-recovered property operating expenses to invoiced rents was 6.4% at December 31, 2018, compared with 7.2% at December 31, 2017.

Through the increase in invoiced rents, the growth in lease rights and the optimization of non-recoverable expenses, net rental income increased by 1.8% compared to December 31, 2017, at Euro 175.4 million.

1.2.5.2 Management income, operating costs and EBITDA

(in thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
Net rental income	**175,367**	**172,188**	**+1.8%**
Management, administrative and other activities income	3,076	4,066	-24.4%
Other income and expenses	(8,050)	(8,788)	-8.4%
Personnel expenses	(12,581)	(12,398)	+1.5%
EBITDA	**157,812**	**155,069**	**+1.8%**
% rental revenues	84.3%	83.7%	na

(1) Assets enter the like-for-like scope used to calculate organic growth once they have been held for 12 months.
(2) In 2018, for the majority of leases, rents were indexed to the change in the retail rent index (ILC) between the second quarter of 2016 and the second quarter of 2017 (+1.5%) and between the third quarter of 2016 and the third quarter of 2017 (+2.0%).
(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

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, which works on a cross-functional basis for Mercialys and the Casino Group, or within the framework of shopping center management services provided by teams) as well as letting, asset management and advisory fees relating to partnerships formed.

Fees invoiced in 2018 stood at Euro 3.1 million against Euro 4.1 million in 2017. Fiscal year 2017 benefited from a one-off fee invoice for the license on the brand G La Galerie for Euro 0.8 million.

No **property development margin** was recorded in 2018.

Other recurring income of Euro 0.3 million recognized in 2018 was stable compared to 2017. It includes dividends received from the OPCI created in partnership with the company Union Investment in 2011. Ownership of this 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. Structural costs primarily include investor relations costs, directors' fees, corporate communication costs, shopping center communication costs, marketing survey costs, fees paid to the Casino Group for services covered by the Services Agreement (accounting, financial management, human resources, IT management), professional fees (Statutory Auditors, consulting, research) and real estate asset appraisal fees.

In 2018, these expenses stood at Euro 8.3 million against Euro 9.1 million in 2017. This change is the result of the efforts made by the Company to control the cost structure.

Personnel expenses stood at Euro 12.6 million in 2018, an amount comparable to the expense in 2017 (Euro 12.4 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, which works on a cross-functional basis for Mercialys and the Casino Group, 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 consequence of the aforementioned, **EBITDA** [(1)] for 2018 stood at Euro 157.8 million against Euro 155.1 million in 2017, up by +1.8%. The EBITDA ratio was 84.3% at December 31, 2018 (compared with 83.7% at end-2017).

1.2.5.3 Net financial items

In 2018, Mercialys finalized the **early refinancing** of the bond of Euro 479.7 million which will be redeemed at its maturity in March 2019 and bears a coupon of 4.125%. Indeed, in February, the Company successfully placed a bond issue for an amount of Euro 300 million maturing in February 2026 and bearing a coupon of 1.80%. This operation followed a private placement of a bond of Euro 150 million with a November 2027 maturity and a 2.0% coupon, performed in November 2017.

These new financing lines, raised under very favorable conditions, have helped extend the average maturity of debt and achieve a very significant reduction in Mercialys' financing costs from March 2019. After setting up hedging instruments, the impact on 2018 Funds from Operations (FFO) of the carrying cost of these new financing transactions stood at Euro 4.1 million, in line with the Company's estimate reviewed in July 2018. Following the redemption of the bond of Euro 479.7 million in March 2019, Mercialys will benefit, all else being equal, from a significant reduction in its financial expenses, which will continue, on an annual basis, in 2020.

Net financial items stood at Euro 33.2 million at December 31, 2018, compared to Euro 32.0 million at December 31, 2017. Restated for the impact of non-recurring elements (impact of hedging ineffectiveness and banking default risk), which represents an expense of Euro 0.4 million (vs a cumulative expense of Euro 1.6 million at the end of December 2017), the net financial items stood at Euro 32.8 million, against Euro 30.4 million at the end of December 2017.

The **average real cost of drawn debt** at December 31, 2018 stood at 1.8%, stable compared to the first half of 2018 and slightly down compared to 2017 (1.9%).

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

The table below shows a breakdown of net financial items:

(In thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
Income from cash and equivalents *(a)*	**430**	**156**	**ns**
Cost of debt taken out *(b)*	(43,937)	(36,909)	+19.0%
Impact of hedging instruments *(c)*	12,239	6,690	+82.9%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**(31,697)**	**(30,219)**	**+4.9%**
Exceptional depreciation of costs in relation to the early repayment of bank loans *(e)*	na	na	na
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**(31,697)**	**(30,219)**	**+4.9%**
Net finance costs *(g) = (a)+(f)*	**(31,267)**	**(30,063)**	**+4.0%**
Cost of Revolving Credit Facility and bilateral loans (undrawn) *(h)*	(2,154)	(2,150)	+0.2%
Other financial expenses *(i)*	(41)	(23)	+78.3%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**(2,195)**	**(2,173)**	**+1.0%**
Exceptional depreciation in relation to refinancing of the RCF *(k)*	na	na	na
Other financial expenses *(l) = (j)+(k)*	**(2,195)**	**(2,173)**	**+1.0%**
TOTAL FINANCIAL EXPENSES *(m) = (f)+(l)*	**(33,892)**	**(32,392)**	**+4.6%**
Income from equity associates	0	0	na
Other financial income	285	254	+12.2%
Other financial income *(n)*	**285**	**254**	**+12.2%**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**715**	**410**	**+74.4%**
NET FINANCIAL ITEMS *= (m)+(o)*	**(33,177)**	**(31,982)**	**+3.7%**

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, 2018	Dec 31, 2017	Change (%)
EBITDA	**157,812**	**155,069**	**+1.8%**
Net financial items (excluding impact of hedging ineffectiveness and banking default risk)	(32,790)	(30,375)	+8.0%
Reversals of/(Allowances for) provisions	(1,481)	(1,528)	-3.1%
Other operating income and expenses (excluding gains on disposals and impairment)	91	(1,057)	ns
Tax expense	(2,402)	(645)	ns
Share of net income from equity associates (excluding amortization and impairment[1]	4,201	2,540	+65.4%
Non-controlling interests (excluding capital gains and amortizations)	(10,371)	(10,036)	+3.3%
FFO	**115,060**	**113,969**	**+1.0%**
FFO per share	1.25	1.24	+1.1%

(1) In 2018

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 60% 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.

2018 recorded a **tax expense** of Euro 2.4 million mainly composed of the corporate value-added tax (Euro 2.0 million) and deferred tax (Euro 0.4 million). In 2017, this item benefited from the claim for the 3% tax reimbursement, representing income of Euro 1.3 million.

The amount recognized at December 31, 2018 pursuant to the **share of net income from equity associates (excluding amortization and impairment)** stood at Euro 4.2 million against Euro 2.5 million at December 31, 2017. SCI AMR has notably benefited from positive trends, with its portfolio further strengthened by the dynamic Niort and Albertville sites, while SNC Aix2 has also recorded a very satisfactory performance. Companies consolidated under the equity method in the Mercialys consolidated financial statements include SCI AMR (created in partnership with Amundi Immobilier in 2013), SNC Aix2 (of which Mercialys acquired 50% of the shares in December 2013 with Altarea Cogedim owning the remaining 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) stood at Euro 10.4 million at December 31, 2018 compared to Euro 10.0 million at December 31, 2017. 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 115.1 million (against Euro 114.0 million for fiscal year 2017), up by +1.0%. Excluding the Euro 4.1 million impact of the carrying cost related to refinancing the bond maturing in 2019 after setting up hedging instruments (including the effect of the private placement concluded in November 2017), the FFO increased by +4.5%, significantly higher than the objective of +2%.

Considering the average number of shares (basic) at the end of December, the FFO represented Euro 1.25 per share on December 31, 2018, against Euro 1.24 per share at December 31, 2017, i.e. an increase of +1.1%.

B. Net income attributable to owners of the parent

(in thousands of euros)	Dec 31, 2018	Dec 31, 2017	Change (%)
FFO	115,060	113,969	+1.0%
Depreciation and amortization	(37,016)	(34,822)	+6.3%
Other operating income and expenses	4,780	7,416	-35.5%
Hedging ineffectiveness and banking default risk	(387)	(1,607)	-75.9%
Non-controlling interests and equity associates: capital gain, amortization and depreciation	(1,585)	1,711	na
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**80,851**	**86,667**	**-6.7%**

Depreciation, amortization and provisions increased significantly to Euro 37.0 million in 2018, compared to Euro 34.8 million in 2017, in parallel with the investments made in 2017 and 2018.

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 stood at Euro 30.5 million at December 31, 2018. This amount mainly includes:

- income of Euro 27.2 million related to disposals of assets carried out over the period;
- earn-out payments ascertained on prior disposals for an amount of Euro 1.5 million;
- income associated with reversals of provisions on assets sold for Euro 1.5 million.

The amount of other operating expenses stood at Euro 25.6 million at December 31, 2018 (against Euro 172.0 million on December 31, 2017). This corresponds primarily to:

- the net book value of assets disposed of during 2018 and fees related to these disposals, representing Euro 20.9 million;
- impairment of investment property for Euro 3.2 million;
- expenses associated with provisions for disputes for Euro 1.2 million.

On this basis, the amount of net capital gains recognized in the consolidated financial statements at December 31, 2018, pursuant to the disposal of assets over 2018, stood at Euro 6.3 million (vs. Euro 14.3 million in 2017). The capital gains on asset disposals recorded in the separate financial statements amount to Euro 8.8 million and will be distributable at 60% in accordance with the SIIC status rules.

Also, the contribution of companies accounted for by the equity method includes an amount of impairment of investment property for Euro 1.8 million at the end of 2018.

Net income attributable to owners of the parent, as defined in IFRS standards, stands at Euro 80.9 million for 2018, against Euro 86.7 million for 2017. This development results mainly from the more favorable impact of capital gains on disposals on the 2017 result, as well as the carrying cost pursuant to the early refinancing of the bond maturing in March 2019.

1.2.5.5 Financial structure

A. Debt cost and structure

At December 31, 2018, the amount of Mercialys' **drawn debt** stood at Euro 1,862.7 million, composed of:

- a residual bond of Euro 479.7 million (issue of Euro 650 million in March 2012, partially redeemed in December 2014), bearing interest at a fixed rate coupon of 4.125%, maturing in March 2019;
- 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 183 million of outstanding commercial paper bearing interest at a slightly negative average rate.

Net financial debt stood at Euro 1,478.2 million at December 31, 2018, compared to Euro 1,427.0 million at December 31, 2017.

The Group **cash and cash equivalents** stood at Euro 377.0 million at December 31, 2018, compared to Euro 196.5 million at December 31, 2017. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- net cash flows generated by the operating activity over the period: Euro +166.1 million;

- cash receipts / payments related to disposals / acquisitions of assets made in 2018: Euro -60.5 million;
- dividend payments to shareholders and non-controlling interests: Euro -119.1 million;
- the raising of a new bond net of the reduction in outstanding commercial paper: Euro +223.0 million;
- net interest paid: Euro -25.6 million.

The **average real cost of debt drawn** stands at 1.8%, stable compared to the first half of 2018 and slightly down compared to 2017 (1.9%).

Taking into account the current rate hedging policy, Mercialys' **debt structure** at December 31, 2018 was as follows: 63% fixed-rate debt and 37% floating-rate debt, virtually unchanged from the end of 2017 (65% and 35%, respectively).

B. Liquidity and debt maturity

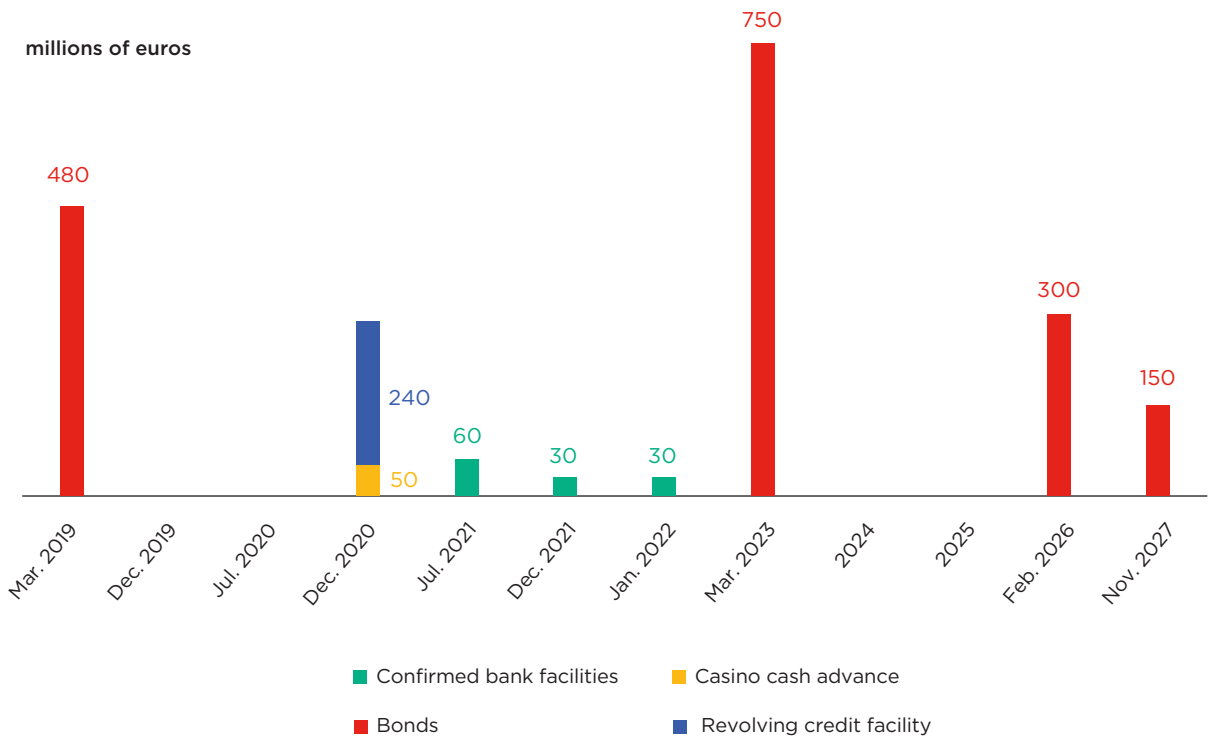
The **average maturity of drawn debt** stood at 3.7 years at December 31, 2018, stable compared to December 31, 2017, benefiting from the issue in February 2018 of a bond of Euro 300 million maturing in February 2026. The bond of a residual amount of Euro 479.7 million maturing in March 2019 weighs significantly on this maturity.

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 240 million maturing in December 2020. This facility bears interest at Euribor + a margin of 115 basis points; if undrawn, it is subject to payment of a 0.46% non-use fee (for a BBB rating);
- four confirmed bank facilities for a total amount of Euro 120 million, maturing between July 2021 and January 2022. These facilities bear interest at a rate lower than 100 basis points above Euribor (for a BBB rating);
- a cash advance from Casino within the limit of Euro 50 million, maturing at December 31, 2020, and subject to an interest of between 40 and 95 basis points above Euribor.

In addition, Mercialys has a commercial paper program of Euro 500 million which was put in place in the second half of 2012. It is used up to Euro 183 million (outstanding at December 31, 2018).

The graph below shows the Group's **debt maturity schedule** at December 31, 2018 and undrawn financial resources (excluding commercial paper)



Note that the renewals of the Euro 50 million cash advance from Casino and of the bilateral line maturing in December 2021 were finalized in January 2019.

C. Bank covenants and financial rating

Mercialys' financial position at December 31, 2018 satisfied all the various covenants included in the different credit agreements.

Debt ratio (**LTV: Loan To Value**) stands at 40.8% (vs. 39.9% at the end of 2017), well below the contractual covenant (LTV < 50%).

	Dec 31, 2018	Dec 31, 2017
Net financial debt (Euro million)	1,478.2	1,427.0
Property assets appraisal value excluding transfer taxes (Euro million)(1)	3,621.2	3,580.6
LOAN TO VALUE (LTV)	**40.8%**	**39.9%**

(1) Including the fair value of investments in associates for Euro 64.4 million in 2018 (vs Euro 67.2 million in 2017), 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 5.0x well beyond the contractual covenant (ICR > 2). This indicator was affected by the carrying cost of the early refinancing of the bond maturing in March 2019:

	Dec 31, 2018	Dec 31, 2017
EBITDA (Euro million)	157.8	155.1
Net finance costs	(31.3)	(30.1)
INTEREST COVERAGE RATIO (ICR)	**5.0X**	**5.2X**

The two other bank covenants requirements are also met:

- the **fair value of assets excluding transfer taxes** at December 31, 2018 was Euro 3.6 billion, (above the contractual covenant, which sets a fair value excluding transfer taxes of investment properties of over Euro 1 billion);
- **pledged debt** as of December 31, 2018 is nil (higher than the covenant, which sets a pledged debt-to-fair value ratio excluding transfer taxes of less than 20%).

Mercialys is rated by Standard & Poor's. On June 11, 2018, the agency confirmed its rating for Mercialys of BBB (with stable outlook).

1.2.5.6 Equity and ownership structure

Consolidated equity stood at Euro 879.5 million at December 31, 2018, against Euro 920.5 million at December 31, 2017.

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

- net income for the 2018 fiscal year: Euro +89.6 million;
- payment of the final dividend for the 2017 fiscal year of Euro 0.68 per share and dividends paid to non-controlling interests: Euro -73.2 million;
- payment of an interim dividend for the fiscal year 2018 of Euro 0.50 per share: Euro -45.8 million;
- transactions carried out on treasury shares: Euro -3.0 million;
- impact of the application of the IFRS 9 standard pursuant to the fair value of financial instruments: Euro -2.7 million;
- change in the fair value of financial assets and derivatives: Euro -6.1 million.

The **number of shares outstanding** at December 31, 2018 stands at 92,049,169, unchanged compared to December 31, 2017.

	2018	2017	2016
Number of shares outstanding			
• At start of period	92,049,169	92,049,169	92,049,169
• At end of period	92,049,169	92,049,169	92,049,169
Average number of shares outstanding	92,049,169	92,049,169	92,049,169
Average number of shares (basic)	**91,733,866**	**91,830,447**	**91,856,715**
Average number of shares (diluted)	**91,733,866**	**91,830,447**	**91,856,715**

As of December 31, 2018, the Mercialys ownership structure was as follows: Casino Group (25.16%), Crédit Agricole (17.76%), Groupe Generali (8,01%), Foncière Euris(1) (1.00%), own shares and employees (0.41%), other shareholders (47.65%).

(1) Foncière Euris also holds an option of 0.99% through a derivative instrument with physical settlement. In addition, with Rallye it is economically exposed on 4.5% with cash settlement only.

1.2.5.7 Dividends

The final dividend for 2017 paid on May 3, 2018 stood at Euro 0.68 per share, which represents a total amount of dividends distributed of Euro 62.4 million, fully paid in cash.

At its meeting of July 25, 2018, the Board of Directors decided to pay an interim dividend for the 2018 fiscal year of **Euro 0.50 per share** which was paid on October 23, 2018, representing a total interim distribution of Euro 45.8 million fully paid in cash.

Mercialys' Board of Directors will submit a recommendation to the Annual General Meeting on April 25, 2019 for a dividend of **Euro 1.12 per share** (including the Euro 0.50 per share interim dividend already paid in October 2018).

The proposed dividend is up +2.8% from 2017, with a yield of 5.3% based on the EPRA NNNAV of Euro 21.14 per share from end-2018 and 9.4% based on the year's closing share price. The payout corresponds to 90% of 2018 FFO, in line with Mercialys' guidance (range of 85% to 95% of 2018 FFO and dividend growth of at least +2% versus 2017). The ex-dividend date is April 29, 2019, and the dividend will be paid out on May 2, 2019.

This payment corresponds to the distribution of 95% of the **recurrent taxable profit** excluding capital gains, in accordance with the SIIC rules (representing Euro 0.93 per share), as well as all the **capital gains available for distribution** based on asset sales from 2018 (Euro 0.06 per share), and the remaining amount of the **capital gains available for distribution** based on assets sold in 2017 (representing Euro 0.13 per share).

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

1.2.6.1 Asset acquisitions

No significant acquisition was made in 2018.

1.2.6.2 Completion of extension or requalification projects

In November, Mercialys completed and inaugurated its **flagship project on Reunion island**, Cap Sacré-Cœur shopping center, located in the municipality of Le Port in the north-west of the island. This project, which represents Euro 4.6 million in additional annual rental income for a yield of 6.2%, is based on a 9,200 sq.m extension, which has welcomed 45 new stores, and a full refurbishment of the existing section. Its innovative letting has attracted numerous national and international retailers that were not present locally until now, such as the Turkish fashion clothing brand Koton, the Spanish decoration brand Muy Mucho and the American cosmetics brand MAC, as well as Levi's.

This center, which is now the largest on Reunion island and bigger than the Sainte-Marie site, also owned by Mercialys, has achieved significant success, with 143,000 visitors during its inauguration week and combined footfall of over 820,000 visitors for November and December 2018, despite the major disruption linked to social unrest. Located in a residential hub with 400,000 inhabitants, these footfall figures reflect the regional scale and power of attraction of this leading site in the Indian Ocean.

Mercialys also delivered **three large food store transformation projects**, representing Euro 0.4 million of additional rental income on an annualized basis for a yield on cost of 6.1%. 4,220 sq.m of space was reworked, enabling three new medium-sized stores to be set up in three different shopping centers, further strengthening their retail mix and consolidating their distinctive identity within their catchment areas.

The retailer Action opened in Annecy, making it possible to capture the retail potential of residential property developments near this site, offering affordable products for first-time buyers. Fnac also opened its second store in Franche-Comté at Mercialys' Besançon site. Lastly, New Yorker inaugurated its first store in Brest at Mercialys' site, perfectly supplementing the retail mix of this center, which attracts high numbers of visitors aged 18-35.

1.2.6.3 Disposals

Mercialys finalized the disposal of three shopping centers in 2018 and February 2019.

The sale of the Saint-Paul site on Reunion island was completed in June 2018 **for Euro 14.6 million including transfer taxes**, generating a capital gain of Euro 3.3 million.

The sale of the Lannion site for **Euro 12.0 million including transfer taxes** in December 2018, generating Euro 3.0 million of capital gains, and the Gap site in February 2019 for **Euro 7.1 million including transfer taxes**, are in line with Mercialys' asset rotation strategy, notably looking to divest centers that are well integrated into their local environments but of limited size based on the Company's criteria.

These sales, completed at values above their appraisals, are helping fund the Company's project portfolio.

Building on eight years of success with asset sales, Mercialys intends, in a context of increasing polarization for retail assets, to continue rolling out this rotation strategy and has identified around Euro 200 million of assets including transfer taxes for potential sales, representing approximately 5% of the portfolio value at end-December 2018.

1.2.6.4 Appraisal valuations and changes in consolidation scope

At December 31, 2018, BNPP Real Estate Valuation, Catella Valuation, Cushman & Wakefield Valuation, CBRE Valuation and Galtier Valuation updated their valuation of Mercialys' portfolio:

- BNPP Real Estate Valuation conducted the appraisal of 39 sites as at December 31, 2018, based on an on-site inspection for 7 of these sites during the second half-year of 2018, and on an update of the appraisals carried out at June 30, 2018 for the other sites. An on-site inspection had been carried out in 2 sites during the first half-year of 2018;

- Catella Valuation conducted the appraisal of 19 sites as at December 31, 2018, on the basis of an update of the appraisals conducted as at June 30, 2018;
- Cushman & Wakefield Valuation performed the appraisal of 9 assets as at December 31, 2018 based on on-site inspections;
- CBRE Valuation conducted the appraisal of 1 site as at December 31, 2018, on the basis of an update of the appraisal conducted as at June 30, 2018;
- Galtier Valuation performed the appraisal for the rest of Mercialys assets, i.e. 2 sites, as at December 31, 2018 based on an update of the appraisals carried out as at June 30, 2018.

On this basis, the valuation of the portfolio stands at Euro 3,780.2 million including transfer taxes at December 31, 2018, compared with Euro 3,736.7 million at December 31, 2017. Excluding transfer taxes, this value was Euro 3,556.9 million at end-2018, vs Euro 3,513.4 million at end-2017.

The value of the portfolio including transfer taxes therefore rose by +1.2% over 12 months (+0.4% like-for-like[1]) and fell by -0.4% compared with June 30, 2018 (-1.0% like-for-like).

The average appraisal yield rate came to 5.10% at December 31, 2018, compared with 5.07% at June 30, 2018 and 5.13% at December 31, 2017.

Note that the contribution of the Casual Leasing business to the value creation is significant, since it accounts for Euro 178 million of the portfolio value as at December 31, 2018, a stable amount compared to the end of 2017, while involving no corresponding investment.

Type of property	Average yield rate Dec 31, 2018	Average yield rate Jun 30, 2018	Average yield rate Dec 31, 2017
Regional and Large shopping centers	4.93%	4.82%	4.82%
Neighborhood shopping centers and city-center assets	5.78%	5.88%	6.13%
Total portfolio[1]	5.10%	5.07%	5.13%

(1) Including the other assets (large specialty stores, 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, 2018, as well as the corresponding appraised rental income. Note that Le Port shopping center was reclassified amongst the "regional and large shopping centers" following the major extension carried out in 2018.

	Number of assets	Appraisal value (excluding transfer taxes)		Appraisal value (including transfer taxes)		Gross leasable area		Appraised potential net rental income	
	on Dec 31, 2018	on Dec 31, 2018		on Dec 31, 2018		on Dec 31, 2018			
Type of property		(Euro million)	(%)	(Euro million)	(%)	(sq.m)	(%)	(Euro million)	(%)
Regional and Large shopping centers	25	2,832.8	79.6%	3,006.2	79.5%	654,852	75.0%	148.3	76.9%
Neighborhood shopping centers and city-center assets	30	701.0	19.7%	749.3	19.8%	209,039	23.9%	43.3	22.5%
Sub-total	**55**	**3,533.8**	**99.4%**	**3,755.5**	**99.4%**	**863,890**	**99.0%**	**191.6**	**99.4%**
Other sites[1]	6	23.0	0.7%	24.7	0.7%	9,102	1.0%	1.2	0.6%
TOTAL	**61**	**3,556.9**	**100.0%**	**3,780.2**	**100.0%**	**872,992**	**100.0%**	**192.7**	**100.0%**

(1) Including the other assets (large specialty stores, independent cafeterias and other isolated sites)

1.2.7 Outlook

In 2019, Mercialys will continue moving forward with its proven strategy of constantly adapting its assets and continuously optimizing its retail offer. Its actions will now also focus on the five major pillars of development defined previously.

Against a backdrop of uncertainty, both at commercial level (following the disruption linked to the demonstrations at the end of 2018) and in terms of the portfolio's rotation (due to reduced appetite among investors for retail assets), the Company will also be very attentive and responsive to market developments, particularly concerning its investments.

Mercialys has set the following objectives for 2019:

- organic growth in invoiced rents of around +3% including indexation and at least +1% excluding indexation. Although indexation will remain high, the Company will prudently externalize its reversion potential in 2019, maintaining sustainable occupancy cost ratios for retailers over the long term;
- Funds From Operations (FFO) per share growth of at least +4% compared with 2018;
- Dividend within a range of 85% to 95% of 2019 FFO, at least stable compared to 2018.

(1) Sites on a constant surface area.

1.2.8 Subsequent events

In February 2019, Mercialys completed the disposal of the Gap site, which was the subject of a preliminary sales agreement in July 2018, for an amount of Euro 7.1 million including transfer taxes.

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 Interim Financial Report and its Registration Document Mercialys publishes all EPRA indicators defined by the "Best Practices Recommendations", which can be found on the EPRA website.

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, 2018	Dec 31, 2017
Net income attributable to owners of the parent	**80.9**	**86.7**
Non-controlling interests and equity associates: capital gain, amortization and depreciation	1.6	(1.7)
Hedging ineffectiveness and banking default risk	0.4	1.6
Capital gains or losses and impairments included in other operating income and expenses	(4.8)	(7.4)
Depreciation and amortization	37.0	34.8
Property development margin	0.0	0.0
EPRA EARNINGS	**115.1**	**114.0**
Number of shares (average basic)	91,733,866	91,830,447
EPRA EARNINGS PER SHARE (IN EUROS)	**1.25**	**1.24**

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, 2018	Dec 31, 2017
Shareholders' equity attributable to owners of the parent	**679.6**	**718.5**
Unrealized gain on investment property	1,219.9	1,186.2
Unrealized gain on non-consolidated investments and equity associates	29.3	28.6
Fair value of financial instruments	(15.3)	(18.1)
Deferred tax assets on the balance sheet	0.0	0.0
EPRA NAV	**1,913.4**	**1,915.2**
Number of shares (average diluted)	91,733,866	91,830,447
EPRA NAV PER SHARE (IN EUROS)	**20.86**	**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, 2018	Dec 31, 2017
EPRA NAV	**1,913.4**	**1,915.2**
Fair value of financial instruments	15.3	18.1
Fair value of fixed-rate debt	10.7	(46.9)
EPRA NNNAV	**1,939.5**	**1,886.4**
Number of shares (average diluted)	91,733,866	91,830,447
EPRA NNNAV PER SHARE (IN EUROS)	**21.14**	**20.54**

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, 2018	Dec 31, 2017
Investment property - wholly owned	3,556.9	3,513.4
Assets under development (-)	0.0	(27.0)
Completed property portfolio (excluding transfer taxes)	**3,556.9**	**3,486.5**
Transfer taxes	223.3	222.5
Completed property portfolio (including transfer taxes)	**3,780.2**	**3,709.0**
Annualized rental income	186.9	181.5
Non-recoverable expenses (-)	(5.0)	(5.6)
Annualized net rents	**181.9**	**176.0**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	2.7	3.4
Topped-up net annualized rent	**184.6**	**179.4**
EPRA NET INITIAL YIELD	**4.81%**	**4.74%**
EPRA TOPPED-UP NET INITIAL YIELD	**4.88%**	**4.84%**

1.2.9.5 EPRA cost ratios

(in millions of euros)	Dec 31, 2018	Dec 31, 2017	Comments
Administrative and operating expense line per IFRS income statement	(20.9)	(21.5)	Personnel expenses and other costs
Net service charge costs	(5.0)	(5.9)	Property taxes + Non-recovered service charges (including vacancy cost)
Rental management fees	(2.8)	(2.9)	Rental management fees
Other income and expenses	(4.2)	(4.3)	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	
Total	**(32.8)**	**(34.6)**	
Adjustments to calculate EPRA cost ratio exclude (if included above):	0.0	0.0	
• depreciation and amortization	0.0	0.0	Depreciation and provisions for fixed assets
• ground rent costs	0.5	0.5	Non-group rents paid
• service charges recovered through comprehensive invoicing (with the rent)	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**(32.3)**	**(34.1)**	**A**
Direct vacancy costs[1]	2.0	2.3	
EPRA costs (excluding vacancy costs) (B)	**(30.3)**	**(31.8)**	**B**
Gross rental income less ground rent costs[2]	186.8	184.8	Less costs relating to construction leases and long-term leases
Less: service fee and service charge cost components of gross rental income	0.0	0.0	
Plus: share of joint ventures (gross rental income less ground rent costs)	0.0	0.0	
Rental income (C)	**186.8**	**184.8**	**C**
EPRA COST RATIO INCLUDING DIRECT VACANCY COSTS	**-17.3%**	**-18.4%**	**A / C**
EPRA COST RATIO EXCLUDING DIRECT VACANCY COSTS	**-16.2%**	**-17.2%**	**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 income should be calculated after deducting any ground rent payable. All service charges, management fees and other income in respect of property expenses must be added and not deducted. If the rent includes service charges, these should be restated to exclude them. Tenant incentives may be deducted from rental income, whereas any other costs should be recognized in line with IFRS requirements.

1.2.9.6 EPRA vacancy rate

See § 1.2.4, p. 17.

1.2.9.7 EPRA investments

The table below shows the investments made over the period

(in millions of euros)	Dec 31, 2018
Acquisitions	0.0
Developments	49.5
Like-for-like portfolio	21.1
Other	8.7
TOTAL	**79.3**

1.3 Real estate portfolio

1.3.1 A portfolio valued at Euro 3,780 million including transfer taxes on December 31, 2018

1.3.1.1 Experts and methodology

The shopping centers owned by Mercialys are appraised by experts in accordance with RICS (Royal Institution of Chartered Surveyors) Code of Ethics, appraisal and valuation standards, using the open market 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 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:

- first, the capitalization of income method, which consists in taking the rental revenue generated by the asset and dividing it by a yield rate for similar assets, taking into account the actual rent level compared to 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.

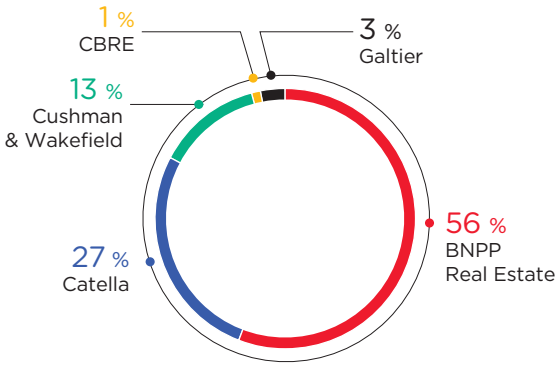
The discount rate used takes into account the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

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, 2018 and December 31, 2018: 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 portfolio was valued at Euro 3,780.2 million including transfer taxes at December 31, 2018, compared with Euro 3,736.7 million at December 31, 2017. Excluding transfer taxes, this value was Euro 3,556.9 million at end-2018, vs. Euro 3,513.4 million at end-2017.

The value of the portfolio including transfer taxes therefore rose by +1.2% over 12 months (+0.4% on a like-for-like basis[(1)]) and fell by -0.4% over six months (-1.0% on a like-for-like basis).

The average appraisal yield rate was 5.10% at December 31, 2018, compared to 5.07% on June 30, 2018 and 5.13% on December 31, 2017.

1.3.1.2 Property appraisal report prepared by Mercialys independent property valuers

Introduction

At 12/31/2018, Mercialys entrusted these appraisers:

- 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	39	Euro 2,735.3 million	Euro 2,901.4 million
of which, share of undivided assets held by third parties (40%)		Euro 72.8 million	Euro 77.8 million
BNPP Real Estate Valuation		Euro 2,662.5 million	Euro 2,823.6 million
Cushman & Wakefield	9	Euro 269.0 million	Euro 287.5 million
Catella Valuation	19	Euro 459.9 million	Euro 492.0 million
CB Richard Ellis Valuation	1	Euro 148.4 million	Euro 158.6 million
Galtier Valuation	2	Euro 10.5 million	Euro 11.2 million
Internal*	1	Euro 6.7 million	Euro 7.1 million
of which Gap purchase proposal		Euro 6.7 million	Euro 7.1 million
TOTAL		**Euro 3,556.9 million**	**Euro 3,780.2 million**

* *based on the purchase price of the Gap site, concluded in January 2019.*

At the end of their respective missions, the experts co-signed the following joint report:

Property 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. Valuations were performed locally by our appraisal teams and were reviewed by 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, 2018.

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 provides an internationally accepted basis for valuations. 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 assets, 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 assets of companies raising public funds, published in February 2000. We certify that we have prepared our appraisals as independent external appraisers, as defined in the standards set out in the Red Book published by the 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 accordance 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 expenses, 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 stated rental and market values exclude VAT.

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
Président

CATELLA VALUATION

Jean-François DROUETS
Président

GALTIER VALUATION

Coralie Couvret
Directrice

CUSHMAN & WAKEFIELD VALUATION FRANCE

Valérie Parmentier
Partner

CBRE VALUATION

1.3.2 A diversified retail asset portfolio, located in high-potential geographic zones

1.3.2.1 61 assets at the end of 2018, representing 872,992 sq.m of gross leasable area

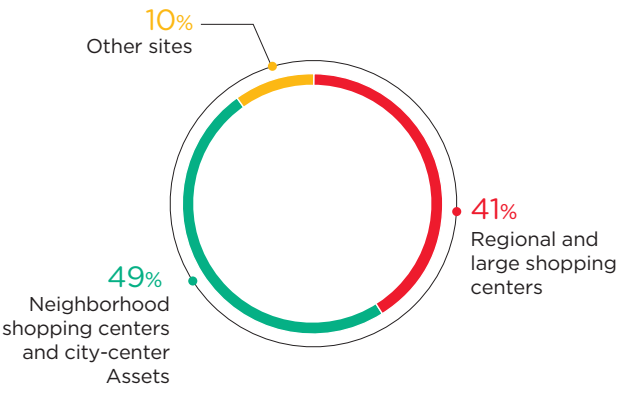
Mercialys classifies its assets into four major categories: Regional shopping centers (gross leasable area of over 40,000 sq.m), Large shopping centers (gross leasable area of over 20,000 sq.m), Leading neighborhood centers (gross leasable area of over 5,000 sq.m), and Other sites.

Large shopping centers and Leading neighborhood centers consist of shopping centers and the adjacent large specialty stores. Other sites in the portfolio include independent Casino cafeterias, convenience store franchises (Leader Price), and some large specialty stores.

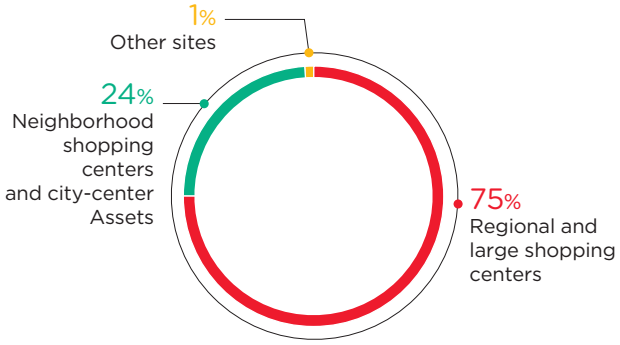
At December 31, 2018, Mercialys' portfolio consisted of 61 assets, comprising three Regional shopping centers, 22 Large shopping centers, 23 Neighborhood shopping centers, 7 City-center assets and 6 Other sites, representing a built gross leasable area of around 872,992 sq.m.

BREAKDOWN OF ASSETS BY TYPE (IN NUMBER, SURFACE AREA AND APPRAISAL VALUE)

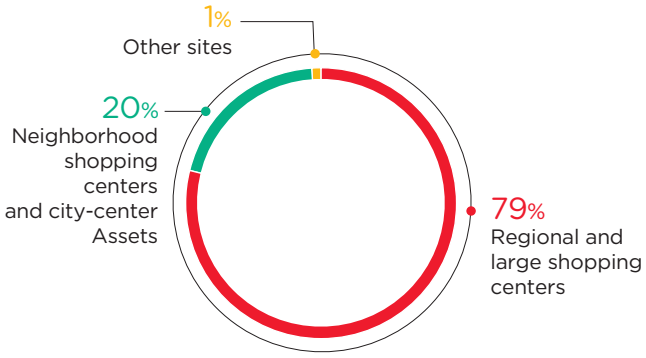
(in number)



(in sq.m)



(in appraisal value, including transfer taxes)

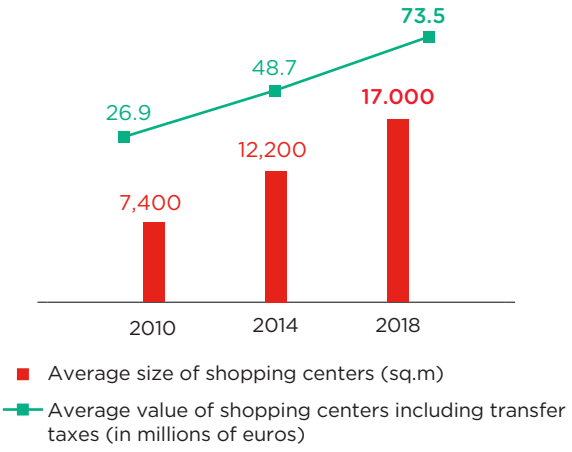


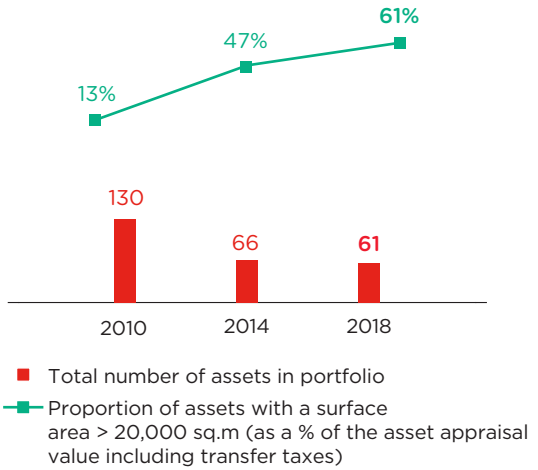
1.3.2.2 A portfolio refocused on leading commercial assets in the most dynamic geographical zones of the territory

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

The average size of the Company's shopping centers (excluding City-center assets and Other sites) totaled 17,000 sq.m at end 2018, compared to 7,400 sq.m in 2010. Their average value was Euro 73.5 million including transfer taxes, compared with Euro 26.9 million in 2010.

On the entire portfolio, the assets of a gross leasable area exceeding 20,000 sq.m represent 61% of the portfolio's appraisal value including transfer taxes.





94% of the assets making up Mercialys' portfolio, still in terms of appraisal value, are in the French provinces or overseas departments, with the remaining 6% in Paris and the greater Paris area. Only a small percentage of the Company's real estate portfolio is in Paris and the greater Paris area.

Historically located in eastern-central France (Saint-Étienne), the Casino Group from which the Company originated gradually extended its establishment into neighboring regions (Loire, Haute-Loire, Rhône...) then, following merger and network buyout transactions, to geographical zones with the high development potential that the coastal regions of the South East, West and Brittany represent.

Thanks to acquisitions made in 2007 on Reunion Island, Mercialys also has locations outside metropolitan France.

The following table gives a regional breakdown of Mercialys' real estate portfolio.

Region	Number of sites	Appraisal value (including transfer taxes) (€M)	%	Gross leasable area (sq.m)	%
Corse	5	116.7	3%	47,863	5%
Ile-de-France	8	217.9	6%	40,489	5%
North-East	2	303.4	8%	59,881	7%
West	10	943.4	25%	205,644	24%
Rhône-Alpes	8	644.2	17%	164,942	19%
Reunion Island	5	314.8	8%	40,939	5%
South-East	12	592.8	16%	146,674	17%
South-West	11	647.0	17%	166,560	19%
TOTAL	**61**	**3,780.2**	**100%**	**872,992**	**100%**

1.3.2.3 Details of portfolio on December 31, 2018

Site name and description	Type of asset held by Mercialys	Year of construc-tion	Last project (year)	Built surface of the complex on 12/31/2018 (sq.m)	Gross leasing area held by Mercialys on 12/31/2018 (sq.m)	Of which food store surface on 12/31/2018 (sq.m) when owned by Mercialys	Property manage-ment
Corse							
Ajaccio Rocade Mezzavia (Géant + 46 stores + 3 MSus)	Large shopping centers	1989	2018	28,773	17,264	10,015	CORIN
Bastia Port Toga (Géant + 13 stores)	Neighborhood shopping centers	1991	2017	7,034	4,220	3,201	CORIN
Bastia Rocade de Furiani (Géant + 48 stores + 2 MSus)	Large shopping centers	1969	2017	24,498	14,699	8,314	CORIN
Corte (Casino HM + 14 stores)	Neighborhood shopping centers	2004	2004	5,831	3,499	2,466	CORIN
Porto Vecchio (Géant + 33 stores + 2 MSus)	Neighborhood shopping centers	1972	2003	14,106	8,182	4,963	CORIN
Ile de France							
Amilly Montargis (Géant + 1 cafeteria + 15 stores + 2 MSus + 1 carwash)	Neighborhood shopping centers	1976	2013	15,192	2,189	-	SUDECO
Asnières (Monoprix + appartments)	City-center assets	1999	-	3,497	3,497	3,317	SUDECO
Chaville (Monoprix)	City-center assets	1957	-	6,244	6,244	6,244	SUDECO
La Garenne-Colombes (Monoprix)	City-center assets	1964	-	6,602	6,602	6,602	SIAP
Massena (Géant + 29 stores + 2 MSus)	Large shopping centers	1975	2016	31,677	6,020	-	SUDECO
Puteaux (Monoprix)	City-center assets	1999	-	5,625	5,625	5,625	OLT
Saint-Denis Porte de Paris (Leader Price + 1 MSu)	Other	1975	-	2,900	2,900	-	SUDECO
Saint-Germain-en-Laye (Monoprix)	City-center assets	1978	-	7,413	7,413	7,413	SUDECO
La Réunion							
Le Port Sacré-Cœur (Jumbo + 109 stores + 4 MSus)	Large shopping centers	2002	2018	27,024	21,401	-	SUDECO
Saint-André (Land)	Other	-	-	-	-	-	-
Saint-Benoît Beaulieu (Jumbo + 22 stores)	Neighborhood Shopping Centers	2000	-	7,492	2,014	-	SUDECO
Saint-Pierre Front de Mer (Jumbo + 26 stores)	Neighborhood Shopping Centers	1987	1992	11,629	2,118	-	SUDECO
Sainte-Marie Duparc (Jumbo + 77 stores + 6 MSus + 1 RP)	Large shopping centers	1966	2016	27,384	15,406	-	SUDECO
North-East							
Besançon - Chateaufarine (Géant + 85 stores + 11 MSus)	Regional shopping centers	1971	2018	58,218	49,297	11,066	SUDECO
Marcq-en-Baroeul (Monoprix + 7 stores)	City-center assets	1963	-	10,584	10,584	9,875	SUDECO
West							
Angers - Espace Anjou (Géant + 104 stores + 8 MSus)	Regional shopping centers	1994	2017	40,564	39,705	15,529	SUDECO

Site name and description	Type of asset held by Mercialys	Year of construction	Last project (year)	Built surface of the complex on 12/31/2018 (sq.m)	Gross leasing area held by Mercialys on 12/31/2018 (sq.m)	Of which surface of the GSA on 12/31/2018 (sq.m) when owned by Mercialys	Property management
Angoulême - Champniers (Géant + 1 cafeteria + 56 stores + 3 MSus)	Other	1972	2016	35,855	540	-	SUDECO
Brest (Géant + 71 stores + 7 MSus)	Large shopping centers	1968	2018	36,545	35,755	15,676	SUDECO
Chartres - Lucé (Géant + 43 stores + 3 MSus)	Large shopping centers	1977	2016	27,362	9,714	-	SUDECO
Lanester (Géant + 2 MSus + 65 stores)	Large shopping centers	1970	2016	31,267	30,357	19,057	SUDECO
Morlaix (Géant + 40 stores + 2 MSus)	Neighborhood shopping centers	1980	2017	28,871	8,054	-	SUDECO
Niort Est (Géant + 1 cafeteria + 50 stores + 3 MSus + 1 service village)	Large shopping centers	1972	2015	26,047	20,372	13,306	SUDECO
Quimper - Cornouaille (Géant + 1 cafeteria + 91 stores + 6 MSus)	Large shopping centers	1969	2017	34,459	34,459	15,409	SUDECO
Rennes Saint-Grégoire (Géant + 86 stores + 2 MSus)	Large shopping centers	1971	2017	52,858	16,999	-	GIE GRAND QUARTIER
Tours - La Riche Soleil (Géant + 1 cafeteria + 47 stores + 3 MSus)	Large shopping centers	2002	2002	25,571	9,689	-	SUDECO
Rhône-Alpes							
Annecy Seynod (Géant + 58 stores + 6 MSus)	Large shopping centers	1988	2018	28,469	28,469	15,663	SUDECO
Annemasse (Géant + 37 stores + 3 MSus)	Large shopping centers	1977	2015	25,564	23,384	15,700	SUDECO
Clermont - Nacarat (Géant + 69 stores + 1 MSu + 1 service village)	Large shopping centers	1979	2014	34,779	34,779	17,847	SUDECO
Grenoble La Caserne de Bonne (Monoprix + 45 stores + 4 MSus + offices)	Large shopping centers	2010	2010	19,124	19,124	-	SUDECO
La Ricamarie (Géant + 1 cafeteria + 30 stores + 2 MSus)	Other	1976	2015	29,771	405	-	SUDECO
Saint-Etienne – Monthieu (Géant + 1 cafeteria + 64 stores + 5 MSus + 1 gas station + 1 carwash)	Large shopping centers	1972	2017	36,928	36,928	14,462	SUDECO
Vals-près-Le-Puy (Géant + 1 cafeteria + 22 stores + 5 MSus)	Neighborhood shopping centers	1979	2013	21,367	20,923	11,707	SUDECO
Villars (1 cafeteria in an Auchan SC)	Other	1985	-	30,931	931	-	G.A.C.ITROIN
South-East							
Aix-en-Provence (Géant + 1 cafeteria + 32 stores + 1 MSu)	Large shopping centers	1982	2016	26,236	18,075	16,504	SUDECO
Arles (Géant + 33 stores + 2 MSus)	Neighborhood shopping centers	1979	2016	26,791	7,328	-	SUDECO
Fréjus (Géant + 45 stores + 3 MSus)	Neighborhood sopping centers	1972	2017	19,911	18,809	13,182	SUDECO
Gap (Géant + 1 cafeteria + 22 stores + 1 MSu)	Neighborhood shopping centers	1980	2015	20,938	11,287	-	SUDECO
Istres (Géant + 43 stores + 1 MSu)	Neighborhood shopping centers	1989	2015	25,584	18,934	13,288	SUDECO

Site name and description	Type of asset held by Mercialys	Year of construction	Last project (year)	Built surface of the complex on 12/31/2018 (sq.m)	Gross leasing area held by Mercialys on 12/31/2018 (sq.m)	Of which surface of the GSA on 12/31/2018 (sq.m) when owned by Mercialys	Property management
La Foux (Géant + 30 stores + 1 MSu)	Neighborhood shopping centers	1980	2017	12,761	10,106	8,648	SUDECO
Mandelieu (Géant + 49 stores + 2 MSus)	Large shopping centers	1977	2016	31,954	8,553	-	SUDECO
Marseille Barnéoud Plan de Campagne (Géant + 1 cafeteria + 61 stores)	Large shopping centers	1974	1995	43,806	31,382	23,550	SUDECO
Marseille Canebière (Monoprix)	City-center assets	1993	-	5,558	5,558	5,558	SUDECO
Marseille Delprat (Casino HM + 11 stores)	Neighborhood shopping centers	2001	2015	5,510	1,494	-	SUDECO
Marseille La Valentine (Géant + 62 stores + 4 MSus)	Large shopping centers	1970	2015	32,271	13,924	-	SUDECO
Marseille Michelet (Casino HM + 14 stores)	Neighborhood shopping centers	1971	2016	10,692	1,225	-	SUDECO
South-West							
Anglet (Géant + 1 cafeteria + 10 stores)	Other	1976	2016	16,524	4,326	-	SUDECO
Aurillac (Géant + 1 cafeteria + 24 stores)	Neighborhood shopping centers	1988	2015	16,890	3,580	-	SUDECO
Boé Agen (Géant + 1 cafeteria + 27 stores + 1 MSu)	Neighborhood shopping centers	1969	2014	18,855	5,499	-	SUDECO
Brive Malemort (Géant + 35 stores)	Neighborhood shopping centers	1972	2016	21,047	5,460	-	SUDECO
Carcassonne Salvaza (Géant + 1 cafeteria + 34 stores + 2 MSus)	Neighborhood shopping centers	1982	2016	19,917	2,502	-	SUDECO
Millau (Géant + 5 stores + 1 MSu)	Neighborhood shopping centers	1986	2017	12,610	1,103	-	SUDECO
Montpellier Argelliers Motorway (Géant + 23 stores + 1 MSu)	Neighborhood shopping centers	1973	2017	18,725	2,325	-	SUDECO
Narbonne (Géant + 1 cafeteria + 29 stores + 2 MSus)	Neighborhood shopping centers	1972	2017	20,680	20,680	10,494	SUDECO
Nîmes - Cap Costières (Géant + 1 cafeteria + 88 stores + 4 MSus)	Large shopping centers	2003	2017	35,209	35,209	14,209	SUDECO
Rodez (Géant + 1 cafeteria + 20 stores + 2 MSus)	Neighborhood shopping centers	1984	2017	17,618	1,986	-	SUDECO
Toulouse Fenouillet (Géant + 1 cafeteria + 134 stores + 14 MSus + 1 RP)	Regional shopping centers	1978	2017	105,769	83,889	-	SUDECO
				1,433,911	**872,992**	**338,889**	

Abbreviations (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 store, MSu: Medium-sized unit, SM: Service mall, SUP: Convenience store, CAF: cafeteria, Other: including isolated lots).

56 %
BREEAM In-Use certified portfolio in value

—

100 %
Leases signed including environmental clauses

—

53 %
Women in the workforce



2

Corporate Social Responsibility

2.1 Customer well-being, health and safety 67

Objective No. 1: 100% of assets with high-level risk management 67

Objective No. 2: increase the comfort and quality of life in the centers 67

Objective No. 3: increase visitor satisfaction 67

Objective No. 4: increase tenant satisfaction 68

2.2 Accessibility and connectivity 69

Objective No. 1: 15% increase in visitors traveling to centers using forms of transport other than a gasoline car 69

Objective No. 2: 80% of visitors have a positive image of the accessibility of Mercialys' centers 70

2.3 Adaptability and resilience of assets 70

Objective No. 1: improve the certification level of all BREEAM In-Use certified sites by one level 70

Objective No. 2: guarantee the adaptability of the assets 70

2.4 Energy and greenhouse gas emissions 71

Objective No. 1: reduce energy consumption per sq.m. by 20% 71

Objective No. 2: by 2050, reduce scopes 1 and 2 emissions per sq.m by 80% 72

2.5 Citizenship and local economy 73

Objective No. 1: promote the local job market 73

Objective No. 2: facilitate social harmony 74

2.6 Responsible value chain 74

Objective No. 1: 80% of purchases over €10k with CSR clauses 74

Objective No. 2: educate the value chain about CSR 75

2.7 Talent and diversity 77

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The creation of lasting value, the pursuit of ethics and meaning, local involvement, climate change and dwindling resources are global challenges that for Mercialys are major issues.

These issues are also central to Mercialys' business and the daily functioning of its shopping centers, and depending on the situation, constitute risks and opportunities for the Company.

To limit risks, maximize opportunities and meet its stakeholders' expectations, 10 operational priorities have been set out in Mercialys' CSR strategy, MERY'21, and are presented in the diagram below.

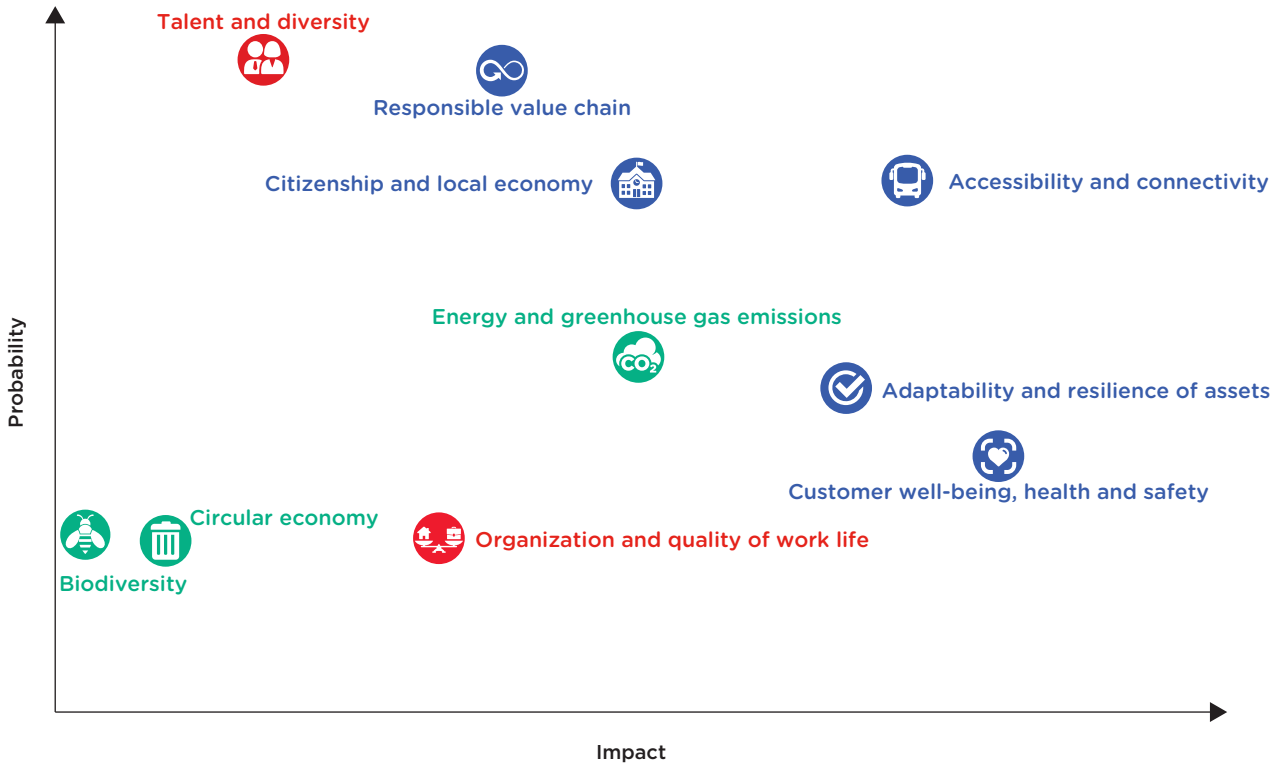
Each priority addresses one or more of these issues and is approached with an eye toward progress through defined, quantitative and qualitative objectives to achieve by 2020, and an action plan to implement across the portfolio while taking into account the specific features of each shopping center and working with the local stakeholders.

Through this approach, the Company confirms its role as a major player in the local economic and societal network while aligning its strategy and growth with an ambition marked by a strong environmental, social and societal impact.

To implement this CSR strategy, Mecialys has a dedicated team within the Company's Marketing and Communication Department. The team, which is known as Brand, CSR and Communication, is made up of experts and they report to the Senior Management on a monthly basis. This structure guarantees that decisions are made in accordance with the Company's strategy, and ensures that the accomplishments, objectives and best practices are better communicated and publicized to all stakeholders.

The CSR team speak at every Management Committee meeting, and at least one meeting per year of the Audit, Risks and Sustainable Development Committee, in order to provide information and discuss the execution of the CSR strategy.

The operational rollout of the priorities relies on a network of liaisons distributed across all the Company's departments and roles; MERY RSE, a dedicated tool that is accessible online, manages and monitors the key indicators.



2.1 Customer well-being, health and safety

Objective No. 1: 100% of assets with high-level risk management

Mercialys is especially attentive to the management of the sanitary and safety risks at its shopping centers by the technical manager and facility manager. Accordingly, every quarter the facility manager submits a report on the portfolio's compliance in these areas.

The Company also performs additional audits and surveys of particular risks to ensure that they are managed properly apart from regulations: it tests the water systems to make sure there is no legionella contamination, does construction audits to check roof stability, audits the security service provider to make sure it is familiar with procedures and that the people on-site have the proper qualifications, etc.

Safety audits

	Percentage of shopping centers covered by audits of the security service provider	Average score
2018 current scope	80.4%	87.6%

Visitors' satisfaction and well-being are influenced by a sense of safety when they visit the shopping centers. Guaranteeing visitor security and safety is therefore a priority for the Company.

In 2018, security was high as employees were called on to help out during the so-called yellow vest movement. This mobilization allowed the centers to remain open to the public despite the events. During this period, the crisis management procedures implemented by the staff proved that they were suitable and effective.

In addition, the centers' management teams received media training in 2018. During these training sessions, they learned about resources that apply specifically to their jobs.

Finally, in order to keep tenants informed and promote a safety and security risk management culture, Mercialys provides tenants with a special guide that can be accessed from La Galerie des Services [(1)].

Beyond its customers' physical safety, Mercialys must also ensure that customers' IT data that is collected as part of business dealings remains secure. In 2018, the Company appointed a Data Protection Officer (DPO) and reviewed its contracts and procedures to ensure compliance with the GDPR (General Data Protection Regulation). Awareness campaigns and training for all employees on this topic were also conducted.

Objective No. 2: increase the 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, in 2018 the Company measured the lighting levels, air flow rate, acoustics and indoor air quality of 29% of its portfolio in order to identify steps to take to improve comfort in its shopping centers in 2019.

Specific requirements for indoor air quality were incorporated into the Company's "Construction and Maintenance Specifications," which are mandatory for companies in charge of construction and large-scale maintenance on Mercialys' centers.

Objective No. 3: increase visitor satisfaction

In an increasingly competitive environment affected by the growth of e-commerce, visitor satisfaction has a strategic importance for Mercialys: footfall and customer loyalty are key to the retailers' performance and hence the assets' performance.

Mercialys measures visitor satisfaction with its digital tools, which enable it to implement corrective measures promptly and have a lower environmental impact. After every visit to a shopping center, customers receive an e-mail asking them to comment on their satisfaction.

They can rate their satisfaction, the center's cleanliness and the retail offering on a scale of 1 to 5. A section is left blank for customers to write comments or suggest improvements.

In 2018, the average satisfaction score was 4.2/5.

Visitors can also communicate with the centers' management through the shopping centers' websites and Facebook pages.

(1) La Galerie des Services is a platform that contains all the tools and services that are provided to retailers.

Visitor satisfaction

		Percentage of centers covered by a visitor satisfaction survey, by value	Coverage rate
Current scope	2016	65%	100%
	2017	86%	100%
	2018	93%	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 customer "irritants" in a spirit of continuous improvement. Moreover, whenever Company employees visit sites, they are asked to imagine that they are customers and share their comments through a dedicated IT tool.

This tool automatically generates alerts for the site managers, who analyze the problem and take corrective action. Progress reports on the processing of these customer irritants are compiled monthly and presented to the Management Committee twice per year. In 2018, 2,003 customer irritants were processed on 93% of the portfolio, by value.

In order to improve visitor satisfaction and earn customer loyalty, Mercialys has set up a free, innovative and fully digital loyalty program, the Loyalty Challenge (*Challenge Fidélité*). This mechanism, a novelty in the commercial real estate sector, rewards customers who have visited the shopping center once.

Customers receive points based on the amount of time they spend at the site, and they can raise their ranking. Every three months, the most loyal customers receive gift cards they can redeem at the shopping center.

In addition, one visitor is chosen at random every day to receive a gift card, and throughout the year, everyone enrolled in the program gets exclusive discounts for the stores in the center.

Loyalty

		Percentage of centers covered by a loyalty challenge scheme, by value	Coverage rate
Current scope	2015	9%	100%
	2016	61%	100%
	2017	72%	100%
	2018	71%	100%

Objective No. 4: increase tenant satisfaction

The 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, it conducts annual satisfaction surveys among the retailers at its shopping centers.

It asks them about their experience of the center, what they think of the services offered, how good they think the service providers are, and so on.

In 2018, the results of these surveys were shared with the retailers with the goal of devising joint action plans to improve tenant satisfaction.

Tenant satisfaction

		Percentage of centers covered by a tenant satisfaction survey	Coverage rate
Current scope	2016	7%	100%
	2017	53%	100%
	2018	63%	100%

2.2 Accessibility and connectivity

Objective No. 1: 15% increase in visitors traveling to centers using forms of transport other than a gasoline car

New forms of mobility are flourishing in both urban and suburban environments (carpooling, car-sharing, electric and hybrid vehicles, scooter and bike sharing, etc). These innovations offer Mercialys an opportunity to make its centers accessible to people who do not have their own transport and to provide its customers with economical alternatives if fuel prices rise or if taxes are levied. They also give Mercialys a chance to reduce its assets' broad carbon footprint and to support the development of new forms of mobility that are less carbon intensive.

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

The Company's actions have two focuses:

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

  Thus, in its car parks, the Company is providing special equipment:
  - bicycle shelters,
  - parking spaces reserved for carpooling users,
  - charging stations for electric and hybrid vehicles.
- promote the use of low carbon footprint transport for visitors and retailers including: real-time display of bus timetables in the center, messages raising awareness on screens in the center, information on the shopping centers' website, and mobile app for the shopping center, etc.

35.7% of visitors travel to Mercialys centers on foot, by bicycle or on public transport.

The number of visitors taking public transport increased by more than 168% on a like-for-like basis between 2015 and 2018.

		Car or motorbike	Carpooling	Public transport	Bicycle	On foot	Coverage rate
Current scope	**2015**	85.5%	0.0%	7.4%	0.8%	6.3%	53%
	2016	85.5%	0.0%	7.4%	0.8%	6.2%	52%
	2017	74.5%	0.4%	14.0%	2.5%	8.9%	62%
	2018	62.4%	1.9%	19.9%	1.1%	14.8%	79%
	Change 2017-2018	-16.2%	413.7%	42.3%	-57.4%	65.8%	
	Change 2015-2018	-27.0%	-	168.3%	32.4%	136.1%	

Mercialys has forged a partnership with BlaBlaCar: Mercialys provides visitors with dedicated carpooling spaces at its shopping centers and BlaBlaCar lists these spaces as meeting points on its app. In 2018, 68.5% of the shopping centers were listed on the BlaBlaCar app.

Carpooling

	Percentage of centers with carpooling spaces, by value	Coverage rate
2018 current scope	68.5%	100%

46.7% of Mercialys centers also have parking structures that are equipped to accommodate and charge electric and hybrid vehicles.

Electric vehicle charging stations

		Number of charging stations for electric vehicles	Percentage of centers equipped with electric vehicle charging stations	Coverage rate
Current scope	**2017**	21	37.2%	100%
	2018	27	46.7%	100%

To continue to improve its mobility offering, in 2018 Mercialys surveyed visitors on the topic. 71% of visitors were satisfied or very satisfied with accessibility for pedestrians, 53% with accessibility by public transport and 29% with carpool places.

Suggestions for improvement also emerged from these satisfaction surveys, providing Mercialys with food for thought and actions that will be put in place in 2019.

Furthermore, in 2018, Mercialys center managers and asset managers worked on developing "Mobility Action Plans" that are specific to each site. These plans were then consolidated to identify both overlapping actions and actions specific to each site that will be implemented starting in 2019.

Objective No. 2: 80% of visitors have a positive image of the accessibility of Mercialys' centers

Nowadays, society's demand for immediacy and practicality is escalating. At the same time, the population is aging. The growing need for universal accessibility is the challenge that Mercialys is dedicated to meeting, and that also benefits families.

In 2018, 71% of customers of Mercialys shopping centers reported that they were satisfied with the centers' accessibility.

2.3 Adaptability and resilience of assets

Objective No. 1: improve the certification level of all BREEAM In-Use certified sites by one level

Human-induced climate change, which is already occurring, is manifested in the proliferation of extreme natural and weather events (floods, storms, droughts, etc.), which are putting the resiliency of the real-estate assets to the test. 45% of Mercialys' assets are covered by natural or technological risk prevention plans.

To guarantee that its assets are more resilient in the face of these changes, and to make their performance more sustainable, since 2014 Mercialys has been gradually earning environmental certifications for its entire portfolio. The goal is to improve the certification level of all the shopping centers by one tier.

To do this, Mercialys has been using the BREEAM In-Use environmental certification, an environmental management tool that is widely used in the field of commercial real estate. It provides a way for staff to engage in a virtuous cycle of continuous improvement of the environmental quality of the operation of the Company's shopping centers and to rely on the industry's best reporting standards.

As at December 31, 2018, 23 assets, or 56% of the portfolio, were certified BREEAM In-Use, at an average level of Good on Part 1 and Very Good on Part 2.

In 2018, Mercialys earned Outstanding BREEAM In-use certification for Part 2 for four of its centers: La Galerie Espace Anjou, La Galerie Cap Costières, La Galerie Géant La Valentine and La Caserne de Bonne.

Environmental certifications for operation

		Percentage of certified centers, by value	Coverage rate
Current scope	**2015**	28%	100%
	2016	28%	100%
	2017	46%	100%
	2018	56%	100%

Objective No. 2: guarantee the adaptability of the assets

New forms of urbanization and retail are proliferating (verticality, mixed use, etc.). To respond to this underlying trend, Mercialys is working on the modularity of its assets, such as through the plan to transform hypermarkets by reducing the sales areas to convert them into stores, medium-sized stores and restaurants and catering spaces. This allows the Company to work on its assets' adaptability to climate change, to create value by creating additional square yardage and to provide retailers with modular spaces that can respond to changes in their retail concept.

These considerations were formalized in 2018 in an "Adaptability Strategy." The Adaptability Strategy allows each asset to identify climate risk and business-related risks (change in use and renovation), to characterize their impact on the site and to identify the most suitable steps to take to respond to them.

The flood vulnerability surveys conducted in 2018 also provided material for this strategy.

2.4 Energy and greenhouse gas emissions

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

Energy performance is a major challenge for Mercialys. Energy efficiency enables Mercialys to reduce the environmental footprint of its shopping centers. Energy performance is also a business issue that helps protect tenants from volatile energy prices.

Mercialys is mindful of the energy performance of its buildings, both during the design and construction phases and during the operational phase of its shopping centers.

The design and construction phases are critical to reducing the energy consumption of a building. This involves following bio-climatic architecture principles to reflect or even take advantage of natural elements (such as wind or sun) to reduce the building's energy requirements, particularly by encouraging natural lighting or enhancing its insulation. The construction techniques also impact on the building's energy efficiency as well as the energy performance calculated for the shopping center.

Consequently, Mercialys has formalized its requirements in its "Construction and Maintenance Specifications," which it appends to the assigned project management contract.

In the operation phase, Mercialys' shopping centers consumed 54,683 MWh of energy in 2018, or the equivalent of the annual electricity consumption of nearly 14,000 French households. 76% of the energy consumed by Mercialys' shopping centers is electricity.

Energy intensity per sq.m

		Areal energy intensity (in kWh/sq.m)	Coverage rate
Current scope	**2015**	180.0	97%
	2016	178.7	98%
	2017	174.3	98%
	2018	167.4	98%
Like-for-like	**2015**	168.7	98%
	2016	167.0	
	2017	166.3	
	2018	162.4	
	Change 2017-2018	-2.4%	98%
	Change 2015-2018	-3.7%	98%

The Company reduced its areal energy intensity by 3.7% on a like-for-like basis between 2015 and 2018, and its energy consumption by 4.2%, factoring in the climate effect.

Energy consumption at constant climate

		Climate-restated energy consumption (in MWh)	Coverage rate
Current scope	**2015**	40,783.1	66%
	2016	39,201.3	68%
	2017	33,916.6	64%
	2018	35,177.8	63%
Like-for-like	**2015**	31,070.1	69%
	2016	30,265.9	
	2017	29,095.5	
	2018	29,754.5	
	Change 2017-2018	2.3%	69%
	Change 2015-2018	-4.2%	69%

Mercialys is working to reduce the energy consumption of its properties while they are operating by activating several levers:

- the introduction of real-time measurement of consumption, use by use. To accomplish this, 56% of Mercialys' assets had remote-readable submeters installed in 2017 and 2018. In 2019, 33% of assets will be targeted by this initiative;
- the management and supervision of facilities with the adjustment of regulated temperatures based on outdoor temperatures, surveillance of the times of operation 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 90% of Mercialys' assets have;

- the installation of more energy-efficient equipment, such as LED lighting and the construction of cool roofs when roofs are being refurbished. In 2018, 12% of the assets were fitted with LED bulbs. In addition, cool roofs, which can reflect solar heat and keep roof surfaces cool in the sun, will be rolled out on 9% of the portfolio in 2019.

Percentage of shopping centers with a Building Management System

	Percentage of shopping centers with a BMS
2018 current scope	90%

Percentage of shopping centers that received a conversion to LED lighting during the year

	Percentage of shopping centers converted to LED lighting during the year
2018 current scope	12%

In 2018, 20% of the energy from the grid needs of the La Galerie Cap Costières shopping center were, for example, covered by on-site electricity production provided by photovoltaic power plants installed above the retention basins. The rollout of this type of project is expected to continue in 2019.

Objective No. 2: by 2050, reduce scopes 1 and 2 emissions per sq.m by 80%

Climate change is a risk for the real estate sector, both for the longevity of the assets and for the business of the tenants. There are many potential consequences: floods, major snowstorms, droughts, etc. When it comes to Mercialys' business:

- some shopping centers may need to implement structural measures to adapt to climate change (see § 2.3 p. 70);
- the physical risk would also be manifested in a change in the operation of the shopping centers, such as a change in the outdoor temperature;
- some so-called weather-sensitive retailers could see a climate impact on their revenues.

Reducing the assets' carbon footprint would thus allow Mercialys to contribute to the ecological transition of the local communities and bring its shopping centers into a forward-thinking mind-set in order to ensure longevity.

To reduce its greenhouse gas emissions, Mercialys has begun to measure and monitor its scopes 1 and 2 emissions as well as the high-emissions scope 3 items, i.e., lessees' energy consumption and visitor and retailer travel. Mercialys calculates its emissions as "location based" and "market based".

After measuring its emissions, in 2018 Mercialys defined its "2°C pathway," that is, its greenhouse gas emissions reduction targets, to do its part to limit the global temperature increase to 2°C compared to 1990 by 2050. Aware that the fight against climate change cannot be limited to the scope of its direct responsibility, the Company wishes to set objectives for scope 3 as well as for scopes 1 and 2. As a result, it has set the following targets:

- reduce scopes 1 and 2 emissions per sq.m by 80% between 2017 and 2050;
- reduce emissions from tenants' energy consumption by 80% between 2017 and 2050;
- reduce emissions from tenants' and visitors' travel by 63% between 2017 and 2050.

To formalize its "2°C commitment", Mercialys has undertaken to submit by 2020 its carbon plan to the Science Based Target initiative, an organization independent nonprofit organization that verifies the compatibility of objectives carbon set by companies with the aim of limiting the increase in global temperatures to 2°C by 2050 compared with 1990.

On a like-for-like basis, Mercialys reduced its scopes 1 and 2 emissions by 17.4% between 2015 and 2018. This drop stemmed from the reduction in energy consumption and from maintenance efforts made to limit refrigerant fluid leaks.

Greenhouse gas emissions (scopes 1 and 2)

		Direct emissions (scope 1) (in tCO2e)	Indirect emissions (scope 2) (in tCO2e)		Total direct and indirect emissions (scopes 1 and 2) (in tCO2e)		Coverage rate
			Location-based method	Market-based method	Location-based method	Market-based method	
Current scope	2015	3,114.6	2,287.4	-	5,402.1	-	67%
	2016	2,934.6	4,678.8	-	7,613.4	-	87%
	2017	2,144.6	4,494.3	4,457.5	6,638.9	6,602.0	94%
	2018	2,194.2	4,604.5	4,552.5	6,798.7	6,746.7	96%
Like-for-like	2015	2,049.2	2,072.3	-	4,121.5	-	67%
	2016	1,630.5	1,878.1	-	3,508.7	-	
	2017	1,570.2	1,773.6	1,914.8	3,483.8	3,485.1	
	2018	1,607.3	1,796.2	1,918.1	3,403.4	3,525.4	
	Change 2017-2018	2.4%	-	0.0	1.8%	-	67%
	Change 2015-2018	-21.6%	-13.3%	-	-17.4%	-	67%

Steps have already been taken with the retailers to limit their energy consumption (see §2.6, p. 75 and 76).

Greenhouse gas emissions (scope 3 – private energy consumption)

		Greenhouse gas emissions relating to tenants' energy consumption in tCO2
Current scope	2017	44,736.4
	2018	46,433.3

Mercialys is working to improve the accessibility of its shopping centers and to develop new mobility services in order to change visitors' travel habits and encourage them to use transportation with lower greenhouse gas emissions (see §2.2, p. 69).

Greenhouse gas emissions (scope 3 – visitor and tenant travel)

		Greenhouse gas emissions linked to visitor and tenant transport in tCo2
Current scope	2017	413,466.4
	2018	340,199.9

As evidence of its commitment to fight climate change, in 2018 Mercialys joined the A List of the Carbon Disclosure Project.

2.5 Citizenship and local economy

Shopping centers are full-fledged players in the cities where they are located: they create new forms of centrality and thus have an important societal function. Attuned to this role, Mercialys fuses its shopping centers with their local ecosystem by hosting nonprofit organizations and local initiatives, and by participating in the local economy by housing independent retailers at Casual Leasing locations in partcular.

Objective No. 1: promote the local job market

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

In 2018, the business of Mercialys' shopping centers generated around 20,617 local jobs: 20,231 jobs generated by shopping center retailers and 386 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 26% of the shopping centers in 2018.

These events included regional job fairs and "job dating." For instance, in Toulouse, 60 businesses came to offer 928 postions at the job fair. Nonprofit organizations dealing with vocational integration and training bodies were also on hand to help the 764 candidates in their return to the workforce.

Employment actions

	Percentage of shopping centers that organized an employment event	Number of job vacancies
2018 current scope	26%	1,474

In addition to acting in the public interest, these events allow Mercialys to offer a recruitment service that is suited to the retailers of its shopping centers.

Finally, the Company publicizes its retailers' job openings through a separate section on each shopping center's website. In 2018, 81 job openings were listed on Mercialys' shpping centers' websites.

Objective No. 2: facilitate social harmony

Hosting nonprofit organizations helps the shopping center blend in with its territorial ecosystem by participating in local civic life. These initiatives also help to indirectly increase the center's footfall.

Mercialys supports nonprofits by offering them complimentary use of space in the mall to fundraise, engage in promotional activities or conduct outreach.

In 2018, 83% of Mercialys' centers hosted at least one nonprofit organization, such as Restos du Coeur, food banks, Apprentis d'Auteuil and local nonprofits. A total of 435 nonprofit organizations and institutions were hosted by Mercialys' centers in 2018.

Local public life

	Percentage of centers that hosted a nonprofit organization or institution, by value	Number of local nonprofit organizations or institutions hosted
2018 current scope	83%	435

Mercialys has also been a partner of Doctors of the World since 2015.

In 2018, this nonprofit mobilized 1,693 donors, raising a total of around Euro 257,000.

In addition, some Mercialys centers, such as La Galerie Espaces Fenouillet, regularly host free concerts.

Mercialys aims to keep local residents abreast of its major upcoming projects. To do so, the Company holds information meetings. As part of these efforts, in 2018 it held 3 meetings on the Marcq-en-Baroeul project.

2.6 Responsible value chain

Objective No. 1: 80% of purchases over €10k with CSR clauses

As an originator company, Mercialys is responsible for services performed on its behalf by suppliers and their incorporation of the CSR approach, in a mind-set of duty of care across its entire value chain.

Mercialys calls on a large number of economic actors to staff, manage and renovate its shopping centers: property managers, advertising agencies, real estate experts, surveyors, etc.

The Company mainly uses service providers. The Service Agreement signed with the Casino Group sets out the terms under which the Casino Group supplies Mercialys with the support functions necessary for its operations. In addition, mandates for rental management and for technical and administrative management have been signed with Sudeco, a subsidiary of the Casino Group. These contracts take care of the rent collection and technical operation of the shopping centers.

Mercialys has thus inserted CSR clauses into its two main contracts with the highest environmental impact: the property management of its shopping centers and the performance of construction work. The property manager's contract of agency stipulates that the property manager provide a monthly report on fluid consumption, a quarterly report on regulatory compliance and an annual report on the quality of services performed for the shopping centers. In addition, the property manager must proactively execute the Company's CSR strategy, Mercialys must be aligned with the Company's certification initiative and must spearhead the CSR strategy with tenants, particularly as part of the environmental clauses.

Regarding projects and construction, the Construction and Maintenance Specifications, which list all of Mercialys' 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 environmental certification, the energy performance of the facilities, the sorting of construction waste, the certification of materials used, etc.

Responsible corporate purchasing

	Percentage of corporate purchasing covered by CSR clauses
2018 current scope	22.7%

In addition, when its property manager puts out calls for tenders, Mercialys inserts environmental and social clauses into the purchasing of services for its shopping centers (cleaning, upkeep of green spaces, waste management, maintenance, etc.). The cleaning contract requires the use of certified products, the contract for the upkeep of the green spaces stipulates differentiated management, the waste management contract requires monthly reporting by the service provider, etc.

Shopping center responsible purchasing

	Percentage of shopping center purchasing covered by CSR clauses
2018 current scope	79,6%

In addition to incorporating contractual clauses, Mercialys seeks to engage in constructive dialogue with its service providers in order to jointly determine how to enact a continuous improvement approach.

Objective No. 2: educate the value chain about CSR

Educate retailers

Downstream of its value chain, Mercialys 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.

Mercialys implements many initiatives to enhance cooperation with the retailers on environmental issues.

To do this, the Mercialys provides them with several resources on La Galerie des Services, including a guide on eco-friendly actions and a guide on waste for 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 clauses 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 2018, all the signed leases for the year included an environmental clauses

Environmental clauses to the lease

		Number of green leases signed during the year	% of signed leases covered by environmental clauses	Coverage rate
Current scope	**2015**	118	61%	100%
	2016	176	70%	100%
	2017	219	100%	100%
	2018	229	100%	100%

To concretely put these environmental clauses into effect, in 2018 the Company held meetings at 82% of its assets to present its CSR strategy and its initial 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 2018, Mercialys took the proactive step of gathering its lessees' energy consumption data in order to identify joint areas of improvement.

Private energy consumption

	Percentage of tenants whose energy consumption data was collected
2018 current scope	26.2%

In line with the Retailers CSR agreement organized in partnership with *Club Génération Responsable*, Mercialys set up a waste task force with retailers who wished to join it. The goal of the task force is to come up with solutions to improve on-site waste management by involving tenants, Mercialys employees and its property manager. Tests have begun at two pilot sites, along with educational and informational actions.

Educating visitors

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

- cross-functional information campaigns at all centers in Mercialys' portfolio, by displaying messages about public transport options on screens in the centers, or providing electric vehicle charging stations. Information campaigns about eco-friendly actions were also implemented in 2018;
- "bespoke" information campaigns, tailored to each center according to the latest CSR news: job fairs, Disability Employment Week, blood donations, operation empty dressing room, etc.

In 2018, the architecture of the shopping centers' websites was reviewed so an "ecocitizen commitment" could be added explaining the centers' CSR approach and highlighting each shopping center's specific initiatives.

In addition, in 2018 87% of the centers in the portfolio provided information digitally (through the website, Facebook page, display screen in the shopping center) about mobility services, BREEAM In-Use environmental certification, clothing collection and recycling stations, and the production of renewable energies.

Educating employees

Mercialys operates in France and all its employees work in France, a country that 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.

As a leading player in shopping centers in France, Mercialys frames its business and projects within a responsible and long-term vision, formalized in a "Charter of Ethics and Code of Business Conduct".

This document sets out the standards of behavior that all employees are required to adopt and enforce while at work.

The Charter of Ethics is distributed annually to all Company employees and given to all new hires. It is also posted on Mercialys' website in English and French.

The Charter addresses the following topics:

- respect for the environment;
- protection of the Company's assets;
- prevention of conflicts of interest;
- fight against money laundering and financing of terrorism;
- fight against corruption;
- regulation of lobbying activities;
- insider information and 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.

In order to make the Charter of Ethics more understandable and to illustrate it through concrete cases, the Company holds an annual training for employees that spotlights one of the topics addressed. In 2018, the training session focused on managing personal data, corruption, the management of insider information and human resources (especially discrimination and harassment). 84% of employees who were invited attended this training.

Mercialys also has a compliance officer who is responsible for ethical compliance. Any employee may contact the compliance officer, should the need arise. A whistleblower protection procedure has also been introduced and is offered to all employees. This procedure guarantees confidentiality and allows whistleblowers to contact the compliance officer by telephone or email.

The whistleblowing procedure and whistleblower protection were also reviewed during the same ethics training session in 2018.

In 2018, the compliance officer was not contacted as part of the whistleblowing procedure, but employees took the initiative to contact him on two occasions.

No breach or violation of ethical rules was reported through this procedure in 2018.

Mercialys is a signatory to the UN Global Compact. This commitment demonstrates the Company's desire to respect fundamental rights when it comes to workplace health and safety, working conditions and equal treatment, forced labor, etc., and to have its suppliers respect these rights.

2.7 Talent and diversity

Mercialys' workforce changed little in 2018 (-4.4% compared to 2017).

The majority of the Company's workforce (90%) has permanent contracts (CDI).

In 2018, Mercialys took on 12 interns and used 13 temporary employees.

Distribution of the workforce by type of employment contract

	2018		2017		2016		2015	
Staff with permanent employment contracts (CDI)	97	90%	97	86%	95	83%	91	96%
Staff with temporary employment contracts (CDD)	11	10%	16	14%	20	17%	4	4%
TOTAL STAFF	**108**	**100%**	**113**	**100%**	**115**	**100%**	**95**	**100%**

Objective No. 1: identify, attract and retain talent

In a tight job market where employees are increasingly seeking ethics and meaning, Mercialys has a duty to have active compensation and training policies that attract and retain talent. The Company must also be able to train its employees for changes in their jobs and identify their needs to better help them grow and lay the groundwork for the Company's future.

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 salary and variable compensation. The variable component varies from 8% to 80% of the fixed compensation and is correlated to the achievement of three types of objectives, evaluated at the start of the following year:

- quantitative objectives tied to the Company's results;
- individual quantitative and qualitative objectives, related to the employee's performance evaluated by his/her manager. These objectives are tailored to the employee's area of activity, and one of the quantitative objectives assesses the employee's execution of the CSR strategy;
- Managerial Attitudes and Behavior (ACM), i.e. the managerial behavior and actions expected by the Company from each of its employees. The ACM is structured around several keywords, Leadership, Innovation, Decision Making, Engagement and Customer Responsibility, which encompass all the professional qualities Mercialys considers essential to individual and collective success.

In addition, in late 2018, Mercialys decided to take part in the national effort proposed by the French government to improve purchasing power. As part of this initiative, the Company gave a €1,000 bonus to all employees whose annual fixed gross compensation is lower than triple the interprofessional minimum wage (SMIC), with no seniority conditions.

Finally, Mercialys introduced a bonus share plan to help retain its highest performing employees. In 2018, a comprehensive plan for all eligible employees was implemented. Thus, 83,199 shares were awarded at no cost.

Bonus shares

	2018	2017	2016	2015
Number of shares distributed	83,199	83,947	42,464	0

Recruitment and onboarding policy

Recruitment and onboarding talent is also a fundamental issue for the Company.

In 2018, Mercialys recruited 19 new employees.

Particular attention is paid to the onboarding process for the hires. 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.

Staff turnover

	2018	2017	2016	2015
New hires with permanent employment contracts (CDI)	11	22	23	26
New hires with temporary employment contracts (CDD)	8	13	20	3
Total hires	**19**	**35**	**43**	**29**
Economic redundancies	0	0	0	0
Dismissals for other reasons	4	5	5	8
Total departures	**25**	**36**	**21**	**15**
Permanent staff turnover	10.2%	14.2%	14.4%	17.0%

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 staff 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.

For employee training, 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 2018, 100% of employees engaged in one or more training actions.

Training

	2018	2017	2016	2015
Total number of training hours	1,281	1,747	1,082	962
Average number of training hours per employee who received training	11.9	15.2	18.03	17.18
Percentage of employees trained	100%	101%	52%	62%
Training budget (k€)	295.1	198.0	81.4	107.2

NB: training hours include employees who left the Company during the year.

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 performance.

The Company has been committed for several years to combating all forms of discrimination, whether based on gender, age, disability, sexual preference, religion or physical appearance. It has signed the Corporate Diversity Charter, which has 3,800 signatories in France from among large enterprises, SMEs, very small enterprises and public institutions. It commits 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 2018, in addition to the professional ethics training discussed above, which included a human resources component, two campaigns were carried out: one, on employees with disabilities during the European Disability Employment Week and one, on gender equality for International Women's Day.

Employees are also trained to identify situations of discrimination and prevent discrimination. In early 2019, an e-learning training module on combating sexism and workplace harassment was also offered to employees.

Gender equality

Women make up 53% of the Mercialys workforce and 41% of managers.

Breakdown of workforce by gender

	2018		2017		2016		2015	
Female managers	34	41%	37	44%	35	44%	31	40%
Male managers	49	59%	48	56%	45	56%	46	60%
Female employees	9	82%	13	87%	13	59%	4	67%
Male employees	2	18%	2	13%	9	41%	2	33%
Female supervisors	14	100%	13	100%	13	100%	12	100%
Male supervisors	0	0	0	0%	0	0	0	0%
TOTAL WOMEN	**57**	**53%**	**63**	**56%**	**61**	**53%**	**47**	**49%**
TOTAL MEN	**51**	**47%**	**50**	**44%**	**54**	**47%**	**48**	**51%**

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 agreement 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[1]

	2018	2017	2016	2015
Average salary for male managers	61,413	60,641	60,687	59,877
Average salary for female managers	58,889	57,931	56,949	57,546
Managerial pay differential	-4.1%	-4.5%	-6.2%	-3.9%

(1) Senior managers are not included in these indicators

Women make up 22% of the Management Committee and 55% of the Board of Directors of Mercialys. 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

	2018		2017		2016		2015	
Number of women on the Management Committee	2	22%	2	22%	2	22%	1	14%
Number of women on the Board of Directors	6	55%	6	50%	5	42%	4	36%

For the sixth year in a row Mercialys was named one of the companies with the best rate of feminization on ruling bodies in the SBF 120, a ranking that honors businesses with the best rates of female participation on their Board of Directors, Executive Committee and Management Committee, and for their voluntary diversity initiatives. It was ranked 4th for 2018.

Disabilities

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

- the use of suitable recruitment solutions through specialized recruitment firms;
- the development of partnerships with schools to accommodate interns or young graduates with disabilities. I 2017 the Company signed a partnership with Sciences Po in Paris to receive applications from students with disabilities for internships or their first jobs;
- the education of employees and managers.

In addition, Mercialys 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.

In 2018, Mercialys did not have any employees with disabilities in its workforce.

Intergenerational balance is also a component of diversity. In 2018, the average age of Mercialys' employees was 38.6.

Breakdown of workforce by age

	2018		2017		2016		2015	
Staff under 30	22	20%	33	29%	36	31%	16	17%
Staff aged between 30 and 50 (inclusive)	68	63%	63	56%	65	57%	68	72%
Staff over 50	18	17%	17	15%	14	12%	11	12%
Average age	38.6		37.1		37.0		39.0	

2.8 Organization and quality of life at work

Objective No. 1: guarantee employees' 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 internal and external customers.

When it comes to workplace health and safety, the employees of the Mercialys Group are covered by a master collective agreement and a special agreement on psychosocial risks.

Work-related accidents

	2018	2017	2016	2015
Fatal accidents	0	0	0	0
Number of traffic accidents	0	0	0	0
Number of occupational diseases	0	0	0	0
Number of work-related accidents resulting in lost time of at least one day	0	0	0	0
Frequency rate of work-related accidents resulting in lost time of at least one day	0%	0%	0%	0%
Severity rate of work-related accidents resulting in lost time of at least one day	0%	0%	0%	0%

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.

In addition, in response to requests made by employees in the 2016 engagement survey, Mercialys implemented teleworking in 2017. As at December 31, 2018, 36 employees, or 62% of those eligible, teleworked one day per week. Due to the nature of their work, shopping center managers and employees with less than six months' seniority are not eligible for teleworking.

Teleworking

	2018	2017
Teleworking participation rate	62%	38%

Also in response to suggestions made in the 2016 survey, office phone booths were installed and other interior improvements were made in 2018.

In addition, due to regular travel, by the shopping centers' management teams, who represent 36% of the workforce, particular 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, have been introduced to raise employee awareness about the dangers of driving and to remind them how to drive safely.

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 implements several initiatives to support working parents, including financial contributions to childcare costs.

It also subsidizes enrollment in a platform of different personal assistance services such as homework assistance and housekeeping.

In 2018, Mercialys held its first-ever "Corporate Parenthood Day" at the head office. Ten children participated in the event, which gave them a chance to visit their parents' workplace and attend a workshop on biodiversity protection.

Notably, the work-life balance was one of the most highly rated topics on the employment engagement survey that was conducted in 2018.

Objective No. 2: increase employee engagement

In follow-up to the engagement survey conducted in 2016, an action plan was devised with all employees. The three main areas for improvement that were identified through the survey gave rise to concrete actions: the introduction of teleworking, information about the psychosocial risk prevention policy, the installation of an intranet and cross-functional strategic projects encouraging teamwork.

In 2018, Mercialys again surveyed its employees on their satisfaction. 76% of employees responded. The results of the survey were reported to the different departments by the Human Resources Director, and an action plan will be created for implementation beginning in 2019.

Employee engagement

	2018	2017
Rate of participation in the most recent engagement survey	76%	81%

Employee engagement is even more important so that employees have confidence in the future of their company and take ownership of the strategy that is decided on by the top management. Because Mercialys welcomes direct, transparent dialogue between the management team and employees, in 2018, 100% of employees participated in at least one breakfast as part of a select Committee with the Chairman and Chief Executive Officer or the Chief Operating Officer to share ideas about the Company's strategy and the sector's future.

These events give employees an idea of the Company's strategy and foster a culture of belonging so everyone is abreast of the focuses of the strategic changes, and they allow employees to directly ask the management team questions. Employees also receive regular updates and information on the Company's results through the bimonthly internal information newsletter, "Merynews," which showcases achievements so that they can be shared with all employees.

In addition, in response to the results of the 2016 engagement survey and in order to cultivate a team spirit and pride in belonging, Mercialys' employees were invited to take part in several athletic challenges in 2018: Les Foulées de l'Immobilier, Be Walk and Odyssea. The Company paid for the employees' training with a coach.

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.

In 2018, five days of leave were donated in this way by Mercialys employees as part of the "Help the Caregivers" program.

Finally, to cultivate employees' CSR engagement, in 2018 Mercialys put out a call for applications to participate in a workshop on CSR initiatives that can be implemented within the Company. 15 employees took part in a one-day session where thematic workshops were held.

Concrete actions were suggested and some of them will be carried out in 2019 as part of the move of the Company's head office.

2.9 Circular economy

Objective No. 1: recover 55% of waste

In the shopping centers, the waste generated is directly linked to the packaging of products sold by the retailers and their logistical operations.

For Mercialys, apart from the quantities produced, the challenge therefore lies in recycling the waste, with the view that today's waste is tomorrow's resources. For a property company, the complexity of this challenge lies in "the behavioral component": waste from retailers is placed in dedicated areas and trash cans.

Recycling is therefore dependent on the way the retailers sort their waste.

In addition to reducing the impact of their business activities on the environment, retailers can also benefit economically from recycling waste. Cardboard, plastic and other recoverable materials are bought by specialized service providers, who resell them as secondary raw materials. By better sorting their waste, retailers enable this recovery. Shopping centers' expenses for waste treatment are also reduced, and this has a direct impact on the amount of the expenses passed on to tenants.

When it comes to waste, Mercialys' responsibility is twofold: first, it needs to provide appropriate space, equipment and processing channels for both its tenants and visitors to the shopping centers; second, it needs to educate retailers and encourage them to better sort their waste.

In 2018, Mercialys' assets generated 7,699 tons of waste. This represents an average of 208 tons of waste for each shopping center. 74% of the waste produced by the shopping centers is made up of nonhazardous industrial waste, 22% is cardboard and 3% is other waste (plastic, wood, metal, paper and biodegradable waste). 26% of this waste was sorted in 2018. On a like-for-like basis, the recovery rate rose by 72% between 2015 and 2018.

Quantity of waste by category

(in tons)		Total quantity of waste	Nonhazardous industrial waste	Cardboard	Plastic	Biodegradable waste	Wood	Metal	Glass	Paper	Bulky waste	Sorting rate	Coverage rate
Current scope	**2015**	5,893.3	4,590.7	1,261.3	19.3	22.0	0.0	0.0	0.0	0.0	0.0	22.1%	82%
	2016	6,715.3	5,303.1	1,372.3	23.2	16.6	0.0	0.0	0.0	0.0	0.0	21.0%	88%
	2017	6,761.8	5,143.6	1,519.8	32.7	60.7	5.0	0.0	0.0	0.0	0.0	23.9%	87%
	2018	7,699.3	5,718.5	1,717.8	50.3	199.6	5.1	0.0	8.0	0.0	0.0	25.7%	89%
Like-for-like	**2015**	4,590.1	3,564.4	1,006.4	19.3	0.0	0.0	0.0	0.0	0.0	0.0	22.3%	80%
	2016	4,905.5	3,801.4	1,080.9	23.2	0.0	0.0	0.0	0.0	0.0	0.0	22.5%	
	2017	4,859.9	3,687.5	1,139.4	28.1	0.0	5.0	0.0	0.0	0.0	0.0	24.1%	
	2018	5,277.4	4,014.5	1,204.7	35.5	9.7	5.1	0.0	8.0	0.0	0.0	23.9%	
	Change 2017-2018	8.6%	8.9%	5.7%	26.5%	-	2.0%	-	-	-	-	-0.8%	80%
	Change 2015-2018	15.0%	12.6%	19.7%	83.7%	-	-	-	-	-	-	7.1%	80%

In 2018, 62.7% of waste did not go to landfill.

Percentage of waste recycled and upgraded

		Recycling rate	Recovery rate	Coverage rate
Current scope	**2015**	19.0%	24.8%	71%
	2016	9.3%	17.4%	77%
	2017	21.7%	29.6%	79%
	2018	15.2%	45.9%	80%
Like-for-like	**2015**	18.4%	23.1%	78%
	2016	10.4%	13.8%	
	2017	15.3%	19.4%	
	2018	8.3%	39.7%	
	Change 2017-2018	-45.7%	104.7%	78%
	Change 2015-2018	-54.8%	72.3%	78%

In order to increase the types of waste sorted, a call for tenders was launched in 2018 to systematize the sorting of biodegradable waste, paper, glass, wood and metal across the portfolio. As the Company reviews the tenders, it will pay special attention to the outfalls proposed for the waste and the support that the service provider will be able to offer retailers.

Moreover, workshops were held in 2018 with retailers on waste management, touching on signage and informational actions that can help retailers better sort their waste (see p. 75 and 76).

The results of these two initiatives should help noticeably increase the percentage of waste sorted in 2019.

Along with the operation of the shopping centers, Mercialys' projects 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%

The Company is also committed to reducing water consumption at its centers, although its properties are not situated in areas of water stress and its activities are not intensive users of water.

In 2018, 134,028 m^3 of drinking water were consumed across Mercialys' portfolio.

On a like-for-like basis, water consumption fell by 7.7% between 2015 and 2018.

Water intensity by visitor

		Water intensity (in L/visit)	Coverage rate
Current scope	**2015**	1.2	63%
	2016	1.3	66%
	2017	1.2	65%
	2018	1.0	89%
Like-for-like	**2015**	1.3	72%
	2016	1.2	
	2017	1.2	
	2018	1.1	
	Change 2017-2018	-5.4%	72%
	Change 2015-2018	-10.9%	72%

In order to reduce its environmental footprint, Mercialys is working to reduce water consumption in its shopping centers. Its actions can be seen in the introduction of water-saving equipment (dry urinals, pressure reducers, dual-flush systems, etc.) in the bathroom facilities in the centers, as well as regular monitoring of consumption carried out by the teams.

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. 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.

Percentage of shopping centers with rainwater storage tanks

	Percentage of shopping centers with rainwater storage tanks
2018 current scope	28%

2.10 Biodiversity

Objective No. 1: be involved in the protection of ordinary biodiversity

Mercialys' impact on biodiversity is limited as most of its assets are located in urban or semi-urban areas. For this reason, the Company aims to become a protector of "urban" and "ordinary" biodiversity.

Hence, after conducting environmental audits on its portfolio, Mercialys amended the maintenance contract for green spaces so as:

- 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 2018, to continue its focus on protecting ordinary biodiversity, the Company organized an educational activity at the Galeries Espaces Fenouillet shopping center, which has beehives to educate customers about bee-keeping. Birdhouses and insect hotels were also installed in 25% of the portfolio in order to develop habitats that are conducive to hosting biodiversity on-site.

Appendices

The indicators provided in this chapter are in line with the third edition of the EPRA Best Practice Recommendations (sBPR) published in September 2017 and the sector recommendations of the CNCC (National Shopping Centre Council) of September 2018. The tables below specify which indicators fall under the EPRA and CNCC recommendations and those that are part of the Extra-Financial Performance Statement (DPEF).

1. Indicators

Societal indicators

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
CUSTOMER WELL-BEING, HEALTH AND SAFETY	Percentage of shopping centers that underwent a safety audit	H&S-Asset		✔	%	-	-	-	80.4
	Average score on safety audit	H&S-Asset		✔	out of 100	-	-	-	87.6
	Percentage of centers covered by a visitor satisfaction survey			✔	%	-	65	86	93
	Average score on visitor satisfaction survey		✔	✔	out of 5	-	-	-	4.2
	Percentage of shopping centers covered by the Loyalty Challenge (Challenge Fidélité)			✔	%	9	61	72	71
	Number of customers who have joined the loyalty challenge scheme			✔		420	12,505	25,497	49,413
	Percentage of centers covered by a tenant satisfaction survey			✔	%	-	7	53	63
	Number of tenants surveyed					-	25	529	642
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 m from a public transport stop				%	80	96	98	98
	Percentage of customers who travel to shopping centers by car or motorbike			✔	%	85.5	85.5	74.5	62.4
	Percentage of customers who travel to shopping centers by public transport		✔	✔	%	7.4	7.4	14.0	19.9
	Percentage of customers who carpool to shopping centers			✔	%	0.0	0.0	0.4	1.9
	Percentage of customers who travel to shopping centers by bicycle		✔	✔	%	0.8	0.8	2.5	1.1
	Percentage of customers who walk to shopping centers		✔	✔	%	6.3	6.2	8.9	14.8
	Percentage of centers with carpooling spaces			✔	%	-	-	-	68.5
	Number of electric vehicle charging stations			✔		-	-	21	27
	Percentage of centers equipped with electric vehicle charging stations			✔	%	-	-	37.2	46.7

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
ADAPTABILITY AND RESILIENCE OF ASSETS	Percentage of BREEAM In-Use certified centers, by value	Cert-Tot	✔	✔	%	28	28	46	56
	Percentage of BREEAM In-Use certified centers. by surface area	Cert-Tot			%	-	20	43	49
	Number of BREEAM In-Use certified centers	Cert-Tot				5	5	22	23
	Percentage of centers certified BREEAM New Construction. by value	Cert-Tot	✔		%	0	0	8	8
	Number of centers certified BREEAM Construction	Cert-Tot				0	0	1	1
CITIZENSHIP AND LOCAL ECONOMYL	Percentage of shopping centers that organized an employment event	Comty-Eng		✔	%	-	-	-	26.4
	Number of job vacancies at Mercialys shopping centers			✔		-	-	-	1,474
	Number of jobs induced by Mercialys shopping centres			✔		-	-	20,607	20,617
	Percentage of shopping centers that hosted a nonprofit organization or institution	Comty-Eng	✔	✔	%	-	-	-	83.1
	Number of nonprofit organizations or institutions hosted			✔		-	-	-	435
	Percentage of shopping centers providing customers with CSR information during the year			✔	%	-	-	-	87
RESPONSIBLE VALUE CHAIN	Percentage of tenants whose energy consumption data was collected			✔	%	-	-	-	26.2
	Percentage of employees trained in ethics during the year			✔	%	-	-	85	84
	Number of green leases signed during the year			✔		118	176	219	229
	Percentage of green leases signed during the year covered by environmental clauses			✔	%	61	70	100	100
	Percentage of corporate purchasing covered by CSR clauses			✔	%	-	-	-	22.7
	Percentage of shopping center purchasing covered by CSR clauses			✔	%	-	-	-	79.6
	Number of referrals to the compliance officer as part of the whistleblowing procedure			✔		-	-	-	0
	Number of spontaneous referrals to the compliance officer			✔		-	-	-	2
	Fatal work-related accidents on construction sites					-	-	-	0
	Contributions to trade federations				€k	-	-	-	83.3

Social Indicators

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
	Total staff			✔		95	115	113	108
	Staff with permanent employment contracts (CDI)			✔		91	95	97	97
	Staff with temporary employment contracts (CDD)			✔		4	20	16	11
	Number of co-op students			✔		-	18	12	9
	Number of interns			✔		7	12	12	12
	Temporary staff			✔		-	-	7	13
	Full-time staff					85	107	103	100
	Part-time staff					10	8	10	8
	Total number of hires	Emp-Turnover		✔		29	43	35	19
	Number of new hires with temporary employment contracts (CDD)	Emp-Turnover		✔		3	20	13	8
	Number of new hires with permanent employment contracts (CDI)	Emp-Turnover		✔		26	23	22	11
	Number of redundancies	Emp-Turnover		✔		0	0	0	0
TALENT AND DIVERSITY	Number of dismissals for other reasons	Emp-Turnover		✔		8	5	5	4
	Total number of departures	Emp-Turnover				15	21	36	25
	Turnover	Emp-Turnover	✔	✔	%	17.0	14.4	14.2	10.2
	Average annual increase for employees				%	0.7	1.0	1.0	1.5
	Number of bonus shares distributed			✔		0	42,464	83,947	83,199
	Total number of training hours	Emp-Training		✔		962	1,082	1,747	1,281
	Average number of training hours per employee who received training	Emp-Training		✔		17.2	18.0	15.2	11.9
	Percentage of employees trained	Emp-Training		✔	%	62	52	101	100
	Budget dedicated to training	Emp-Training		✔	€	107,200	81,402	198,000	295,120
	Number of employees with disabilities			✔		0	0	0	0
	Total number of women	Diversity-Emp		✔		47	61	53	57
	Total number of men	Diversity-Emp		✔		48	54	50	51
	Total number of female managers	Diversity-Emp		✔		31	35	37	34
	Total number of female employees	Diversity-Emp		✔		4	13	13	9
	Total number of female supervisors	Diversity-Emp		✔		12	13	13	14

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
TALENT AND DIVERSITY	Total number of male managers	Diversity-Emp		✔		46	45	48	49
	Total number of male employees	Diversity-Emp		✔		2	9	2	2
	Total number of male supervisors	Diversity-Emp		✔		0	0	0	0
	Number of women on the Management Committee	Diversity-Emp		✔		1	2	2	2
	Number of men on the Management Committee	Diversity-Emp		✔		6	7	7	7
	Number of women on the Board of Directors	Diversity-Emp		✔		4	5	6	6
	Number of men on the Board of Directors	Diversity-Emp		✔		7	7	6	5
	Number of women on permanent employment contracts promoted during the year	Diversity-Emp				3	1	1	0
	Number of men on permanent employment contracts promoted during the year	Diversity-Emp				1	0	0	0
	Number of women recruited during the year	Diversity-Emp				13	24	21	10
	Number of men recruited during the year	Diversity-Emp				16	19	14	9
	Number of women trained during the year	Diversity-Emp				-	-	83	61
	Number of men trained during the year	Diversity-Emp				-	-	55	49
	Average age			✔	years	39.0	37.0	37.1	38.7
	Average salary for female managers	Diversity-Pay		✔	€	57,546	56,949	57,931	58,889
	Average salary for male managers	Diversity-Pay		✔	€	59,877	60,687	60,641	61,413
	Number of employees under 30			✔		16	36	33	22
	Number of employees between 30 and 50			✔		68	65	63	68
	Number of employees over 50			✔		11	14	17	18
ORGANIZATION AND QUALITY OF WORK LIFE	Number of fatal accidents	H&S-Emp		✔		0	0	0	0
	Number of traffic accidents	H&S-Emp		✔		0	0	0	0
	Number of occupational diseases	H&S-Emp		✔		0	0	0	0
	Number of work-related accidents	H&S-Emp		✔		0	0	0	0
	Frequency rate of work-related accidents	H&S-Emp		✔	%	0	0	0	0
	Severity rate of work-related accidents	H&S-Emp		✔	%	0	0	0	0

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
ORGANIZATION AND QUALITY OF WORK LIFE	Number of employees teleworking			✔		-	-	22	36
	Number of people eligible for teleworking			✔		-	-	58	58
	Absenteeism rate	H&S-Emp			%	3.9	3.3	3.3	4.7
	Rate of participation in engagement survey			✔	%	-	81	81	76
	Number of days donated to caregivers					5	4	6	5
	Number of employees covered by a collective agreement					-	95	95	97
	Number of meetings held with staff representatives					15	18	17	17
	Number of employees who had an annual appraisal during the year	Emp-Dev				-	-	-	101

The following collective agreements cover the employees of the Mercialys Group:

- ⌘ agreement on dialogue between management and labor;
- ⌘ 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;
- ⌘ unemployment insurance and benefit addendum;
- ⌘ mutual insurance company addendum;
- ⌘ charter on the right to disconnect.

Environmental Indicators

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
ENERGY AND GREENHOUSE GAS EMISSIONS	Energy consumption				MWh	64,985.2	61,001.2	55,545.4	54,682.8
	Energy consumption, like-for-like basis				MWh	47,390.0	45,299.1	45,882.2	44,843.9
	Electricity consumption	Elec-Abs			MWh	45,357.0	44,312.9	41,806.6	41,479.9
	Electricity consumption, like-for-like basis	Elec-LFL			MWh	35,869.8	35,354.7	34,780.2	33,793.9
	Gas consumption	Fuels-Abs			MWh	18,245.2	15,226.3	12,173.8	11,592.2
	Gas consumption, like-for-like basis	Fuels-LFL			MWh	10,137.2	8,482.4	9,537.1	9,439.3
	Urban heat consumption	DH&C-Abs			MWh	1,383.0	1,462.0	1,565.0	1,610.7
	Urban heat consumption, like-for-like basis	DH&C-LFL			MWh	1,383.0	1,462.0	1,565.0	1,610.7
	Areal energy intensity	Energy-Int	✔	✔	kWh/ sq.m	180.0	178.7	174.3	167.4

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
	Areal energy intensity, like-for-like basis	Energy-Int		✔	kWh/ sq.m	168.7	167.0	166.3	162.4
	Usage energy intensity	Energy-Int	✔		kWh/ visitor	0.4	0.4	0.4	0.4
	Intensity of energy use, like-for-like basis	Energy-Int			kWh/ visitor	0.4	0.4	0.4	0.4
	Climate-restated energy consumption			✔	MWh	40,783.1	39,201.3	33,916.6	35,177.8
	Climate-restated energy consumption			✔	MWh	31,070.1	30,265.9	29,095.5	29,754.5
	Percentage of renewable energy consumption				%	-	-	9.0	8.9
	Percentage of shopping centers with a Building Management System			✔	%	-	-	-	90.0
	Percentage of shopping centers converted to LED lighting during the year			✔	%	-	-	-	12.0
	Number of photovoltaic power plants on Mercialys shopping centers					30	36	38	38
	Total number of photovoltaic power plants				Peak kW	40,712.0	40,766.0	42,235.0	42,485.0
ENERGY AND GREENHOUSE GAS EMISSIONS	Total area of photovoltaic panels				sq.m	202,816.0	203,148.0	210,497.0	211,760.0
	Photovoltaic production				MWh	44,334.0	47,828.5	51,736.0	50,538.6
	Percentage of portfolio with a photovoltaic power plant, by value				%	30	38	39	38
	Greenhouse gas emissions (scope 1)	GHG-Dir-Abs		✔	tCO_2e	3,114.6	2,934.6	2,144.6	2,194.2
	Like-for-like greenhouse gas emissions (scope 1)			✔	tCO_2e	2,049.2	1,630.5	1,570.2	1,607.3
	Scope 2 greenhouse gas emissions, location based	GHG-Dir-Abs		✔	tCO_2e	2,287.4	4,678.8	4,494.3	4,604.5
	Like-for-like scope 2 greenhouse gas emissions, location based			✔	tCO_2e	2,072.3	1,878.1	1,773.6	1,796.2
	Scope 2 greenhouse gas emissions, market based	GHG-Dir-Abs		✔	tCO_2e	-	-	4,457.5	4,552.5
	Like-for-like scope 2 greenhouse gas emissions, market based			✔	tCO_2e	-	-	1,914.8	1,918.1
	Scopes 1 & 2 greenhouse gas emissions, location based			✔	tCO_2e	5,402.1	7,613.4	6,638.9	6,798.7
	Like-for-like scopes 1 & 2 greenhouse gas emissions, location based			✔	tCO_2e	4,121.5	3,508.7	3,343.8	3,403.4
	Scopes 1 & 2 greenhouse gas emissions. market based			✔	tCO_2e	-	-	6,602.0	6,746.7

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
ENERGY AND GREENHOUSE GAS EMISSIONS	Like-for-like scope 1 & 2 greenhouse gas emissions, market based			✔	tCO_2e	-	-	3,485.1	3,525.4
	Areal carbon intensity (scopes 1 & 2)	GHG-Int	✔		$KgCO_2e$/ sq.m	21.9	25.8	23.0	21.7
	Like-for-like areal carbon intensity (scopes 1 & 2)	GHG-Int			$KgCO_2e$/ sq.m	20.7	18.6	17.3	17.5
	Carbon intensity of use (scopes 1 & 2)	GHG-Int	✔		gCO_2e/ visitor	52.1	59.1	24.4	50.5
	Like-for-like carbon intensity of use (scopes 1 & 2)	GHG-Int			gCO_2e/ visitor	50.8	42.5	37.8	40.7
	Greenhouse gas emissions linked to visitor and tenant transport			✔	tCO_2e	-	-	413,466.4	340,199.9
	Greenhouse gas emissions relating to tenant energy consumption			✔	tCO_2e	-	-	44,736.4	46,433.3
CIRCULAR ECONOMY	Total quantity of waste			✔	tons	5,893.3	6,715.3	6,761.8	7,699.3
	Total quantity of waste, like-for-like basis			✔	tons	4,590.1	4,905.5	4,859.9	5,277.4
	Quantity of NHW (nonhazardous industrial waste)			✔	tons	4,590.7	5,303.1	5,143.6	5,718.5
	Quantity of NHW (nonhazardous industrial waste). like-for-like basis			✔	tons	3,564.4	3,801.4	3,687.5	4,014.5
	Quantity of cardboard			✔	tons	1,261.3	1,372.3	1,519.8	1,717.8
	Quantity of cardboard, like-for-like basis			✔	tons	1,006.4	1,080.9	1,139.4	1,204.7
	Quantity of plastic			✔	tons	19.3	23.2	32.7	50.3
	Quantity of plastic. like-for-like basis			✔	tons	19.3	23.2	28.1	35.5
	Quantity of biodegradable waste			✔	tons	22.0	16.6	60.7	199.6
	Quantity of biodegradable waste. like-for-like basis			✔	tons	0.0	0.0	0.0	9.7
	Quantity of paper			✔	tons	0.0	0.0	0.0	0.0
	Quantity of paper, like-for-like basis			✔	tons	0.0	0.0	0.0	0.0
	Quantity of wood			✔	tons	0.0	0.0	5.0	5.1
	Quantity of wood, like-for-like basis			✔	tons	0.0	0.0	5.0	5.1
	Quantity of glass			✔	tons	0.0	0.0	0.0	8.0
	Quantity of glass, like-for-like basis			✔	tons	0.0	0.0	0.0	8.0
	Quantity of metal			✔	tons	0.0	0.0	0.0	0.0

CSR priority issues strategy	Indicator	EPRA code	CNCC indicator	DPEF indicator	Unit	2015	2016	2017	2018
	Quantity of metal, like-for-like basis			✔	tons	0.0	0.0	0.0	0.0
	Quantity of bulky waste			✔	tons	0.0	0.0	0.0	0.0
	Quantity of bulky waste, like-for-like basis			✔	tons	0.0	0.0	0.0	0.0
	Percentage of waste recycled	Waste-Abs			%	19.0	7.6	20.7	15.0
	Percentage of waste recycled, like-for-like basis	Waste-LFL			%	18.4	8.3	14.0	8.3
	Percentage of waste reused	Waste-Abs			%	0.0	0.0	0.0	0.0
	Percentage of waste reused, like-for-like basis	Waste-LFL			%	0.0	0.0	0.0	0.0
	Percentage of waste composted	Waste-Abs			%	0.0	1.7	1.0	0.1
	Percentage of waste composted, like-for-like basis	Waste-LFL			%	0.0	2.1	1.3	0.0
	Percentage of waste incinerated with energy recycling	Waste-Abs			%	1.9	3.9	3.7	8.0
	Percentage of waste incinerated with energy recycling, like-for-like basis	Waste-LFL			%	0.1	1.0	0.8	7.2
CIRCULAR ECONOMY	Percentage of waste sent to landfill	Waste-Abs			%	23.6	21.4	21.4	30.6
	Percentage of waste sent to landfill, like-for-like basis	Waste-LFL			%	22.9	23.3	23.6	30.1
	Sorting rate				%	22.1	21.0	23.9	25.7
	Sorting rate, like-for-like basis				%	22.3	22.5	24.1	23.9
	Recycling rate			✔	%	19.0	9.3	21.7	15.2
	Recycling rate, like-for-like basis			✔	%	18.4	10.4	15.3	8.3
	Recovery rate			✔	%	24.8	17.4	29.6	45.9
	Recovery rate, like-for-like basis			✔	%	23.1	13.8	19.4	39.7
	Total water consumption	Water-Abs			m^3	135,458.5	139,763.1	144,198.6	134,027.5
	Total water consumption, like-for-like basis	Water-LFL			m^3	105,444.2	101,511.0	101,861.0	97,297.5
	Areal water intensity	Water-Int			m^3/sq.m	0.9	0.9	1.0	0.7
	Areal water intensity, like-for-like basis	Water-Int			m^3/sq.m	1.0	0.9	0.9	0.9
	Water intensity of use	Water-Int		✔	L/visitor	1.3	1.2	1.2	1.0
	Water intensity of use, like-for-like basis	Water-Int		✔	L/visitor	1.3	1.2	1.2	1.1
	Percentage of shopping centers with rainwater storage tanks			✔	%	-	-	-	28.0

Governance indicators

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

Information	Code EPRA	Correspondance DDR
Composition of Board of Directors	Gov-Board	chapter 4, § 4.1.1, p. 198 to 219
Procedure for selecting and appointing members of Board of Directors	Gov-Select	chapter 4, § 4.1.1, p. 220 to 221
Procedure for management of conflicts of interest	Gov-Col	chapter 4, § 4.1.7, p. 231

Head office indicators

Indicator	EPRA code	Unit	2015	2016	2017	2018	Change 2017-2018
Total electricity consumption	Elec-Abs	MWh	181	225	216	234	
Total like-for-like electricity consumption	Elec-LFL	MWh	181	225	216	234	8%
Total energy consumption from district heating or cooling networks	DH&C-Abs	MWh	137	156	156	197	
Total energy consumption from district heating or cooling networks, like-for-like basis	DH&C-LFL	MWh	137	156	156	197	27%
Total fuel consumption	Fuels-Abs	MWh	4.0	4.0	4.2	3.9	
Total fuel consumption, like-for-like basis	Fuels-LFL	MWh	4.0	4.0	4.2	3.9	-7%
Energy intensity of the building	Energy-Int	kWh/ sq.m	Not applicable	Not applicable	Not applicable	Not applicable	
Total direct GHG emissions	GHG-Dir-Abs	tCO_2	1.10	0.74	0.83	0.77	
Total indirect GHG emissions	GHG-Indir-Abs	tCO_2	37.6	43.9	43.3	53.7	
Carbon intensity of the building	GHG-Int	tCO_2e/ sq.m	Not applicable	Not applicable	Not applicable	Not applicable	
Total water consumption	Water-Abs	m^3	478	608	514	688	
Total water consumption, like-for-like basis	Water-LFL	m^3	478	608	514	688	34%
Water intensity of the building	Water-Int	m^3/visit	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	
Recycled waste	Waste-Abs	%	35%	34%	34%	26%	
Buried waste	Waste-Abs	%	65%	66%	66%	74%	
Total waste production by type of treatment, like-for-like basis	Waste-LFL	tons	4.7	5.7	6.2	7.3	17%
Recycled waste at constant scope	Waste-LFL	%	35%	34%	34%	26%	
Buried waste at constant scopeL	Waste-LFL	%	65%	66%	66%	74%	
Type and number of assets certified	Cert-Tot	%	0	0	0	0	

2. Methodology

Because of the nature of Mercialys' business, food waste is not a main CSR risk and does not merit detailed discussion in this section.

Moreover, in view of the late publication of the laws of October 23 and 30, 2018, information on the fight against tax evasion, the fight against food insecurity, respect for animal welfare and responsible, fair and sustainable food have not been included in the CSR analysis. These themes will be dealt in next year's report if they constitute major risks.

1. Scopes

A. CSR scope

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

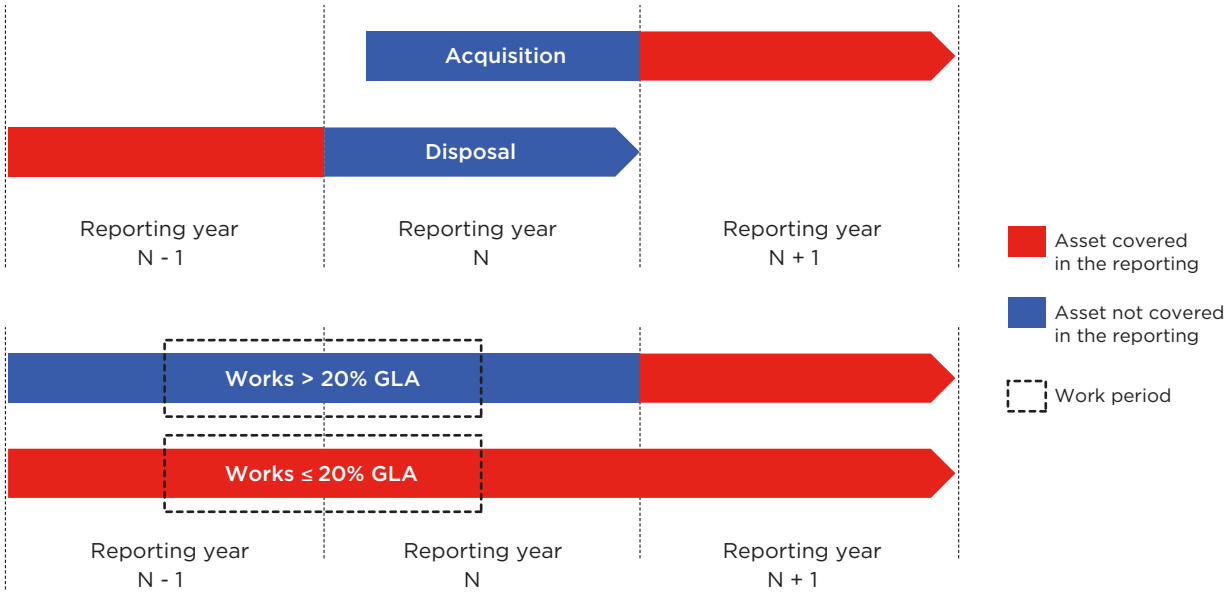
B. Current scope

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

C. Like-for-like

Like-for-like scope comprises assets within the current scope, excluding assets that underwent construction representing a creation of GLA surface 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 the 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 the 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

Gross leasable area surfaces (used for the calculation of coverage rate in surface area) are those appearing in chapter 1, § 1.3.2.3, p. 61 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 Sudeco 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 related 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 ($kgCO_2e/kg$)

Greenhouse gas emissions scope 2

Emissions related to electricity consumption and urban heat used for the common areas and connected private areas.

Location-based emissions factors and GWP

The location-based emissions factors used are ADEME's Base Carbone in the most recent version available.

The GWP factors also come from the Base Carbone when they are available.

Market-based emissions factors

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 publication of the Registration Document, 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 Base Carbone database 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.

E. Water consumption

This applies to drinking water consumption only in communal areas, expressed in liters.

This indicator includes:

- consumption associated with the shopping center's sanitation facilities (customer sanitation facilities and those of the shopping center's management);
- consumption 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.).

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 in-house, external, face-to-face or e-learning, are taken into account for the training indicators. There is no minimum duration used to calculate training hours.

B. 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.

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 clauses. 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 measured through a questionnaire that is e-mailed to customers who have visited the shopping centers. All the centers that use this procedure are included in the coverage rate even if the number of respondents is zero. To be included in the coverage rate, a shopping center must have used the survey in the last 24 months.

Overall satisfaction is calculated based on the satisfaction score of each shopping center, which is weighted by the center's footfall. The score is taken into account for all the shopping centers that use the survey, no matter how many respondents there are.

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.

The overall satisfaction score is calculated based on the average satisfaction.

E. Local public life

For the "number of local nonprofit organizations or institutions hosted," an organization is recognized as many times as it was hosted at the same shopping center during the year in space provided free of charge and not valued as rent by Mercialys that is recognized through this indicator.

3. Recommendation of the independent verifier

Report of the independent verifier on the consolidated statement on extra-financial performance appearing in the management report.

Attn: Mr. Éric le Gentil

In response to the request made of us in our capacity of independent verifier, a member of the network of one of the Statutory Auditors of the entity Mercialys (the "entity"), we hereby present our report on the consolidated statement on extra-financial performance for the fiscal year ended December 31, 2018 (the "Statement"), which the entity has chosen to prepare and present in its management report, in 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.

Responsibility of the entity

As part of this voluntary procedure, it is the role of the entity to prepare a Statement in accordance with the legal and regulatory provisions including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies applied with regard to these risks, and the results of these policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter: the "Reporting Standards"), the main components of which are presented in the Statement and available online.

Independence and quality control

Our independence is defined by our profession's Code of Ethics. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional doctrine and applicable laws and regulations.

Responsibility of the independent verifier

In response to the entity's request and based on our work, it is our role to issue a reasoned recommendation expressing a conclusion of moderate assurance on:

- the Statement's compliance with the provisions of Article R. 225-105 of the French Commercial Code;
- the truthfulness of the information provided in accordance with Article R. 225-105-I(3) and II of the French Commercial Code, namely, the results of the policies, including key performance indicators, and the actions related to the main risks (the "Information").

Nonetheless, it is not our role to give an opinion on:

- the entity's compliance with other applicable legal and regulatory provisions, particularly regarding the vigilance plan and fighting corruption and tax evasion;
- the compliance of products and services with the applicable regulations.

Nature and scope of the work

Our work described herein below was carried out in accordance with the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code setting the terms and conditions under which the independent verifier performs its assignment, and according to professional doctrine and international standard ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

We conducted work that enables us to assess the Statement's compliance with the regulatory provisions and truthfulness of the Information:

- we reviewed the entity's business, exposure to the main social and environmental risks related to this business, and where required, its effects regarding respect for human rights and fighting corruption and tax evasion and the ensuing policies and their results;
- we assessed the suitability of the Reporting Standards with regard to their relevance, completeness, reliability, neutrality and understandability, taking into consideration the sector's best practices where relevant;
- we verified that the Statement covers every category of social and environmental information stipulated in paragraph III of Article 225-102-1, and respect for human rights and the fight against corruption and tax evasion;
- we verified that the Statement presents the business model and main risks related to the entity's business, including, where relevant and commensurate, the risks created by its business relationships, its products or its services, and the policies, actions and results, including key performance indicators;
- we verified, when it is relevant with regard to the main risks or policies presented, that the Statement presents the information stipulated in paragraph II of Article R. 225-105;
- we assessed the selection and approval process of the main risks;
- we questioned the existence of the internal control and risk management procedures established by the entity;
- we assessed the consistency of the results and the key performance indicators used with regard to the main risks and policies presented;
- we assessed the collection process established by the entity in order to produce complete and truthful Information;
- for the key performance indicators and other quantitative results we found to be the most significant and which are presented in Appendix 1, we put in place:
  - analytical procedures consisting of verifying the correct consolidation of the data collected and the consistency of its changes,
  - detailed tests based on surveys, consisting in verifying the correct application of the definitions and procedures and reconciling the data with supporting documents. This work was done at the following contributing sites: the Aix-en-Province and Besançon shopping centers, which cover between 7% and 9% of the consolidated data selected for these tests (9% of the fair value and 7% of the energy consumption),

- we consulted the documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we deemed the most important and that is presented in Appendix 1;
- we assessed the consistency of the entire Statement with regard to our familiarity with the entity.

We believe that the work we carried out exercising our professional judgment allows us to formulate a conclusion of moderate assurance; an assurance of a higher level would have required more extensive verification work.

Resources

Our work was performed by a four-person team over approximately ten weeks between October 2018 and February 2019.

We conducted five interviews with the persons responsible for preparing the Statement; they represented the risk management, compliance, human resources, health and safety, environment and purchasing departments.

Conclusion

Based on our work, we have not noted any material misstatement that would cause any doubt that the statement on extra-financial performance complies with the applicable regulatory provisions, and the information taken as a whole is presented truthfully and in compliance with the Reporting Standards.

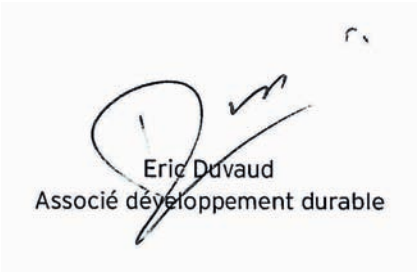
Paris-La Défense, February 13, 2019

Independent verifier

ERNST & YOUNG et Associés

Éric Duvaud

Sustainable Development Partner



Jean-François Bélorgey

Partner



Appendix 1: Information considered most important

Social information	
Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
- Workforce - Turnover - Number of employees by main diversity categories (gender, age, disability) - Training (number of hours, average number of hours per employee) - Rate of participation in biannual HR survey - Workplace accidents - Gender pay gap	Recruitment and onboarding of talent Development of employees' skills and support during the course of their career or in their profession Employee development and engagement Actions to promote diversity among staff
Environmental information	
Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
- Energy consumption in kWh/sq.m – Consumption at constant climate - GHG emissions, scopes 1 and 2/sq.m (market based and location based) - GHG emissions, scope 3 - Quantity of waste produced - Breakdown of waste by treatment method - Water consumption and water intensity by visitor	Improvement of energy efficiency through the installation of more energy-efficient equipment Implementation of real-time measurement of consumption Outlining of a 2°C strategy
Societal information	
Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
- Rate of operation and construction certification, by value - Breakdown of visitors by form of transport - Percentage of shopping centers with carpooling spaces/BlaBlaCar partners - Lessee and visitor satisfaction rate - Lessee and visitor satisfaction rate - Percentage of assets that have hosted a nonprofit organization and/or organized a CSR operation - Number of jobs induced by Mercialys's business - Number of job vacancies at Mercialys shopping centers (job fair and retailer website openings) - Number of nonprofit organizations hosted per year - % green leases / leases signed during the year - Percentage of employees trained during the year on ethics and/or corruption - Percentage of suppliers with CSR clauses in their contracts - Percentage of shopping center purchasing covered by CSR clauses	Improvement by one certification level of BREEAM In-Use certified assets Completion of flood vulnerability surveys Development of a partnership with BlaBlaCar Rollout of electric vehicle charging stations Rollout of the Loyalty Challenge (Challenge Fidélité) program Implementation of initiatives in support of local employment Provision of spaces for nonprofit organizations in the malls Inclusion of a CSR clause in contracts

Euro 3,780 M
Portfolio value including transfer taxes

—

Euro 21.14
NNNAV per share

—

Euro 1.25
FFO per share



3

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3.1 Consolidated financial statements

3.1.1 Financial statements

3.1.1.1 Consolidated income statement

(In thousands of euros)	Notes	12/2018	12/2017
Rental revenues		**187,287**	**185,318**
Non-recovered property taxes		(860)	(1,248)
Non-recovered service charges		(4,141)	(4,656)
Property operating expenses		(6,920)	(7,227)
Net rental income	**6.1**	**175,367**	**172,188**
Management, administrative and other activities income	6.2	3,076	4,066
Other income	6.3	285	277
Other expenses	6.4	(8,335)	(9,065)
Personnel expenses	6.5	(12,581)	(12,398)
Depreciation and amortization	6.6	(37,016)	(34,822)
Reversals of/(Allowances for) provisions		(1,481)	(1,528)
Other operating income	6.7	30,481	178,364
Other operating expenses	6.7	(25,610)	(172,005)
Operating income		**124,186**	**125,077**
Income from cash and cash equivalents		430	156
Gross finance costs		(31,697)	(30,219)
(Net finance costs)/income from net cash	**14.1.1**	**(31,267)**	**(30,063)**
Other financial income	14.1.2	285	254
Other financial expenses	14.1.2	(2,195)	(2,173)
Net financial income (expense)		**(33,177)**	**(31,982)**
Tax expense	7.1	(2,402)	(645)
Share of net income from equity associates and joint ventures	3.5	1,012	2,540
CONSOLIDATED NET INCOME		**89,619**	**94,991**
attributable to non-controlling interests		8,768	8,324
attributable to owners of the parent		80,851	86,666
Earnings per share	**20.3**		
Net income, attributable to owners of the parent (in euro)		0.88	0.94
Diluted net income, attributable to owners of the parent (in euro)		0.88	0.94

3.1.1.2 Statement of consolidated comprehensive income

(In thousands of euros)	12/2018	12/2017
Consolidated net income	89,619	94,991
Items that may be recycled as income	**(3,077)**	**246**
Change in fair value of available-for-sale financial assets[1]	-	375
Tax	-	(129)
Cash flow hedges[1]	(3,077)	-
Items that may not be recycled as income	**(3,023)**	**(148)**
Change in fair value of financial assets measured at fair value through other comprehensive income[2]	(4,552)	-
Actuarial gains or losses	(58)	(226)
Tax	1,587	78
Other comprehensive income for the period, net of tax	**(6,100)**	**98**
CONSOLIDATED COMPREHENSIVE NET INCOME	**83,519**	**95,088**
attributable to non-controlling interests	8,768	8,324
attributable to owners of the parent	**74,751**	**86,764**

(1) At January 1, 2018, in accordance with IFRS 9, the change in the value of repricing derivatives was recognized in other comprehensive items (OCI).

(2) Own equity instruments previously classified as "available-for-sale financial assets" were reclassified as financial assets at fair value through other comprehensive income (OCI).

3.1.1.3 Consolidated balance sheet

Assets

(In thousands of euros)	Notes	12/2018	12/2017
Intangible assets	8.1	2,710	2,486
Property, plant and equipment other than investment property	8.1	8	10
Investment property	8.1	2,322,755	2,305,414
Investments in equity associates	3.5	35,160	38,445
Other non-current assets	10	46,773	37,529
Deferred tax assets	7	1,727	319
Non-current assets		**2,409,134**	**2,384,203**
Trade receivables	12	22,341	15,839
Other current assets	13	49,448	59,713
Cash and cash equivalents	14	377,106	196,913
Investment property held for sale	8.2	3,753	113
Current assets		**452,648**	**272,578**
TOTAL ASSETS		**2,861,781**	**2,656,781**

Equity and liabilities

(In thousands of euros)	Notes	12/2018	12/2017
Share capital	20	92,049	92,049
Additional paid-in capital, treasury shares and other reserves		587,551	626,468
Equity, attributable to owners of the parent	20	679,601	718,517
Non-controlling interests	20.5	199,944	202,023
Equity		**879,545**	**920,540**
Non-current provisions	22	1,063	857
Non-current financial liabilities	14	1,208,999	1,377,454
Deposits & guarantees		22,081	22,694
Other non-current liabilities		3,580	-
Deferred tax liabilities	7.2	-	578
Non-current liabilities		**1,235,723**	**1,401,583**
Trade payables	15	14,769	12,516
Current financial liabilities	14	690,939	281,396
Current provisions	22	7,538	6,265
Othercurrent liabilities	16	33,218	34,432
Current tax liabilities	16	49	49
Current liabilities		**746,513**	**334,658**
TOTAL EQUITY AND LIABILITIES		**2,861,781**	**2,656,781**

3.1.1.4 Consolidated cash flow statement

(In thousands of euros)	Notes	12/2018	12/2017
Net income, attributable to owners of the parent		80,851	86,666
Non-controlling interests		8,768	8,324
Consolidated net income		**89,619**	**94,991**
Depreciation, amortization and provisions, net of reversals	6.6	41,507	43,590
Expenses/(income) relating to stock options and similar		235	421
Other calculated expenses/(income)[1]		(1,964)	(1,775)
Share of net income from equity associates	3.5	(1,012)	(2,540)
Dividends received from equity associates	3.5	4,397	2,625
Income from asset disposals		(8,119)	(14,965)
Cash flow		**124,663**	**122,346**
Expense/(Income) from net financial debt		31,268	30,063
Tax expense (including deferred tax)	7	2,402	645
Cash flow before net finance costs and tax		**158,333**	**153,055**
Taxes received/(paid)		(305)	(2,547)
Change in working capital requirement relating to operations, excluding deposits and guarantees[2]		8,729	13,491
Change in deposits and guarantees		(612)	48
Net cash flow from operating activities		**166,144**	**164,046**
Cash payments on acquisitions of:			
• investment property and other fixed assets	4.2/8.1.2.3	(79,294)	(102,808)
• non-current financial assets		(221)	-
Cash inflows on disposals of:			
• of investment properties and other fixed assets[3]	4.3	27,890	164,173
Investments in associated companies[4]		(975)	(26,956)
Impact of changes in the scope of consolidation with change of ownership		(44)	
Change in loans and advances granted[7]		(7,826)	(23)
Net cash flow from investing activities		**(60,470)**	**34,386**
Dividends paid to shareholders of the parent company	21	(62,403)	(57,829)
Interim dividend	21	(45,805)	(37,637)
Dividends paid to non-controlling interests		(10,844)	(11,468)
Other transactions with shareholders[5]		-	(1,260)
Changes in treasury shares		(3,510)	(1,100)
Increase in borrowings and financial liabilities[6]		1,080,043	1,281,260
Decrease in borrowings and financial liabilities[6]		(857,000)	(1,164,500)
Net interest received	4.4	31,140	29,997
Net interest paid	4.4	(56,715)	(54,724)
Net cash flow from financing activities		**74,904**	**(17,260)**
CHANGE IN CASH POSITION		**180,577**	**181,171**
Net cash at beginning of year	14	196,469	15,298
Net cash at end of year	14	377,046	196,469
Of which:			
Cash and cash equivalents		377,106	196,913
Bank overdrafts		(60)	(444)

(In thousands of euros)	Notes	12/2018	12/2017
(1) Other calculated expenses and income primarily comprise:			
• *discounting adjustments to construction leases (note 10, p. 133)*		*(444)*	*(546)*
• *lease rights received and spread out over the term of the lease*		*(1,980)*	*(1,720)*
• *financial expenses spread out*		*402*	*399*
• *interest on non-cash loans*		*(50)*	*-*
(2) The change in working capital requirement breaks down as follows:			
Trade receivables		*(7,076)*	*13,935*
Trade payables		*2,228*	*(7,046)*
Other receivables and payables		*13,577*	*6,602*
		8,729	*13,491*

(3) In 2018, cash inflows on disposals consisted mostly of the disposals of the Saint-Paul and Lannion sites for Euro 25.2 million excluding transfer taxes. (note 2, p. 114).
In 2017, cash inflows related to disposals were mainly composed of five service galleries sold to the Casino Group for Euro 36.0 million, the transformed Toulouse Fenouillet hypermarket sold to the Casino Group for Euro 30.6 million, the Poitiers Beaulieu site for Euro 69.7 million, the Fontaine-Lès-Dijon site for Euro 24.9 million, and the Rennes Saint-Grégoire site for Euro 2.3 million. These amounts were net of expenses.

(4) In the first half of 2018, Mercialys participated in a capital increase arranged by SCI AMR for Euro 975 thousand. In December 2017, La Diane bought shares in the company Sacré-Cœur from the Casino Group, comprising the Le Port project in Reunion island for Euro 15.7 million and the shareholder current account for Euro 11.2 million.

(5) In December 2017, Mercialys bought out the minority shareholder of SCI Kerbernard for Euro 1.3 million.

(6) In 2018 and 2017, changes in borrowings and financial liabilities correspond to changes in commercial paper and to a new bond issuance for Euro 298,466 thousand net of costs in 2018 and Euro 148,260 thousand net of costs in 2017 (note 14.2.6, p.139).

(7) Mercialys granted an additional loan to SCI Rennes Anglet for Euro 7.8 million.

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	Financial assets available for sale	Equity, attributable to owners of the parent[2]	Non-controlling interests	Total share-holder's equity Financial
As at January 1, 2017	**92,049**	**482,834**	**(2,156)**	**154,757**	**(149)**	**1,283**	**728,618**	**205,597**	**934,215**
Other comprehensive income for the period	-	-	-	-	(148)	246	98	-	98
Net income for the period	-	-	-	86,666	-	-	86,666	8,324	94,991
Consolidated comprehensive income for the period	**-**	**-**	**-**	**86,666**	**(148)**	**246**	**86,765**	**8,324**	**95,089**
Transactions in treasury shares (note 20, p. 145)	-	-	(787)	(206)	-	-	(993)	-	(993)
Final dividends paid for 2016	-	-	-	(57,829)	-	-	(57,829)	(11,468)	(69,297)
Interim dividends paid for 2017	-	-	-	(37,637)	-	-	(37,637)	-	(37,637)
Other changes in interests without loss or gain of controlling interest in subsidiaries[3]	-	-	-	(828)	-	-	(828)	(432)	(1,260)
Payments in shares	-	-	-	421	-	-	421	-	421
As at December 31, 2017	**92,049**	**482,834**	**(2,943)**	**145,345**	**(297)**	**1,529**	**718,517**	**202,023**	**920,540**
IFRS9 adjustment (note 1.2.3, p. 113)	-	-	-	(2,690)	-	-	(2,690)	(2)	(2,692)
As 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	**92,049**	**482,834**	**(2,943)**	**220,428**	**(335)**	**(1,456)**	**790,578**	**210,789**	**1,001,367**
Transactions in treasury shares (note 20, p. 145)	-	-	(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**

(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) In December 2017, Mercialys had bought all the participating interests of the minority shareholder of SCI Kerbernard for Euro 1,26 million.

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Information about the Mercialys Group

Mercialys is a *société anonyme* (limited liability company) under French law, specializing in commercial property. Its head office is located at 148, rue de l'Université, 75007 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, 2018 reflect the accounting position of the Company, its subsidiaries and joint ventures, as well as the Group's interests in affiliated companies.

On February 13, 2019, the Board of Directors approved and authorized the publication of the Mercialys Group consolidated financial statements for the 2018 financial year.

Note 1 Accounting principles and measurement methods

1.1 Reporting standards

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Casino 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 at the date of approval of the financial statements by the Board of Directors and applicable at December 31, 2018.

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 financial year beginning January 1, 2018.

The European Union has adopted the following standards which are mandatory for the Group for its financial year beginning January 1, 2018:

- IFRS 9 – Financial instruments;
- IFRS 15 – Revenue from contracts with customers;
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions.

Impacts related to the application of IFRS 15, IFRS 9 and amendments to IFRS 2 are detailed in note 1.2.3, p. 113.

The following texts have no impact on the Group's consolidated financial statements:

IFRIC 22 – Foreign currency transactions and advance consideration

This interpretation is applied retrospectively or prospectively. This is an interpretation of IAS 21 – The effects of changes in foreign exchange rates. This interpretation clarifies the exchange rate to use when advance payment has been made.

Amendments to IAS 40 – Transfers of investment property

These amendments to the standard will be applied prospectively. They clarify the conditions for transferring real property into, or out of, the category of investment property. Furthermore, it is specified that the list of examples of evidence supporting a change in use of the property is a non-exhaustive list.

Annual improvements to IFRS – cycle 2014-2016

The main standard concerned is IFRS 12 Disclosures of Interests in Other Entities. These amendments are applied retrospectively. The amendments make it clear that the provisions of IFRS 12 also apply to interests in subsidiaries, equity associates and joint ventures classified as "held for sale" according to IFRS 5 (with the exception of the summarized financial information which does not require disclosure).

Standards and interpretations published but not yet in force

The IASB has published the following standards, amendments and interpretations that have been adopted by the European Union and apply to the Group, but were not yet in force on January 1, 2018.

IFRS - 16 Leases

IFRS 16, which replaces IAS 17 and canceledthe related interpretations as of January 1, 2019, cancels the current distinction between operating leases and finance leases ; it requires the recognition of an asset (the right to use the leased property) and a financial liability representative of future discounted rents 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. Thus, operating income and EBITDA will be positively impacted and inverserely, the financial income will be negatively impacted. 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 lessee fall into four categories:

1) Leases on parcels of land related to investment properties (mainly construction leases and emphyteutic leases);

2) Commercial leases for offices;

3) Car leases;

4) IT equipment leases.

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 chose to apply the two capitalization exemptions proposed by the standard for the following contracts:

- short-term property leases;
- low-value property leases.

Rent not included in the initial measurement of liabilities such as charges for short-term and low-value leases will continue to be classified as operating expenses.

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

The estimated impact on the opening balance sheet at January 1, 2019 would lead to an increase in assets (recognition of a right of use) of Euro 9.2 million and the recognition of a lease debt of the same amount.

For 2019, the annual amount of the restated rent expense compared with the recognition of operating leases pursuant to IAS17 is estimated at Euro 1.2 million. These rent expenses will be replaced by an amortization expense of Euro 1.0 million and an estimated financial interest expense of Euro 0.3 million.

As of December 31, 2018, the Group had an off-balance sheet commitment for the expected minimum payments on operating leases of Euro 13 million in accordance with IAS 17 (note 23.3, p. 151). The difference between the off-balance sheet commitment and the estimated IFRS 16 lease debt is due mainly to the discounting of future lease payments, contrary to IAS 17.

IFRIC 23 - Uncertainty over Income Tax Treatments

This interpretation, which is mandatory as of January 1, 2019, is applicable retrospectively, in whole or in part.

It clarifies the methods for the recognition and measurement of the current and deferred tax assets and liabilities described by IAS 12 – Income Taxes, in the specific case of uncertainty about income tax treatment. The interpretation clarifies in particular:

- how to assess the unit of account to adopt;
- that the risk of detection by the tax administration should be fully taken into account;
- that the principle of recognition is based on the probability (in the sense of "more probable than improbable") of receiving the asset or paying the liability;
- the principle of measuring the provision (in the event of the improbability of acceptance by the tax administration of the uncertain tax treatment) is based on the estimate of the amount that the entity expects to pay or recover depending on (i) the method of the most probable amount or (ii) the weighted average of the different possible scenarios.

This standard should not have a material impact on the Group's consolidated financial statements.

Standards not adopted by the European Union at the reporting date but not in force

The IASB has published the following standards, amendments and interpretations that have not yet been adopted by the European Union, but apply to the Group:

Standard (application date for the Group)	Description of the standard
Annual improvements to IFRS – Cycle 2015-2017 (January 1, 2019)	The main standards concerned are: IAS 12 Income Taxes: these amendments state that the tax consequences of dividend distributions should be reported in profit or loss, in equity or in the other components of comprehensive income, according to the initial presentation of transactions at the origin of the distributable profits. These amendments are applied retrospectively and are limited to the first comparative period presented. IAS 23 Borrowing Costs: the amendments specify that a specific borrowing is requalified as "general" where the asset is ready to be used or sold. These amendments to the standard will be applied prospectively.
Amendments to IAS 28 Long-term interests in associates and joint ventures (January 1, 2019)	These amendments to the standard will be applied prospectively. They clarify that IFRS 9, including the impairment provisions, applies to long-term interests in equity associates and joint ventures - the effects of vesting conditions and non-vesting conditions on the valuation of a stock-based payment settled in cash: the valuation of the debt of a cash-settled plan follows the same approach as is applicable to an equity-settled plan.

Standard (application date for the Group)	Description of the standard
Amendments to IAS 19 Modification, reduction or liquidation of a plan (January 1, 2019)	These amendments to the standard will be applied prospectively. They apply to modifications, reductions and liquidations of defined-benefit plans. They clarify that the cost of services rendered and the financial cost for the remaining portion of the financial year after the modification, reduction or liquidation must be measured on the basis of the actuarial assumptions used for the revaluation of the liability for the benefits defined.
Amendments to IFRS 3 Definition of a business (January 1, 2020)	This interpretation is applied retrospectively or prospectively. They aim to clarify the application guide for the standard for the distinction between a business and an asset group. The amended definition emphasizes that the purpose of the business (the "outputs") is to provide goods or services to customers, whereas the previous definition focused on returns for investors and other third parties. In addition, an optional test (the "concentration test") was introduced to simplify the assessment to be performed to conclude that a set of activities and assets does not constitute a business.
Amendments to IAS 1 and IAS 8 Definition of material (January 1, 2020)	These amendments to the standard will be applied prospectively. They amend and supplement the definition of “material” in IAS 1 and IAS 8. In addition, these amendments harmonize the definition of material with the drafting of the IFRS Conceptual Framework.

These interpretations and amendments 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 Group is required to make a number of judgments, estimates and assumptions that affect 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 Mercialys 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.

Significant judgments made by Management to apply the Group’s accounting policies and the main sources of uncertainty related to estimates are identical to the ones described in the most recent annual financial statements, except for the application of IFRS 9 (note 1.1, p. 110).

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.

1.2.3 Changes in accounting methods

IFRS 15: "Revenue from contracts with customers"

IFRS 15 defines the principles of revenue recognition and replaces IAS 18 – Revenue and IAS 11 – Construction Contracts and the related interpretations. IFRS 15 provides a single five-step model for revenue recognition. It introduces new concepts and principles in the area of income recognition, including the identification of performance obligations or the allocation of the transaction price for multi-element contracts.

IFRS 15 had no impact on the Mercialys Group financial statements.

IFRS 9: "Financial instruments"

This new standard defines new principles for the classification and measurement of financial instruments, impairment of credit risk for financial assets and hedge accounting.

The Group applied this standard in accordance with the simplified retrospective method starting January 1, 2018 by recognizing the cumulative impacts in equity at January 1, 2018.

The main changes resulting from the application of the standard are:

Own equity instruments previously classified as "available-for-sale financial assets" were reclassified as financial assets at fair value through other comprehensive income (OCI).

The application of the new principles under IFRS 9 for the retrospective treatment of the bond exchange that took place in 2014 and for the treatment of hedge stacks (variability and repricing relating to bond debt) resulted in an increase in liabilities of Euro 2.4 million on the 2018 opening balance sheet against equity.

The treatment of the bond exchange had an insignificant effect on interest charges for 2018 (Euro 0.1 million).

The application of the new impairment methodology recommended by IFRS 9, namely the recognition of losses expected on all receivables at the outset, resulted in an increase in provisions of Euro 0.4 million at January 1, 2018. The provisioning rate for trade receivables was determined on the basis of the invoicing of rents, charges and works over a period of six years (between 2012 and 2017), as well as the profits and losses recognized over the same period.

The tables below present the impacts on the consolidated income statement, the statement of comprehensive income, the consolidated statement of financial position and the statement of previously disclosed consolidated cash flows resulting from the retrospective application limited to January 1, 2018 (cumulative "catch-up" with no restatement of 2017) of IFRS 9 – Financial Instruments.

This new presentation was applied retrospectively and resulted in the 2018 restatement.

Impacts on the main aggregates of the consolidated statement of financial position

ASSETS

(In thousands of euros)	December 31, 2017 published	IFRS 9 restatements	January 1, 2018 restated
Intangible assets	2,486		2,486
Property, plant and equipment other than investment property	10		10
Investment property	2,305,414		2,305,414
Investments in equity associates	38,445		38,445
Other non-current assets	37,529		37,529
Deferred tax assets	319	84	403
Non-current assets	**2,384,203**	**84**	**2,384,287**
Trade receivables	15,839	(408)	15,431
Other current assets	59,713		59,713
Cash and cash equivalents	196,913		196,913
Investment property held for sale	113		113
Current assets	**272,578**	**(408)**	**272,170**
TOTAL ASSETS	**2,656,781**	**(324)**	**2,656,457**

EQUITY AND LIABILITIES

(In thousands of euros)	December 31, 2017 published	IFRS 9 restatements	January 1, 2018 restated
Share capital	92,049		92,049
Additional paid-in capital, treasury shares and other reserves	626,468		626,468
Equity, attributable to owners of the parent	718,517	(2,690)	715,827
Non-controlling interests	202,023	(2)	202,021
Equity	**920,540**	**(2,692)**	**917,848**
Non-current provisions	857		857
Non-current financial liabilities	1,377,454	146	1,377,601
Deposits and guarantees	22,694		22,694
Other non-current liabilities	-	1,296	1,296
Deferred tax liabilities	578		578
Non-current liabilities	**1,401,583**	**1,443**	**1,403,026**
Trade payables	12,516		12,516
Current financial liabilities	281,396	662	282,058
Current provisions	6,265		6,265
Othercurrent liabilities	34,432	263	34,695
Current tax liabilities	49		49
Current liabilities	**334,658**	**925**	**335,583**
TOTAL EQUITY AND LIABILITIES	**2,656,781**	**(324)**	**2,656,457**

Note 2 Significant events of the period

In February 2018, Mercialys conducted a new bond issue with a nominal amount of Euro 300 million maturing in February 2026. This issue has a coupon of 1.80%.

Mercialys sold the Saint-Paul site in Réunion for Euro 14 million excluding transfer taxes in June 2018 and the Lannion site for Euro 11.2 million excluding transfer taxes in December 2018.

In November, Mercialys delivered and inaugurated its project on Reunion Island, Cap Sacré-Cœur center. This project represents Euro 4.6 million in additional rental income.

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

Associated companies are those 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 provisional amounts recognized on the acquisition date may be adjusted retrospectively during a 12-month measurement period if new information is obtained about facts and circumstances that existed before the acquisition date. Goodwill may not be adjusted after the measurement period. The subsequent acquisition of non-controlling interests does not give rise to the recognition of additional goodwill. Subsequent acquisitions/disposals of non-controlling interests are recognized as transactions with shareholders, or 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 after the end of this period, adjustments to earn-out payments are recognized directly in income ("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 2018 transactions

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.

3.2 2017 transactions

In December 2017, Mercialys bought out the minority shareholder of SCI Kerbernard, *i.e.*, a 1.69% stake for Euro 1,260 thousand.

On December 28, 2017, the companies La Diane and Point Confort, subsidiaries of Mercialys, acquired 100% of the shares of SNC Sacré-Cœur from Casino for an amount of Euro 15,735 thousand. Sacré-Cœur carries a redevelopment and extension project for the Jumbo Sacré-Cœur shopping center. The SNC is fully consolidated in the financial statements.

At the time of the takeover, the final fair value assigned to the identifiable assets of the SNC Sacré-Coeur was as follows:

(in million Euro)	12/2017
NET INCOME	0.0
Investment property	26.9
Non-current assets	**26.9**
Other current assets	0.1
Current assets	**0.1**
TOTAL ASSETS	27.1
Other current liabilities	11.3
Current liabilities	**11.3**
TOTAL LIABILITIES	11.3
Equity	**15.7**
FAIR VALUE	16.5
Goodwill allocated to investment property	0.8

3.3 List of consolidated companies

At December 31, 2018 the Mercialys Group comprises 25 consolidated companies:

	December 31, 2018			December 31, 2017		
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 Agout	-	-	-	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 Aix2	EM	50.00%	50.00%	EM	50.00%	50.00%
SNC Alcudia Albertville	-	-	-	FC	100.00%	100.00%
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%
SCI MS Investissement	-	-	-	FC	100.00%	100.00%
SAS Astuy	FC	100.00%	100.00%	FC	100.00%	100.00%
SNC Sacré-Cœur	FC	100.00%	100.00%	FC	100.00%	100.00%

FC: Full consolidation.
EM: Equity method.

3.4 Measurement of control

No event occurred in 2018 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. 119).

SCI AMR

SCI AMR is 60.1%-owned by Amundi and 39.9% by Mercialys SA. The SCI is governed by the articles of incorporation 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. 119).

SNC Aix2

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. 119).

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 a significant influence of Mercialys over the OPCI. OPCI UIR II is therefore classified under Financial assets at fair value through other comprehensive income (note 10, p. 133).

SAS Hyperthetis Participations (note 23, p. 50)

On June 1, 2015, Mercialys set up a 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

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 monitors Mercialys' 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 held 70% by Casino Group following the exercise of the purchase option in 2018 and 30% 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. 119).

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 accordance 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:

	2018			2017		
(In thousands of euros)	**SCI AMR**	**SNC Aix 2**	**SCI Rennes - Anglet**	**SCI AMR**	**SNC Aix 2**	**SCI Rennes - Anglet**
% Interest	39.9%	50%	30%	39.9%	50%	30%
Net rental income	8,859	2,489	3,957	10,295	2,105	6,453
Operating income	6,232	1,105	(3,547)	5,446	960	2,555
Net financial income (expense)	(1,312)	(352)	(981)	(1,401)	(344)	(522)
Tax expense	(29)	(3)	(26)	(70)	(1)	-
Net income	**4,892**	**750**	**(4,554)**	**3,975**	**615**	**2,033**
Investment property	128,627	30,394	5,471	140,563	31,119	56,480
Investment property held for sale	-	-	44,032	-	-	-
Non-current financial assets	-	-	-	-	214	-
Other non-current assets	-	90	-	-	-	-
Non-current assets	**128,627**	**30,484**	**49,503**	**140,563**	**31,333**	**56,480**
Trade receivables	1,991	357	662	1,367	356	1,634
Other current assets	10,890	130	554	8,818	96	758
Cash and cash equivalents	3,227	4,763	1,022	5,418	3,489	2,881
Current assets	**16,108**	**5,250**	**2,238**	**15,603**	**3,941**	**5,273**
TOTAL ASSETS	**144,735**	**35,735**	**51,740**	**156,166**	**35,274**	**61,753**
Equity	**58,119**	**14,953**	**14,631**	**59,262**	**14,723**	**24,615**
Non-current financial liabilities	74,628	18,455	36,214	75,870	18,806	36,214
Other non-current liabilities	-	421	103	-	410	101
Non-current liabilities	**74,628**	**18,876**	**36,317**	**75,870**	**19,215**	**36,315**
Trade payables	8,524	15	265	7,173	57	397
Current financial liabilities	190	247	-	289	247	230
Other current liabilities	3,274	1,644	526	13,572	1,031	196
Current liabilities	**11,988**	**1,906**	**791**	**21,034**	**1,335**	**823**
TOTAL EQUITY AND LIABILITIES	**144,735**	**35,735**	**51,740**	**156,166**	**35,274**	**61,753**

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	Other	End of period
Joint ventures					
SAS Corin Asset Management	61	37	(44)	-	53
SCI AMR	24,902	1,586	(2,994)[1]	151	23,645
SNC Aix2	7,297	307	(224)	(17)	7,362
SCI Rennes Anglet	6,779	610	-	(5)	7,384
FISCAL YEAR 2017	**39,039**	**2,540**	**(3,263)**	**129**	**38,445**
Joint ventures					
SAS Corin Asset Management	53	51	-	-	104
SCI AMR	23,645	1,952	(2,495)[1]	88	23,190
SNC Aix2	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**

(1) of which Euro 550,000 in dividends not received at December 31, 2018 and Euro 638,000 at December 31, 2017.

Note 4 Additional information on the cash-flow statement

ACCOUNTING PRINCIPLE

The cash-flow statement is prepared according to the indirect method from the pre-tax income of the consolidated entity and is broken down into three categories:

- Cash flows from the activity: including tax, dividends received from equity associates and joint ventures;
- Cash flows linked from investing activities: especially acquisitions of control, loss of control and including transactions costs, acquisitions and disposals of non-consolidated securities and equity associates and joint ventures as well as fixed asset acquisitions and disposals;
- Cash flows from financing activities: in particular emissions and repayments of loans, emissions 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)	12/2018	12/2017
Change in cash position	180,577	181,171
Increase in borrowings and financial liabilities	(1,081,500)	(1,283,000)
Decrease in borrowings and financial liabilities	857,000	1,164,500
Issue costs and loan repayment premiums[1]	(8,656)	(3,398)
Fair value of debt	1,422	(469)
CHANGE IN THE NET FINANCIAL DEBT	**(51,158)**	**58,805**

(1) Costs linked to the implementation of the new bond amounting to Euro 1,534 thousand in 2018.

4.2 Reconciliation of fixed asset acquisitions

(In thousands of euros)	12/2018	12/2017
Increase and other acquisitions of intangible asset	(1,140)	(1,370)
Increase and other acquisitions of property, plant & equipment	(77,096)	(84,328)
Change in liabilities on fixed assets	(1,058)	(17,110)
CASH OUTFLOWS LINKED TO ACQUISITIONS OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**(79,294)**	**(102,808)**

4.3 Reconciliation of fixed asset disposals

(In thousands of euros)	12/2018	12/2017
Disposals of property, plant & equipment for the period	1,968	1,398
Disposals of assets classified in IFRS 5 (note 8.2, p. 132)	16,995	148,608
Income from asset disposals	8,119	14,965
Change in trade receivables	807	(798)
CASH INFLOWS LINKED TO DISPOSALS OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**27,890**	**164,173**

4.4 Reconciliation of net interest received

(In thousands of euros)	12/2018	12/2017
Net finance costs presented in the income statement	**(31,267)**	**(30,063)**
Neutralization of depreciation of costs and issue/redemption premiums	5,034	4,654
Change in incurred interests and fair value hedge derivatives of financial liabilities	658	682
NET INTEREST	**(25,575)**	**(24,727)**
of which received	31,140	29,997
of which paid	(56,715)	(54,724)

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 Chairman and Chief Executive Officer) to make decisions about resources to be allocated and assess the Group's performance.

As the Group's Executive 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



Shopping centers and neighborhood retail assets

100%

BREAKDOWN OF RENTS BY REGION



Metropolitan France and overseas territories

100%

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 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.

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.

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 of 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".

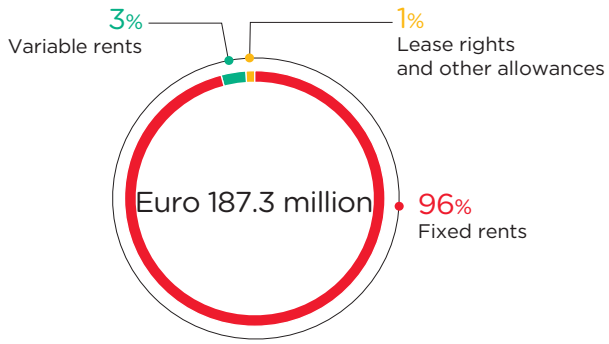
French regulations mandate a minimum duration of nine years for commercial leases. The lessee is entitled to terminate every three years simply by giving prior notice six months before the end of the current period. However, if the parties agree, it is possible to enter into "firm" leases for leases concluded for a duration exceeding nine years such as those entered into by Mercialys.

Breakdown of net rental income

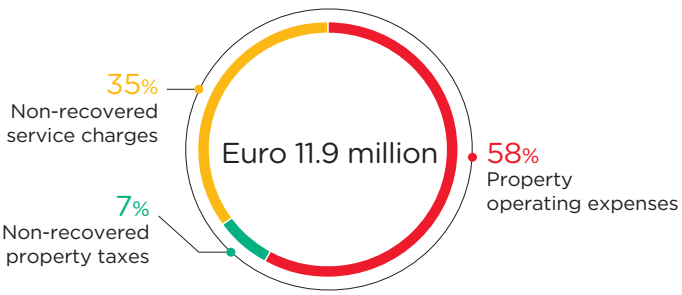
(In thousands of euros)	12/2018	12/2017
Rental income[1]	185,213	183,514
Lease rights and other allowances	2,074	1,805
Rental revenues	**187,287**	**185,318**
Property tax	(14,339)	(13,509)
Rebilling to tenants	13,480	12,262
Non-recovered property taxes	**(860)**	**(1,248)**
Service charges	(31,329)	(31,016)
Rebilling to tenants	27,188	26,360
Non-recovered service charges	**(4,141)**	**(4,656)**
Management fees	(5,363)	(6,708)
Rebilling to tenants	2,596	3,821
Losses on and impairment of receivables	(2,586)	(2,209)
Other expenses[2]	(1,567)	(2,130)
Property operating expenses	**(6,920)**	**(7,227)**
NET RENTAL INCOME	**175,367**	**172,188**

(1) Of which the variable portion based on revenues: Euro 5,184,000 in 2018 compared with Euro 4,531,000 in 2017.
(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

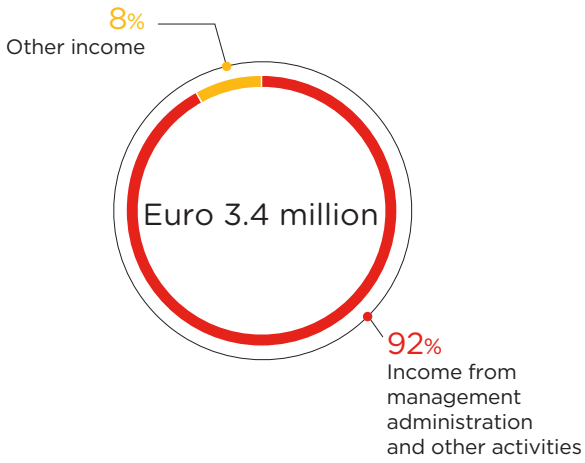
The Management, administrative and other activities income comprise primarily fees charged in respect of services provided by certain Mercialys staff (whether in connection with: advisory services provided by the team dedicated to extension/ renovation programs, which works on a cross-functional basis for Mercialys and the Casino Group; or with shopping center management services provided by teams) as well as letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier. Fees charged in 2018 came to Euro 3.1 million compared with Euro 4.1 million in 2017.

6.3 Other income

Other recurring income recognized at the end of December 2018 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 2018, these dividends stood at Euro 285,000 compared to Euro 276,000 in 2017.

BREAKDOWN OF OTHER OPERATING INCOME AND REVENUE



6.4 Other expenses

Other expenses mainly comprise structural costs. Structural costs 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. 153) (accounting, financial management, human resources, management, IT) and real estate asset appraisal fees.

6.5 Personnel expenses

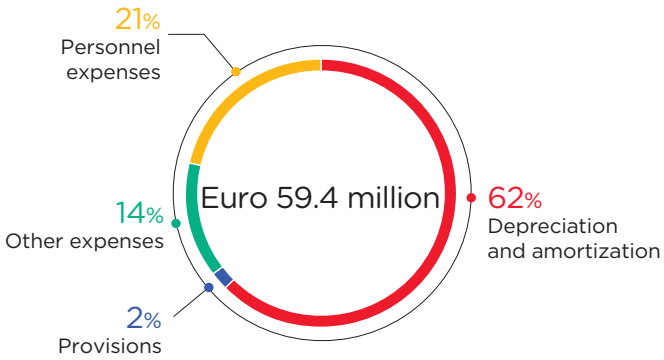
Personnel expenses amounted to Euro (12.6) million at the end of December 2018 compared with Euro (12.4) million at the end of December 2017.

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' dedicated teams.

6.6 Amortizations, provisions and impairments

(In thousands of euros)		12/2018	12/2017
Allowance for depreciation of investment properties and other property, plant and equipment		(36,298)	(34,084)
Allowance for depreciation of PPE held on finance leases		(718)	(737)
Depreciation and amortization		**(37,016)**	**(34,822)**
Reversals of/(Allowances for) impairment of investment property	6.7	(3,158)	(8,179)
Reversals of/(Allowances for) impairments of fixed assets held for sale	6.7	-	630
Reversals of/(Allowances for) provisions		(1,335)	(1,219)
Reversals of/(Allowances for) impairment on current assets		(1,514)	(315)
TOTAL ALLOWANCES FOR DEPRECIATION AND AMORTIZATION, PROVISIONS AND IMPAIRMENT		**(43,022)**	**(43,904)**

BREAKDOWN OF OTHER EXPENSES, PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATIONS, 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 30.5 million at December 31, 2018 compared with Euro 178.4 million on December 31, 2017. It originates from:

- income from asset disposals completed in 2018 for Euro 29.3 million mainly from the Saint-Paul and Lannion sites, for which the income recognized in the consolidated financial statements of Mercialys stands at Euro 25.2 million (compared to Euro 175.6 million at December 31, 2017).

Other operating expenses came to Euro (25.6) million at December 31, 2018 compared with Euro (172.0) million on December 31, 2017. This corresponds primarily to:

- the net carrying cost of assets sold in 2018 and costs related to these asset disposals, for Euro (21.2) million, mainly the Saint-Paul and Lannion sites for Euro (18.8) million (of which Euro (1.8) million in costs) versus Euro (160.5) million (of which Euro (11.5) million in costs) at December 31, 2017 (note 8.2, p. 132);
- impairment losses on investment property amounting to Euro (3.2) million.

On this basis, the net capital gain on the disposal of fixed assets recognized in the consolidated financial statements as at December 31, 2018 was Euro 8.1 million, of which Euro 6.4 million on the Saint-Paul and Lannion sites, compared with a net capital gain of Euro 14.3 million recognized in 2017 on the sites of five service malls, of the transformed hypermarket of Toulouse Feuillet, Poitiers, Fontaine-lès-Dijon and GIE Grand Quartier (net of fees).

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 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 60% 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 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.

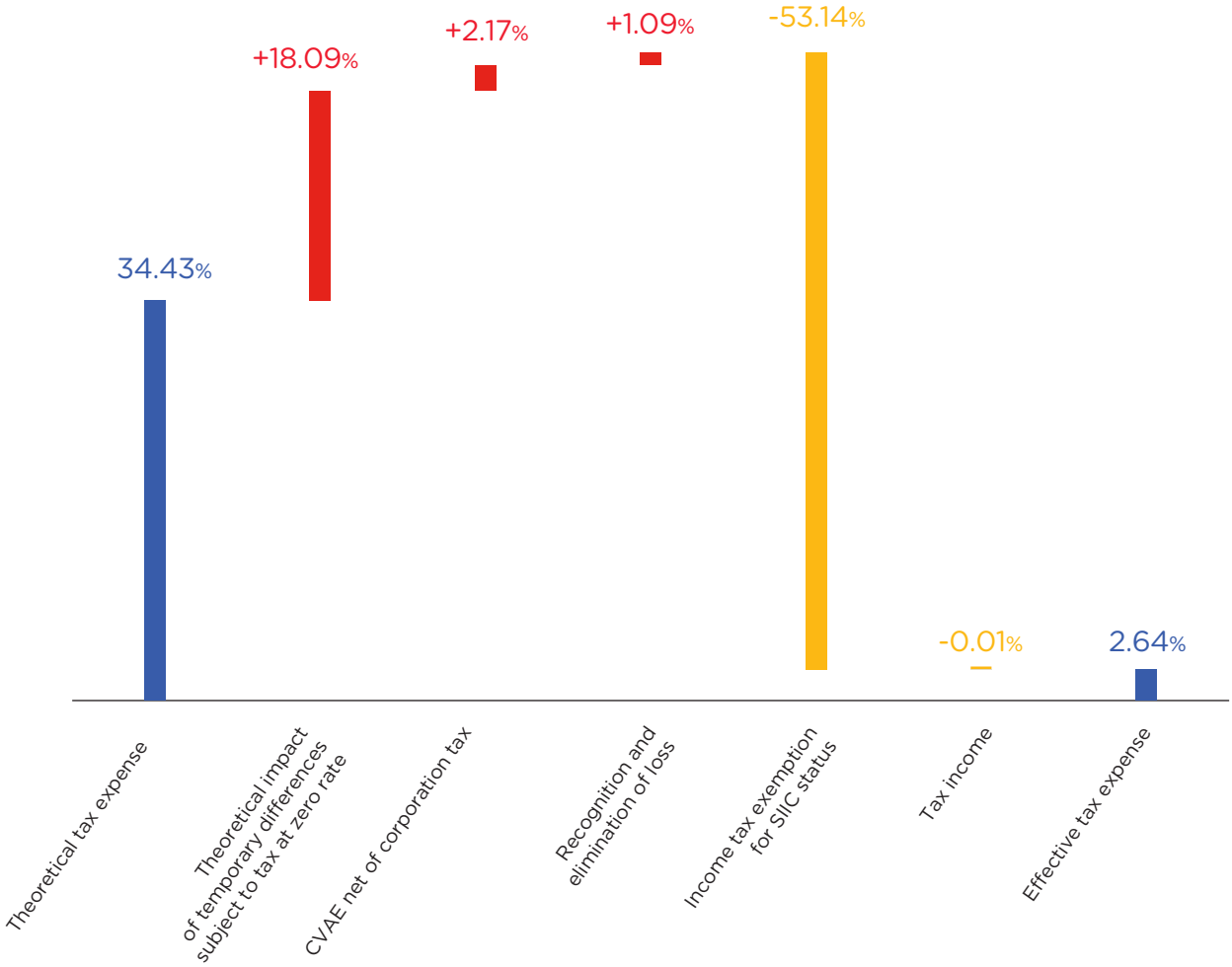
7.1 Tax expense

Reconciliation of the effective tax expense and the theoretical tax expense

(In thousands of euros)	12/2018	12/2017
Theoretical tax rate	34.43%	34.43%
Pre-tax income and income from equity associates	**91,009**	**93,096**
Theoretical tax expense	(31,334)	(32,053)
Income tax exemption for SIIC status	48,360	50,740
Theoretical impact of temporary differences subject to tax at zero rate[1]	(16,467)	(18,720)
CVAE[2] net of corporation tax	(1,975)	(1,663)
Tax income	9	1,288
Recognition and elimination of loss	(995)	(236)
EFFECTIVE TAX INCOME/(EXPENSE)	**(2,402)**	**(645)**
Effective tax rate	-2.64%	0.69%

(1) In 2018, as in 2017, temporary differences subject to tax at zero rate primarily comprised 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.

The tax expense for 2018 came to Euro (2,402) thousand compared with Euro (645) thousand at the end of December 2017. This tax expense consists of the CVAE tax for Euro (1,975) thousand, corporate income tax for Euro (55) thousand and deferred tax losses and timing differences for Euro (372) thousand.



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 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)	12/2018	12/2017
Beginning of period	**319**	**422**
IFRS 9 adjustment (note 1.2.3, p. 113)	84	-
Expense/(income) for the year	(372)	(160)
Effect of changes in the scope of consolidation and reclassifications	(578)	-
Changes recognized under other comprehensive income	2,275	57
END OF PERIOD	**1,727**	**319**

7.2.2 Change in deferred tax liabilities

(In thousands of euros)	12/2018	12/2017
Beginning of period	**578**	**578**
Effect of changes in the scope of consolidation and reclassifications	(578)	-
END OF PERIOD	**-**	**578**

As of December 31, 2018, 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. 113).

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 the notes to the Consolidated Financial Statements in note 8.1.3, p. 130. 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 R.I.C.S. (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' 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.

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 2018, personnel expenses for Euro 1,719 thousand and borrowing costs for Euro 920 thousand were incorporated into the asset cost. The capitalization rate used for the recognition of borrowing costs as assets is 1.9%.

All other borrowing costs are recognized as expenses for the 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.

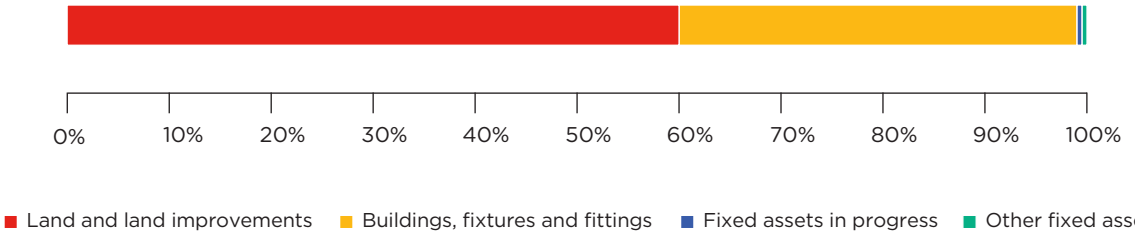
Property, plant and equipment and investment property, with the exception of land (non-depreciable), are depreciated using the straight-line method for each category of asset, with generally zero residual value:

Type of asset	Depreciation and amortization period (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 & equipment and investment property

8.1.1 Composition

	12/2018			12/2017		
(In thousands of euros)	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Software	5,520	(3,141)	2,379	4,225	(2,224)	2,001
Other intangible assets in progress	330	-	330	485	-	485
Intangible assets	**5,851**	**(3,141)**	**2,710**	**4,711**	**(2,224)**	**2,486**
Other property, plant and equipment	54	(45)	8	54	(43)	10
Property, plant and equipment other than investment property	**54**	**(45)**	**8**	**54**	**(43)**	**10**
Land and land improvements	1,422,645	(21,621)	1,401,024	1,399,600	(18,187)	1,381,413
Buildings, fixtures and fittings	1,124,486	(219,279)	905,207	1,068,214	(188,949)	879,267
Other property, plant and equipment	11,606	(5,333)	6,273	10,352	(4,451)	5,901
Fixed assets in progress	10,251	-	10,251	38,833	-	38,833
Investment property	**2,568,988**	**(246,234)**	**2,322,755**	**2,517,000**	**(211,587)**	**2,305,414**



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
As at January 1, 2017	**1,903**	**113**	**2,016**
Increase and other acquisitions	998	372	1,370
Depreciation and amortization	(901)	-	(901)
Disposals for the period	-	-	-
AS AT DECEMBER 31, 2017	**2,001**	**485**	**2,486**
Increase and other acquisitions	447	693	1,140
Depreciation and amortization	(917)	-	(917)
Disposals for the period	848	(848)	-
AS AT DECEMBER 31, 2018	**2,379**	**330**	**2,710**

8.1.2.2 Change in property, plant & equipment

(In thousands of euros)	Buildings	Other property, plant and equipment	Fixed assets in progress	Total
As at January 1, 2017	**-**	**12**	**-**	**12**
Depreciation and amortization	-	(2)	-	(2)
Reclassification and other movements	5	(5)	-	-
AS AT DECEMBER 31, 2017	**5**	**6**	**-**	**10**
Depreciation and amortization	-	(2)	-	(2)
AS AT DECEMBER 31, 2018	**5**	**4**	**-**	**8**

This line item consists of property, plant and equipment used by the central departments of the Group.

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
As at January 1, 2017	**1,421,435**	**858,551**	**3,988**	**41,294**	**2,325,268**
Increase and other acquisitions	11,698	39,749	547	59,079	111,073
Depreciation and amortization	(7,156)	(34,020)	(924)	-	(42,101)
Disposals for the period	(493)	(713)	(28)	(163)	(1,397)
Reclassification as assets held for sale	(50,451)	(33,216)	(102)	(3,374)	(87,143)
Reclassification and other movements[1]	6,380	48,916	2,420	(58,002)	(286)
AS AT DECEMBER 31, 2017	**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 period	(1,266)	(491)	(8)	(202)	(1,968)
Reclassification as assets held for sale (note 8.2, p. 132)	(8,899)	(11,721)	(3)	(13)	(20,635)
Reclassification and other movements[1]	29,577	28,686	1,009	(57,166)	2,106
AS AT DECEMBER 31, 2018	**1,401,024**	**905,207**	**6,273**	**10,251**	**2,322,755**

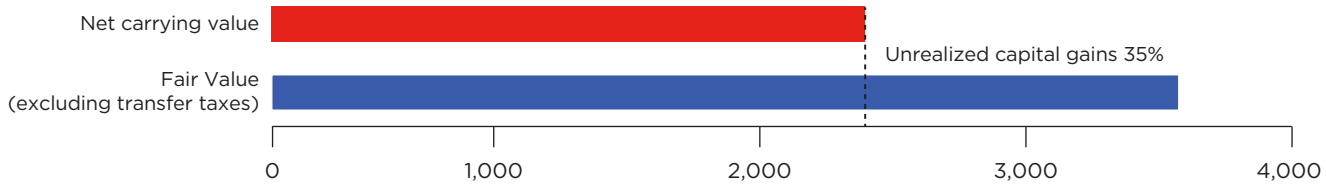
(1) The line "Reclassification and Other Movements" corresponds primarily to the commissioning of buildings already recognized in the previous year under current property, plant and equipment in progress and to reclassifications of buildings held for sale.

In 2018, Mercialys performed construction mainly on the sites at Jumbo Sacré-Coeur for Euro 48.2 million, Rennes Saint-Grégoire for Euro 5.1 million and Saint-Etienne Monthieu for Euro 4.1 million.

In 2017, Mercialys acquired the redevelopment and extension project of the Jumbo Sacré-Coeur shopping center for Euro 26.9 million, and is carrying out works mainly on the sites of Rennes Saint-Grégoire for Euro 15.3 million, Saint-Etienne Monthieu for Euro 16.1 million, Poitiers for Euro 5.8 million, Morlaix for Euro 8.2 million, Quimper for Euro 6.5 million, Besançon for Euro 2.2 million, Sainte-Marie Duparc for Euro 2.9 million and Ajaccio for Euro 4.1 million.

8.1.3 Fair value of investment properties

(In thousands of euros)	2018 Net carrying cost	2018 Fair value (excluding transfer taxes)	2017 Net carrying cost	2017 Fair value (excluding transfer taxes)
Investment property	2,322,755	3,550,172	2,305,414	3,513,308
Investment property held for sale	3,753	6,680	113	113
TOTAL	**2,326,508**	**3,556,852**	**2,305,527**	**3,513,421**



At December 31, 2018, BNPP Real Estate Valuation, Catella Valuation, Cushman & Wakefield Valuation, CBRE Valuation and Galtier Valuation updated their valuation of Mercialys' portfolio:

- BNPP Real Estate Valuation conducted the appraisal of 39 sites as at December 31, 2018, on the basis of a visit to seven sites during the second half of 2018, and on the basis of an update of the appraisals conducted at June 30, 2018, for the other sites. Two site visits were carried out during the first half of 2018. The appraisals performed by BNPP Real Estate Valuation represent Euro 2,823.6 million including transfer taxes (Euro 2,662.5 million excluding transfer taxes) or 74.9% of the property portfolio.
- Catella Valuation conducted the appraisal of 19 sites as at December 31, 2018, on the basis of an update of the appraisals conducted as at June 30, 2018. The appraisals performed by Catella Valuation represent Euro 492.0 million including transfer taxes (Euro 459.9 million excluding transfer taxes) or 12.9% of the property portfolio.
- Cushman & Wakefield Valuation conducted the appraisal of nine sites as at December 31, 2018, on the basis of a site visit. The appraisals performed by Cushman & Wakefield Valuation represent Euro 287.5 million including transfer taxes (Euro 269.0 million excluding transfer taxes) or 7.6% of the property portfolio.
- CBRE Valuation conducted the appraisal of one site as at December 31, 2018, on the basis of an update of the appraisal conducted at June 30, 2018. The appraisals performed by CBRE Valuation represent Euro 158.6 million including transfer taxes (Euro 148.4 million excluding transfer taxes) or 4.2% of the property portfolio.
- Galtier Valuation conducted the appraisal of Mercialys' other assets, *i.e.* two sites as at December 31, 2018, on the basis of an update of the appraisals conducted as at June 30, 2018. The appraisals performed by Galtier Valuation represent Euro 11.2 million including transfer taxes (Euro 10.5 million excluding transfer taxes) or 0.3% of the property portfolio.
- An internal appraisal was performed for the sale of the Gap site. The sale was made at preliminary sales agreement price, or Euro 7.1 million including transfer taxes (Euro 6.7 million excluding transfer taxes) and represent 0.2% 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 3,780.2 million including transfer taxes (Euro 3,556.9 million excluding transfer taxes) at December 31, 2018, compared to Euro 3,736.7 million including transfer taxes (Euro 3,513.4 million excluding transfer taxes) at December 31, 2017.

The value of the portfolio including transfer taxes therefore rose by +1.2% over 12 months (up +0.4% on a like-for-like basis[1]). The average appraisal yield was 5.1% as at December 31, 2018. The average appraisal yield was 5.1% as at December 31, 2017.

The change in the fair value of assets excluding transfer taxes for the 2018 period stemmed from:

- the effect of rental income on a like-for-like basis of Euro 46 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 (51) million;
- changes in the scope of consolidation (acquisitions net of asset sales) Euro (28) million.

Note that the contribution of Casual Leasing activity[2] to value creation is significant because it represents Euro 178 million in the appraisal value at December 31, 2018 (Euro 178 million as at December 31, 2017) while involving no investments.

(1) Sites on a constant surface basis.
(2) Casual Leasing: small stalm (6 to 8 sq.m) temporarily installed in the common parts.

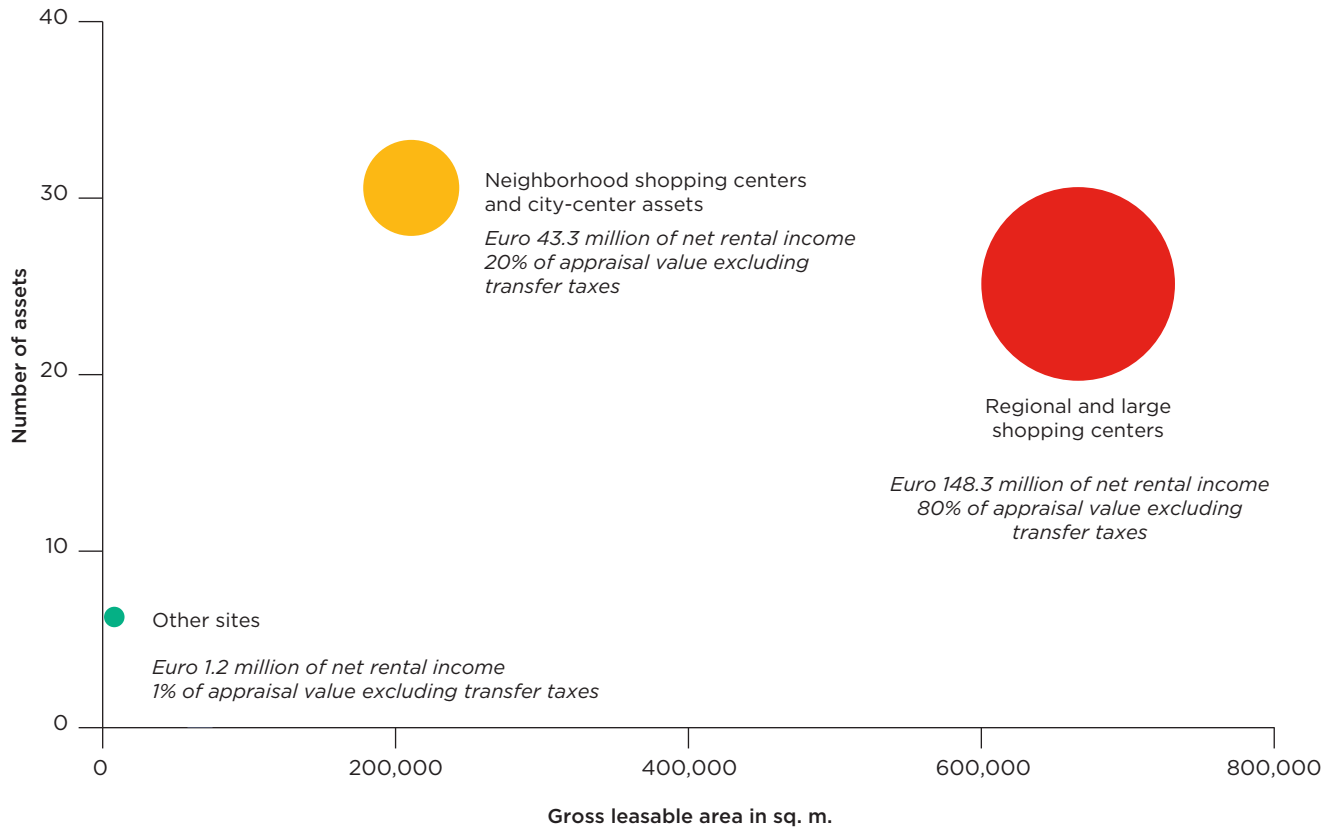
Type of property	Average yield rate[2] Dec 31, 2018	Average yield rate[2] Jun 30, 2018	Average yield rate[2] Dec 31, 2017
Regional and large shopping centers	4.93%	4.82%	4.82%
Neighborhood shopping centers and city-center assets	5.78%	5.88%	6.13%
Total portfolio[1]	5.10%	5.07%	5.13%

(1) Including other assets (LFS, LSS, Independent cafeterias and other isolated sites).
(2) Rates calculated on the basis of the appraised rental income including occupied and vacant premises.

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, 2018, as well as the corresponding appraised rental income:

Type of property	Number of assets on Dec 31, 2018	Appraisal value (excluding transfer taxes) on Dec 31, 2018 (Euro million)	(%)	Appraisal value (including transfer taxes) on Dec 31, 2018 (Euro million)	(%)	Gross leasable area on Dec 31, 2018 (sq.m)	(%)	Appraised potential net rental income (Euro million)	(%)
Regional and Large shopping centers	25	2,832.8	79.6%	3,006.2	79.5%	654,852	75.0%	148.3	76.9%
Neighborhood shopping centers and city-center assets	30	701.0	19.7%	749.3	19.8%	209,039	23.9%	43.3	22.5%
Sub-total	**55**	**3,533.8**	**99.4%**	**3,755.5**	**99.4%**	**863,890**	**99.0%**	**191.6**	**99.4%**
Other sites[1]	6	23.0	0.7%	24.7	0.7%	9,102	1.0%	1.2	0.6%
TOTAL	61	3,556.9	100.0%	3,780.2	100.0%	872,992	100.0%	192.7	100.0%

(1) Including the other assets (large specialty stores, independent cafeterias and other isolated sites)



Because of the high correlation between the yield rate and the discount rate in our experts' model, the sensitivity test to changes in yield rate also shows the sensitivity to changes in the discount rate.

Thus, based on an assumption of annual appraised net rents of Euro 193 million and a capitalization rate of 5.42%:

Sensitivity criteria	Impact on appraisal value excluding transfer taxes (in milion euro)
Decrease of 0.5% in capitalization rate	362
Increase of 10% in rents	356
Increase of 0.5% in capitalization rate	(300)
Decrease of 10% in rents	(356)

Fees charged to Mercialys for the appraisals detailed above amounted to Euro 188 thousand for the financial year ended December 31, 2018, compared to Euro 203 thousand at December 31, 2017.

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
As at January 1, 2017	**31,212**	**26,215**	**383**	**3,139**	**60,949**
Disposals for the period	(81,550)	(59,431)	(495)	(6,503)	(147,979)[2]
Reclassification as assets held for sale[1]	50,451	33,216	112	3,364	87,143
AS AT DECEMBER 31, 2017	**113**	**-**	**-**	**-**	**113**
Disposals for the period (note 6.7, p. 125)	(6,560)	(10,419)	(3)	(13)	(16,995)
Reclassification as assets held for sale[1] (note 8.1.2.3, p. 129)	8,899	11,721	3	13	20,635
AS AT DECEMBER 31, 2018	**2,451**	**1,302**	**-**	**-**	**3,753**

(1) In 2018, the reclassifications made during the 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 were identified as assets held for sale during the year. The Lannion and Saint-Paul sites were sold during the year. In 2017, reclassifications during the period mainly consisted of the Poitiers sites for Euro 67.2 million and Fontaine-Lès-Dijon for Euro 21.8 million. These sites had been identified as assets held for sale and sold during the year (note 6.7, p. 125).

(2) of which Euro 0.6 million of reversal of provision on site without impact on cash-flows (note 4.3, p. 121).

Note 9 Finance leases

ACCOUNTING PRINCIPLE

Finance leases, which are leases that transfer to the lessee virtually all risks and rewards incidental to ownership of the leased property, are recognized in the balance sheet at inception of the lease at the fair value of the leased property or the present value of minimum lease payments, whichever is lower.

Properties held by the Group under finance leases are treated in the balance sheet and consolidated income statement as if they had been purchased and financed by borrowing. An asset is recognized as leased property, and a corresponding liability is recognized for the financing provided by the lease. Lease payments are allocated between interest expense and amortization of the outstanding loan.

Future payments in respect of finance leases are discounted and recorded on the Group balance sheet under financial liabilities.

Leased assets are depreciated over their expected useful life in the same way as other similar assets, or over the term of the lease, if shorter and if the Group cannot be reasonably certain that it will become the owner of the asset at the end of the lease.

At December 31, 2018, the Group had no finance leases.

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 landlord 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 lessor, 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 available for sale[1]	Construction leases	Real estate guarantees	Non-current hedging assets[2]	Loans and interest[3]
DECEMBER 31, 2016	**54,672**	**10,480**	**7,359**	**22**	**30,945**	**5,865**
Increase	28	-	-	-	-	28
Change in fair value	(16,314)	375	-	-	(16,689)	-
Decrease	(1,391)	-	(1,391)	-	-	-
Discounting/Accretion	535	-	546	-	-	(11)
Reclassification	-	-	-	-	-	-
DECEMBER 31, 2017	**37,529**	**10,855**	**6,514**	**22**	**14,256**	**5,882**
IFRS 9 restatement	(1,271)	-	-	-	(1,271)	-
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)
DECEMBER 31, 2018	**46,773**	**6,302**	**5,819**	**243**	**20,670**	**13,738**

(1) Financial assets valued at fair value through other comprehensive income are primarily made up of shares in the UIR II mutual fund. 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 285 thousand at the end of December 2018 (note 6.3, p. 123).

(2) The fair value hedging derivatives (hedge for interest rate risk) mature between March 26, 2019 and March 31, 2023 (note 14.2.4, p. 138).

(3) The increase of Euro 7.9 million corresponded mainly to the additional loan granted by Mercialys to SCI Rennes-Anglet (note 24.11, p. 154).

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 carrying cost of its assets (intangible, 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 value 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, that is below the net carrying cost of the assets.

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, p. 133.

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. 127, an impairment loss on investment property concerning the Arles, Brive and Millau sites was recognized at end December 2018 for an amount of Euro 3.2 million in other operating expenses.

Note 12 Trade accounts and other receivables

(In thousands of euros)	12/2018	12/2017
Trade accounts and other receivables	30,333	21,909
Impairment	(7,992)	(6,070)
TRADE ACCOUNTS AND OTHER RECEIVABLES, NET	**22,341**	**15,839**

Trade receivables as at December 31, 2018, comprise primarily rents, lease rights and advisory services invoiced at the end of the 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:

Trade accounts and other receivables	Assets not due and not impaired	Assets due and not impaired at closing date					Impaired assets	Total
(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	
As at December 31, 2017	3,952	4,487	1,386	1,081	786	7,741	10,215	21,909
As at December 31, 2018 (note 1.2.3, p. 113)	6,313	1,221	5,204	1,001	(169)	7,257	16,763	30,333

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	12/2018	12/2017
Advances and down payments paid on orders		1,222	2,584
Receivables on assets		1,253	1,149
VAT credit		1,848	3,267
Other operating receivables[1]		16,522	27,583
Prepaid expenses		4,610	4,466
Current hedging instruments	14.2.4	23,992	20,663
OTHER RECEIVABLES		**49,448**	**59,713**

(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 consists 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 financial liabilities 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)	12/2018	12/2017
Cost of the debt incurred	(43,937)	(36,909)
Impact of hedging instruments	12,239	6,690
Gross finance costs	**(31,697)**	**(30,219)**
Net proceeds of sales of investment securities	430	156
REVENUES FROM NET CASH/(NET FINANCE COSTS)	**(31,267)**	**(30,063)**

The net finance costs incurred include, in particular, the interest expense on bonds for Euro (40.6) million in 2018, compared with Euro (33.7) million in 2017.

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)	12/2018	12/2017
Other financial income	285	254
Interest income	**285**	**254**
Other financial expense	(2,195)	(2,173)
Interest expense	**(2,195)**	**(2,173)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSE	(1,910)	(1,919)

In 2018, as in 2017, other financial income and expenses include commitment fees and the deferral of costs relating to undrawn bank loans (RCF) in the amount of Euro (2.2) million, and interests on current accounts of affiliated companies.

14.2 Financial assets and liabilities

Following the entry into force of IFRS 9 as of January 1, 2018 (note 1.2.3, p. 113), 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 profit or loss 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 designed at fair value through the profit or loss statement, which are held for the purpose of collecting the contractual cash flows, and which 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 designed at fair value through profit or loss and if their are held for the purpose of receiving contractual cash flows and being sold and 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 IFRS9 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 icomprehensive income and the effective portion within other comprehensive income and recognized in income when the hedged flows are recongnized and in the same section and the hedged item: financial income.

Hedge accounting is applicable if:

- the hedging relationship is clearly defined and documented as of 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

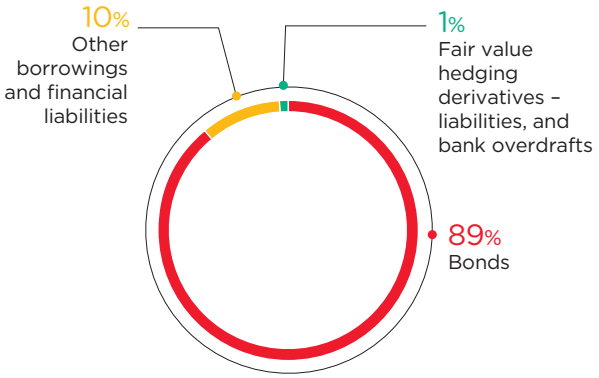
(In thousands of euros)	12/2018	12/2017
Cash	277,005	196,813
Cash equivalents	100,101	101
Cash and cash equivalents	**377,106**	**196,913**
Bank overdrafts	(60)	(444)
CASH NET OF BANK OVERDRAFTS	**377,046**	**196,469**

14.2.2 Financial liabilities

Financial liabilities amount to Euro (1,478.2) million as at December 31, 2018 compared with Euro (1,427.0) as at December 31, 2017. These liabilities comprise the following:

	12/2018			12/2017		
(In thousands of euros)	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	(1,184,719)	(506,428)	(1,691,146)	(1,361,527)	(21,611)	(1,383,138)
Other borrowings and financial liabilities	-	(183,000)	(183,000)	-	(258,500)	(258,500)
Bank overdrafts	-	(60)	(60)	-	(444)	(444)
Fair value hedging derivatives – liabilities	(24,280)	(1,451)	(25,731)	(15,927)	(841)	(16,768)
Gross financial liabilities	**(1,208,999)**	**(690,939)**	**(1,899,938)**	**(1,377,454)**	**(281,396)**	**(1,658,850)**
Fair value hedging derivatives – assets	20,670	23,985	44,656	14,256	20,663	34,919
Cash and cash equivalents	-	377,106	377,106	-	196,913	196,913
Cash and cash equivalents and other financial assets	**20,670**	**401,091**	**421,762**	**14,256**	**217,576**	**231,833**
NET FINANCIAL DEBT	**(1,188,329)**	**(289,847)**	**(1,478,176)**	**(1,363,198)**	**(63,819)**	**(1,427,017)**

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 75.5 million (note 14.2.6, p. 139) and a new bond issue for Euro 300 million.

14.2.3 Bonds

In February 2018, Mercialys made a new bond issue of Euro 300 million, offering a fixed yield of 1.80% and maturing in February 2026.

This new bond issue resulted in the recognition of bond issue costs of Euro (1.5) million. As for the other bonds, these issue costs are spread according to the effective interest method, over the life span of the new issue.

As at December 31, 2018, the amount of bond financing was Euro 1,679.7 million, divided into four issues:

- a Euro 750 million bond issue yielding a fixed rate of 1.787%, with a maturity of 8 years and 4 months (due in March 2023);
- the remainder of a bond issue of Euro 479.7 million (a Euro 650 million tranche issued in March 2012, partially redeemed in December 2014), yielding a fixed rate of 4.125% and maturing in March 2019;
- 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 300 million bond issue yielding a fixed rate of 1.80%, with a maturity of 8 years (due in February 2026).

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 2018 63% fixed-rate debt and 37% 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 end December 2018, the Mercialys Group's confirmed credit lines amounted to Euro 360 million, of which Euro 240 million maturing in December 2020, Euro 30 million maturing in December 2019, and Euro 90 million maturing in December 2021.

14.2.6 Commercial paper

A Euro 500 million commercial paper program was also set up in the second half of 2012. It has been used since 2014. The outstanding commercial paper was Euro 183.0 million as at December 31, 2018. It stood at Euro 258.5 million at end December 2017.

14.2.7 Financial covenants

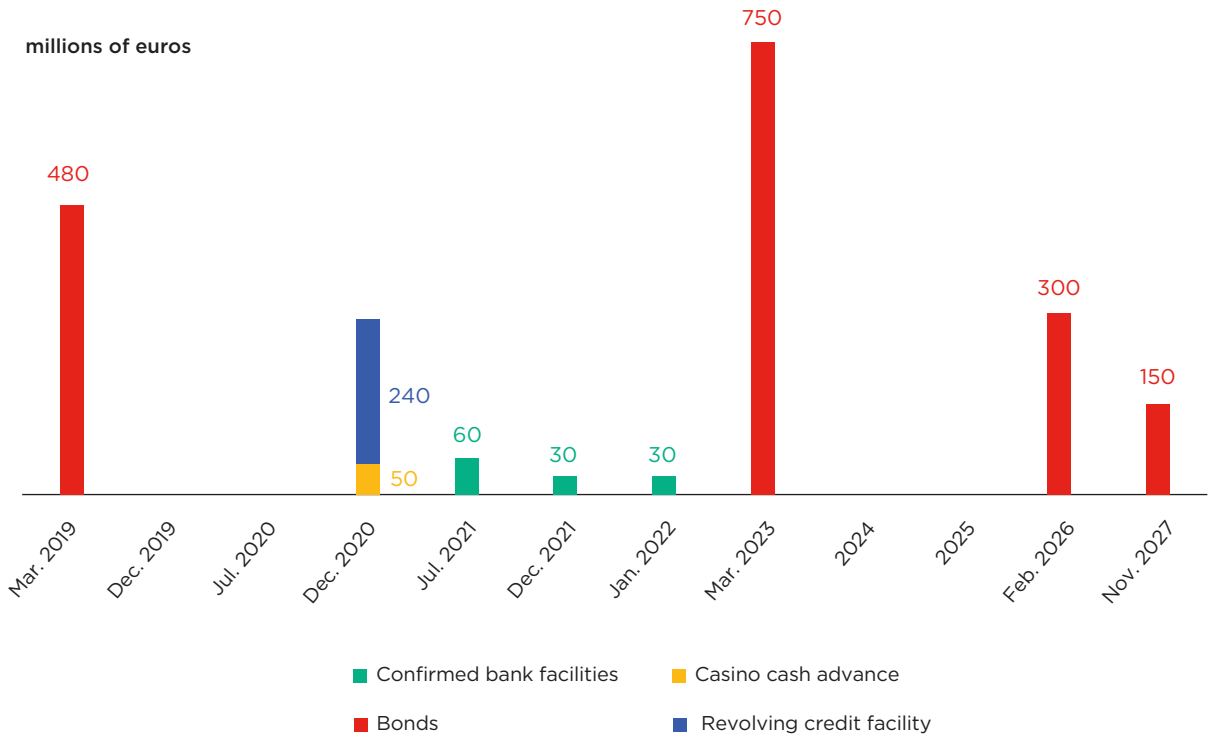
Mercialys' financial liabilities are subject to default clauses (early repayment) in the event of failing to adhere to the following financial ratios:

- LTV (Loan To Value): Net financial debt/(market value of the portfolio excluding transfer taxes + market value of investments in equity associates) <50% at each reporting date;
- ICR (Interest Coverage Ratio): Consolidated EBITDA[(1)]/Net finance costs >2, at each reporting date;
- Secured debt/consolidated fair value of investment property excluding transfer taxes <20% at any time;
- Consolidated fair value of investment property excluding transfer taxes >Euro 1 billion at any time;
- Change of ownership clauses also apply.

	Covenants	12/2018	12/2017
Loan To Value (LTV)	<50%	40.8%	39.9%
Interest Coverage Ratio (ICR)	>2	5.0x	5.2x

As at December 31, 2018 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 ISSUES AND UNDRAWN FINANCIAL RESOURCES MATURITY AS OF DECEMBER 31, 2018



(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

Note 15 Trade payables

As at December 31, 2018 and 2017, 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 debts and tax liabilities

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)	12/2018	12/2017
Amounts payable on fixed assets and related accounts	12,456	14,412
Advances and down payments received on orders	2,297	4,065
Tax and social security liabilities	8,601	10,072
Other liabilities	2,479	1,676
Prepaid income	7,386	4,208
OTHERCURRENT LIABILITIES	**33,218**	**34,432**
Current tax liabilities	49	49
CURRENT TAX LIABILITIES	**49**	**49**

As at December 31, 2018 and December 31, 2017, the amounts payable in respect of non-current assets concerned invoices not yet received at the end of the year. Prepaid income relates to the deferring of lease rights.

Note 17 Breakdown of financial assets and liabilities, per category of instrument

17.1 Financial assets

As 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	Assets available for sale	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

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. 142.

As at December 31, 2017

(In thousands of euros)	Carrying cost on the balance sheet (A)	Non-financial assets (B)	Values of financial assets (A) - (B)	Balance sheet value under IAS 39			Fair value
				Hedging instruments	Loans and receivables	Assets available for sale	
Other non-current assets	37,529	6,536	30,993	14,256	5,882	10,855	37,529
Trade receivables	15,839	-	15,839	-	15,839	-	15,839
Other current assets	59,713	21,759	37,954	20,663	17,291	-	59,713
Cash and cash equivalents	196,913	-	196,913	-	196,913	-	196,913

17.2 Financial liabilities

As at December 31, 2018

(In thousands of euros)	Carrying cost on the balance sheet (A)	Non-financial liabilities (B)	Values of financial liabilities (A) - (B)	Balance sheet value under IAS 39			Fair value
				Liabilities measured at fair value in profit or loss	Hedging instruments	Financial liabilities measured at amortized cost	
Bonds	1,691,146	-	1,691,146	-	-	1,691,146	1,640,146
Other borrowings and financial liabilities[1]	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

(1) Other borrowings and financial liabilities relate to commercial paper (note 14.2.6, p. 139).

As at December 31, 2017

(In thousands of euros)	Carrying cost on the balance sheet (A)	Non-financial liabilities (B)	Values of financial liabilities (A) - (B)	Balance sheet value under IAS 39			Fair value
				Liabilities measured at fair value in profit or loss	Hedging instruments	Financial liabilities measured at amortized cost	
Bonds	1,383,138	-	1,383,138	-	-	1,383,138	1,433,804
Other borrowings and financial liabilities	258,500	-	258,500	-	-	258,500	258,500
Fair value hedging derivatives – liabilities	16,768	-	16,768	-	16,768	-	16,768
Deposits and guarantees	22,694	-	22,694	-	-	22,694	22,694
Trade payables	12,516	-	12,516	-	-	12,516	12,516
Other current liabilities	34,432	6,649	27,783	-	-	27,783	34,432
Bank overdrafts	444	-	444	-	-	444	444

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:

As 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	-

As at December 31, 2017

(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	10,855	10,855	-	-	10,855
Fair value hedging derivatives – assets (current and non-current)	34,919	34,919	-	34,919	-
Cash equivalents	196,913	196,913	196,913	-	-
Liabilities					
Bonds	1,383,138	1,433,804	1,433,804	-	-
Fair value hedging derivatives – liabilities (current and non-current)	16,768	16,768	-	16,768	-

18.1 Financial assets at fair value through other comprehensive income

Assests 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

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, 2018, trade receivables amounted to Euro 22.2 million (note 12, p. 134). The Group's main client, Distribution Casino France, which is an affiliate accounted for 18.4% of invoiced rents as at December 31, 2018. 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, 2018, it had a net cash position of Euro 377,046 thousand.

The Group has available a revolving credit facility of Euro 360 million (undrawn as at December 31, 2018) and a Casino current account advance of up to Euro 50 million (undrawn as at December 31, 2018).

The following table shows the repayment schedule for financial liabilities as at December 31, 2018, for the nominal amount plus interest and excluding discounting.

As 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**	

As at December 31, 2017

	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	294,690	515,890	16,403	32,805	926,403	1,786,190	1,641,638
Trade payables and other financial liabilities	40,743	-	-	22,694	-	63,437	63,437
NON-DERIVATIVE FINANCIAL INSTRUMENTS LIABILITIES							
Interest rate derivatives							
Derivative contracts – received	25,836	26,264	10,469	20,753	13,385	96,708	
Derivative contracts – paid	(16,337)	(8,468)	(7,900)	(21,750)	(10,916)	(65,371)	
DERIVATE FINANCIAL INSTRUMENTS ASSETS/(LIABILITIES)	**9,499**	**17,796**	**2,569**	**(996)**	**2,469**	**31,337**	

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. 135. To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (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 derivative instruments. A sensitivity analysis is provided hereafter.

Mercialys operates solely in France (mainland and Reunion Island) and therefore is not exposed to currency risk.

In the first half of 2006, Mercialys entered into a liquidity contract 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 2018 and 2017.

To manage its exposure to the risk of changes in interest rates, the Group uses derivatives (interest rate swaps).

Assessment of sensitivity to interest rate risk:

(In thousands of euros)	12/2018	12/2017
Bank overdrafts	60	444
TOTAL FLOATING-RATE DEBT (EXCLUDING ACCRUED INTEREST)[1]	**60**	**444**
Cash equivalents	100,101	101
Cash	277,005	196,812
TOTAL ASSETS	**377,106**	**196,913**
Net position before management	**(377,106)**	**(196,913)**
Derivatives	685,000	580,000
Net position after management	**307,894**	**383,087**
Net position to be renewed	307,894	383,087
1% change	3,079	3,831
Average maturity remaining until end of year	1	1
Change in interest expenses	3,079	3,831
Cost of debt	31,267	30,063
IMPACT OF CHANGES IN FINANCIAL EXPENSES/FINANCIAL COSTS	**9.85%**	**12.74%**

(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	(6,720)
Impact of -1% change in interest rates	6,720

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 period.

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 in the income statement for the period.

20.1. Share capital

On December 31, 2018 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.

(In number of shares)	12/2018	12/2017
Beginning of year	92,049,169	92,049,169
END OF YEAR	**92,049,169**	**92,049,169**

(In thousands of euros)	12/2018	12/2017
Beginning of year	92,049	92,049
END OF YEAR	**92,049**	**92,049**

As at December 31, 2018, the number of treasury shares stood at 381,424, representing Euro 4,975 thousand. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro 598 thousand net of tax for the financial year ended December 31, 2018, and was recognized directly in equity.

As at December 31, 2017, the number of treasury shares stood at 171,961, representing Euro 2,942 thousand. This entire amount corresponds to the liquidity contract. The loss incurred on the sale of treasury shares totaled Euro (205) thousand net of tax for the financial year ended December 31, 2017, 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 dividends 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 Directors 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 shares held in treasury.

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 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)	12/2018	12/2017
Net income, attributable to owners of the parent	80,851	86,666
Weighted average number of:		
• shares in circulation during the period	92,049,169	92,049,169
• treasury shares	(315,303)	(218,722)
Total number of shares before dilution	**91,733,866**	**91,830,447**
BASIC EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF THE PARENT (IN EURO)	**0.88**	**0.94**

20.3.2 Diluted net income, attributable to owners of the parent

(In thousands of euros)	12/2018	12/2017
Net income, attributable to owners of the parent	80,851	86,666
Weighted number of shares before dilution	91,733,866	91,830,447
Weighted number of shares after dilution(1)	**91,733,866**	**91,830,447**
DILUTED EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF THE PARENT (IN EURO)	**0.88**	**0.94**

(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.

20.4.1 Bonus share plans

Allocation dates	04/20/2016	04/20/2016	03/20/2017	03/20/2017	04/27/2017	04/27/2017	12/21/2017	04/26/2018	04/26/2018	04/26/2018
End of allocation period	04/20/2019	04/20/2019	03/20/2019	03/20/2020	04/27/2020	04/27/2020	03/21/2019	04/26/2021	04/26/2021	04/26/2020
End of holding period	04/19/2021	04/19/2021	03/20/2019	03/20/2022	04/27/2022	04/27/2022	12/21/2019	04/26/2023	04/26/2023	04/26/2020
Share price at the allocation date (in euros)	20.01	20.01	16.75	16.75	17.93	17.93	18.09	16.08	16.08	16.08
Number of beneficiaries	4	10	114	11	2	3	3	2	7	112
Number of bonus shares awarded at inception	17,139	11,525	14,478	12,283	41,750	14,562	2,624	46,959	26,496	9,744
Fair value of bonus share (in euros)	10.61	13.08	14.56	9.64	5.04	5.04	16.63	7.91	7.91	13.89
Selected performance rate	71%	88%	100%	80%	39%	39%	100%	56%	56%	100%
NUMBER OF SHARES IN CIRCULATION BEFORE APPLICATION OF THE PERFORMANCE CRITERIA AT DECEMBER 31, 2018	**13,413**	**9,687**	**10,668**	**12,283**	**41,750**	**10,279**	**2,624**	**49,959**	**26,496**	**8,091**

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.

Bonus shares currently vesting	Number of shares, current
Shares in circulation at January 1, 2017	**74,588**
Shares awarded	85,697
Shares cancelled	(10,426)
Shares issued	(14,446)
Shares in circulation at December 31, 2017	**135,413**
Shares awarded	83,199
Shares cancelled	(27,429)
Shares issued	(8,933)
SHARES IN CIRCULATION AT DECEMBER 31, 2018	**182,250**

20.4.2 Impact on earnings and equity of share-based compensation

For the year ended December 31, 2018, these share-based payments generated an expense of Euro (235) thousand charged to "personnel expenses". In 2017, the share plans generated an expense of Euro (421) thousand, 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.

	2018		2017	
(In thousands of euros)	SAS Hyperthetis Participations	SAS Immosiris	SAS Hyperthetis Participations	SAS Immosiris
% Interest	51%	51%	51%	51%
Net rental income	16,473	8,057	14,290	7,140
Operating income	11,774	6,362	11,265	5,830
Tax expense	(180)	(67)	(144)	(55)
Net income	**11,594**	**6,296**	**11,121**	**5,775**
Investment property	265,788	137,826	268,325	138,193
Non-current assets	**265,788**	**137,826**	**268,325**	**138,193**
Trade receivables	803	203	115	317
Other current assets	523	888	954	1,145
Cash and cash equivalents	1,088	2,446	2,945	2,247
Current assets	**2,414**	**3,537**	**4,014**	**3,708**
TOTAL ASSETS	**268,203**	**141,363**	**272,339**	**141,901**
Equity	**267,877**	**140,174**	**271,790**	**140,495**
Of which non-controlling interests (note 3.1.1.3, p. 104)	131,260	68,685	133,177	68,843
Other non-current liabilities	-	845	-	788
Non-current liabilities	**-**	**845**	**-**	**788**
Trade payables	163	177	383	613
Other current liabilities	163	167	166	5
Current liabilities	**326**	**344**	**549**	**618**
TOTAL EQUITY AND LIABILITIES	**268,203**	**141,363**	**272,339**	**141,901**

Note 21 Dividend

As at December 31, 2017, out of the 92,049,169 shares, 91,768,775 benefited from the dividend in respect of 2017 earnings (280,394 treasury shares were exempt from dividend payment).

The Company paid its shareholders a gross dividend of Euro 1.09 per share in respect of the financial year ended December 31, 2017. An interim dividend of Euro 0.41 per share was paid in 2017, and the final dividend of Euro 0.68 per share was paid on May 3, 2018.

Payment of the final dividend represented a total of Euro 62,403 million.

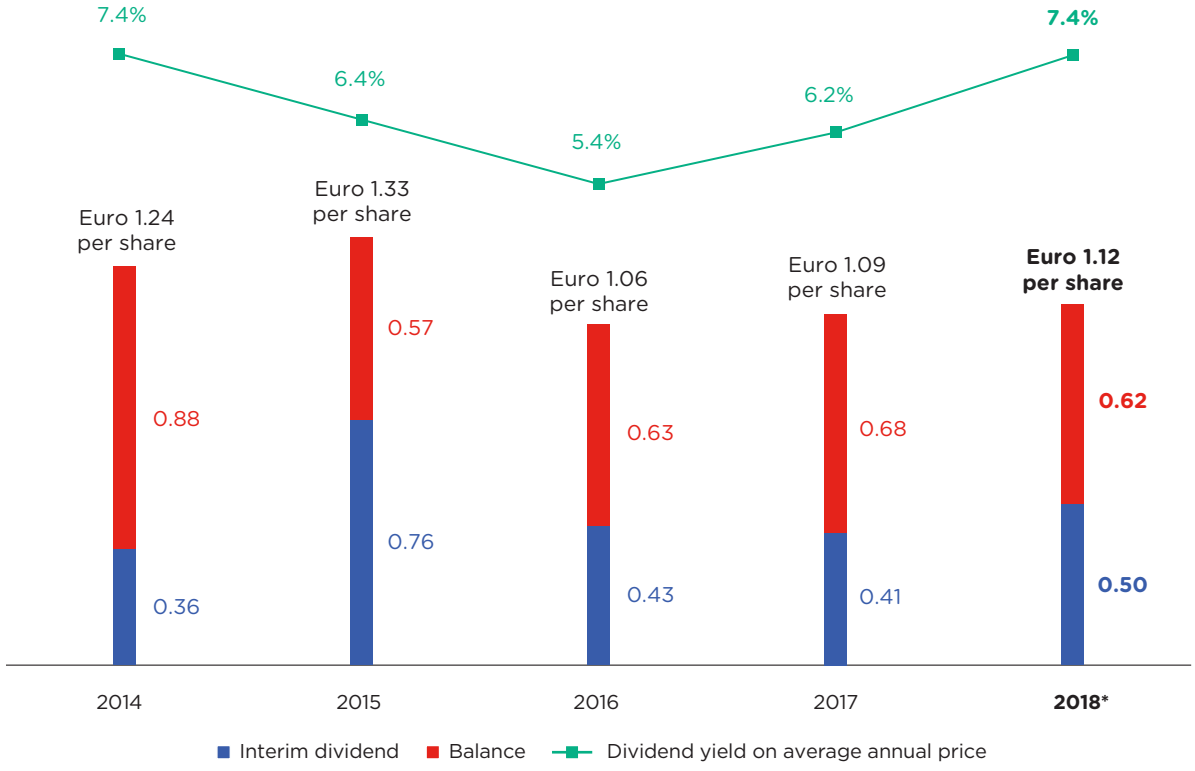
The total dividend for the 2017 financial year therefore came to Euro 100,040 thousand.

On October 23, 2018, Mercialys also paid an interim dividend of Euro 0.50 per share, representing an amount of Euro 45,805 thousand.

On February 13, 2019, the Board of Directors proposed, subject to approval by the Annual General Meeting of April 25, 2019, to pay a dividend in respect of 2018 amounting Euro 1.12 per share (including the interim dividend of Euro 0.50 per share already paid in October 2018).

The dividend corresponds to the distribution of 95% of the parent company's recurring tax profit, on which the mandatory distribution is based according to SIIC tax rules, or Euro 0.93 per share, and Euro 0.06 per share corresponding to capital gains realized in 2018 and finally to the Euro 0.13 per share corresponding to capital gains on the sale of real estate and interests in real estate companies realized in 2017.

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.



*Subject to the approval by the Annual General Meeting to be held on April 25, 2019.

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 post-employment benefits. 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 and 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
As at January 1, 2017	**5,048**	**509**	**42**	**5,599**
Additions	3,035	61	11	3,106
Reversals	(1,817)	(3)	-	(1,820)
Other changes[1]	-	238	-	238
As at December 31, 2017	**6,265**	**804**	**54**	**7,122**
Additions	3,578	72	2	3,653
Reversals	(2,244)	-	-	(2,244)
Other changes[1]	-	70	-	70
AS AT DECEMBER 31, 2018	**7,600**	**945**	**56**	**8,601**

(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 2,244 thousand at the end of December 2018 correspond for Euro 1,885 thousand 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 risks relating to interest rates, 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:

	12/2018	12/2017
Discount rate	1.7%	1.5%
Expected rate of pay rises	1.9%	1.7%
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

23.1.1.1 Bank guarantees received

- on behalf of tenants, covering payment of rent and service charges: as at December 31, 2018, these amounted to Euro 6,941 thousand, compared with Euro 7,866 thousand as at December 31, 2017;
- within the context of work ordered from suppliers: Euro 1,246 thousand as at December 31, 2018, compared with Euro 3,193 thousand as at December 31, 2017.

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. 152.

23.1.2 Commitments given

Monthieu commitment

As part of the extension of the shopping arcade at the Géant Monthieu shopping center, Mercialys will finance the public facilities in the joint development zone (ZAC) and will benefit from said completion.

Mercialys will pay Euro 752 thousand in several instalments between the start of construction work and June 30, 2019.

Rental guarantees for Rennes-Anglet

In connection with the transactions in the first half of 2016, Mercialys granted SCI Rennes-Anglet a rental guarantee on the hypermarkets in Rennes and Anglet. Mercialys committed to pay rent for the second three-year period (from June 29, 2019 to June 28, 2022) in the event of non-renewal of the lease for the hypermarkets.

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.

Fontaine-Lès-Dijon rental guarantee

Rental guarantee on the second three-year period of the hypermarket's lease 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.

Commitment 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 2018, this option was valued at Euro 135.4 million, which corresponds to the company's IRR. The appraisal value excluding transfer taxes amounted to Euro 269.0 million at the end of December 2018.

If the options are not exercised, there is an exit clause for disposal of the assets at their fair value.

Commitment made in connection with the acquisition of SNC Sacré-Cœur

A potential earn-out payment of Euro 3.7 million will be owed to the assignors in the event of the exercise of the phase 2 option (the operative event will the later of the following dates: (1) acquisition by the Company of the land required to complete the project or (2) possession of a building permit for construction of the project) (note 24.13, p. 154).

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 thousand) 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 thousand). 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.

On the assumption that Corin exercises its right to sell – at the earliest on January 31, 2020 – Mercialys has the option to buy Corin's undivided rights, or 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.

23.2.2 Other commitments

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 - tenant

The group may be the lessee of real estate assets (subleased investment property or occupied offices). The minimum future lease payments for operating leases, which correspond to the minimum period of commitment in the lease, are as follows:

(in thousands of euros)	12/2018	12/2017
Less than one year	1,210	422
Between one and five years	4,764	1,688
More than five years	6,798	6,355
TOTAL	**12,772**	**8,466**

Operation leases – 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 guaranteed minimum 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.

The minimum future rental income receivable under non-cancellable straight lease contracts are as follows:

(In thousands of euros)	12/2018	12/2017
Less than one year	142,104	135,440
Between one and five years	131,776	96,443
More than five years	11,533	12,136
TOTAL	**285,414**	**244,020**

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, 2018, the breakdown of operating leases to Casino Group companies was as follows:

- **Casino Restauration**: 10 leases (compared with 10 leases at December 31, 2017);
- **Other Casino Group entities**: 60 leases (compared with 64 leases at December 31, 2017).

Invoiced rents under these leases during the reporting period amounted to:

- Euro 34,097 thousand for Distribution Casino France (compared with Euro 36,802 thousand at December 31, 2017);
- Euro 9,493 thousand for Monoprix (compared with Euro 9,321 thousand at December 31, 2017);
- Euro 8,982 thousand for the other entities (compared with Euro 8,573 thousand at December 31, 2017).

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 and the administrative management of tenant associations or Economic Interest Groups (EIGs) which together 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, 2018, amounted to Euro 6,333 thousand compared with Euro 6,122 thousand as at December 31, 2017.

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 amendment.

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 Committee.

Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments 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 effective rents resulting from letting and expected rents 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 this exclusivity, 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 by three years, until the end of 2020.

In 2018, 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 2,080 thousand for the year ended December 31, 2018, compared with Euro 2,142 thousand to December 31, 2017.

24.6 Consultancy agreement between the Mercialys Group companies and Casino Group

Mercialys Gestion has entered into an Agreement with Mercialys and Casino Group companies, to provide consulting services to those 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 its participation 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").

Mercialys received remuneration of Euro 296 thousand in connection with this Agreement at end December 2018, compared with Euro 280 thousand as at December 31, 2017.

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.

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, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new Current Account Agreement. This Agreement will enable 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 is now set to mature on December 31, 2019.

After approval by the Board of Directors on December 12, 2018, it was decided to extend the Agreement until December 2020, under unchanged conditions.

24.8 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 Group Casino provides no guarantees following the transfer of ownership. Second, in connection with acquisitions from the Casino Group of redevelopment properties, hypermarket premises, or city center assets including development projects to be implemented by the real estate company (through urban retail projects as well as offices, hotels or housing units).

Mercialys may enter into delegated project management or property development contracts with the Casino Group, since the real estate company itself does not carry out construction-related functions.

- As at December 31, 2018, orders were placed under this master agreement for projects involving the Besançon, Brest and Annecy sites. Mercialys may stop placing orders at each of the stages of the master agreement as compensation for the payment of the supplier's fees and company compensation for contracts already awarded;
- As of December 31, 2018, the Le Port site on Reunion Island had a property development agreement.

The short-term occupancy agreements entered into with DCF guarantee the payment of rents to Mercialys before the site is opened to the public. These agreements were terminated in favor of an early termination protocol on several sites, with the overall invoiced amount remaining unchanged. There were no amounts invoiced for 2018.

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.

24.9 Exclusive agency agreements with IGC Services

In connection with the transactions for sale of its asset portfolios, Mercialys calls upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets. There was no fee for this service in 2018.

24.10 Disposal of Fontaine-Lès-Dijon

Settlement agreement with Distribution Casino France:

Exceptions to the rules concerning the rental conditions of the hypermarket occupied by DCF had to be granted in order to enable completion of the transaction (a/ setting the first renewal rent, b/ arrangement of the preferential right benefiting the tenant by excluding certain transactions).

24.11 The related-party transactions of SCI Rennes-Anglet

- Loan by Mercialys to SCI Rennes-Anglet:

  At end December 2018, Mercialys granted a loan of Euro 10,864 thousand, to SCI Rennes-Anglet. This current account loan earns interest at the companiesarithmetic mean of EONIA daily fixing rates for the interest period increase by a margin of 50 bp. It was entered into for the term of the agreement, *i.e.* 15 years automatically renewable for successive periods of five years.

- SCI Rennes-Anglet entered into several agreements:
  - with Mercialys Gestion, a marketing fund management mandate and a tenant finders mandate,
  - with Mercialys, a brand license agreement,
  - with companies of the Casino Group, a rental management mandate (Sudeco) and a services agreement (IGC services).

24.12 Transactions with SCI AMR

Mercialys entered into the following agreements with SCI AMR:

- Real Estate Advisory Services: under this 5-year agreement, SCI AMR entrusts Mercialys with general assistance in managing its property assets;
- exclusive marketing mandate for a period of five years;
- a center management agreement with Mercialys Gestion.

These transactions amounted to Euro 534 thousand.

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

On December 28, 2017, Mercialys acquired from Plouescadis and Opalodis, subsidiaries of the Casino Group, the shares of SNC Sacré Cœur for Euro 15.7 million and purchased the current account of SNC Sacré-Cœur from Plouescadis for Euro 11.2 million.

A property development contract was signed between Sacré Cœur and Mercialys (Project managers) and IGC Services (Developer), subsidiary of the Casino Group, for Euro 47.2 million excluding tax. The latter is responsible for the construction of the project in two phases according defined terms, timetable and cost:

- phase 1: an extension, a parking silo and a village restoration performed in 2018;
- phase 2 optional: a retail park for Euro 6.4 million excluding tax.

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, 2018, the Board had 11 members, in addition to the Chairman, 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)	12/2018	12/2017
Short-term benefits(1)	1,574	1,722
TOTAL	**1,574**	**1,722**

(1) Gross salaries (excluding employer contributions), bonuses, incentives, profit-sharing, benefits in kind and director's fees.

No members of senior management held stock options on Mercialys shares as at the end of December 2018.

24.15 Related-party transactions – summary

(In thousands of euros)	12/2018	12/2017
Income/(Expenses)		
Invoiced rents		
Distribution Casino France	34,097	36,802
Monoprix	9,493	9,321
Other Casino Group entities	8,892	8,573
Advisory Services Agreement received by Mercialys	296	280
Short-term occupancy agreement billed by Mercialys to the Casino Group	-	1,834
Property management income paid to the Casino Group	(6,333)	(6,122)
Service Agreement paid to the Casino Group	(2,080)	(2,142)
Exclusive agency agreement with IGC Services	-	(560)
Income from the sale of five service malls to the Casino Group	-	4,445
Income from the sale of the transformed Toulouse Fenouillet hypermarket to the Casino Group	-	3,328
Assets/(Liabilities)		
Project management agreements prepaid by Mercialys to the Casino Group	1,646	1,690
Loan to SCI Rennes-Anglet	10,919	3,064
Call for funds for Sacré-Cœur property development contracts with Casino Group	39,771	-
Earn-out on Angers paid to Casino	-	702
Earn-out on Sacré-Coeur paid to Casino	386	-
Acquisitions of fixed assets from the Casino Group	-	3,118
Acquisition of shares in Sacré-Cœur from Plouescadis	-	15,735
Sacré-Cœur current account repayment to Plouescadis	-	11,221

24.16 Other transactions with equity associates

	Income	Expenses	Payables	Receivables	Loans
(In thousands of euros)	concerning related parties				
2017	159	834	44	225	3,115
2018	113	860	25	794	10,963

Note 25 Statutory Auditors' fees

Recurring fees for the Group's Statutory Auditors amounted to Euro 548 thousand for the year ended December 31, 2018 (compared with Euro 461 thousand as at December 31, 2017).

(In thousands of euros)	12/2018	12/2017
Fees for certification of the financial statements	402.6	392.0
Fees other than for certification of the financial statements[1]	145.5	69.0
TOTAL	**548.1**	**461.0**

(1) Fees other than for certification of the financial statements relate to:

- *The issue of a comfort letter in connection with the bond issue;*
- *Reports on the planned distribution of interim dividends;*
- *The CSR report.*

Note 26 Workforce

Number of employees	12/2018	12/2017
Workforce at closing date[1]	108	113
Full time equivalent[2]	105	110

(1) *Permanent and fixed-term contracts.*
(2) *Average number of full-time equivalent employees over the year.*

Note 27 Subsequent events

In February 2019, Mercialys completed the sale of the Gap site for Euro 7,1 million.

3.1.3 Statutory Auditors' report on the consolidated financial statements

Year ended on December, 31 2018

To the Annual General Meeting of Mercialys SA

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, 2018, 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 assets and liabilities 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 1st, 2018 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 above opinion, we draw your attention to the change in accounting method described in note 1.2.3 "Changes in accounting methods" of the notes to the consolidated financial statements regarding the application of IFRS 9 - Financial Instruments based on the simplified retrospective method as of January 1, 2018.

Justification for 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 hereby present 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 consolidated financial statements for the year, and the solutions we found to address those risks.

These assessments were made in connection with our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We have no opinion about the items in these consolidated financial statements taken separately.

Measurement of investment property

Identified risk

At December 31, 2018, the net book value of the Group's investment properties amounted to Euro 2,323 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 significant judgment and 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 rate, capital expenditures and any recent comparable transactions on the market.

The measurement of investment properties is considered to be a key point of the audit 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;
- of the sensitivity of fair value to the assumptions adopted by the appraisers and the latter 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 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;
- Comparison, over a selection of assets, of 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 adopted by the independent real estate appraisers, in particular the yield rate, 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 carrying 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 of the notes 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" of the notes 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 and commitments, reviewing the minutes of meetings of the Board of Directors and Investment Committees held during the financial year;
- Examining the disclosures in Note 24 of the notes 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 legislation and regulations of the disclosures in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We certify that the consolidated declaration of extra-financial performance referred to in Article L. 225-102-1 of the French Commercial Code is included in the Group's management report, it being specified that, pursuant to the provisions of Article L. 823-10 of such code, the information contained in this declaration was not verified by us in terms of fairness or consistency with the consolidated financial statements and must be the subject of a report by an independent third party.

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, 2018, our firms were in their ninth 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 fraud or errors.

While preparing the consolidated financial statements, it is the responsibility of management to evaluate the company's capacity to continue operating, to present in these financial statements, if applicable, the necessary information regarding the going concern principle and to apply the accounting policy of going concern, 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.

These 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 fraud 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 such audit. Furthermore:

- they identify and evaluate the risks that the 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 the 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 to be the most significant for the audit of the consolidated 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, as defined by the rules applicable in France as these are fixed 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, on March 18, 2019

The Statutory Auditors,

KPMG S.A.
Isabelle Goalec
Associate

ERNST & YOUNG et Autres
Nicolas Perlier
Associate

3.2 Corporate financial statements

3.2.1 Financial statements

3.2.1.1 Income statement

(In thousands of euros)	Notes	12/2018	12/2017
Rental revenues		136,666	135,607
Non-recovered property taxes		(209)	(21)
Non-recovered service charges		(3,463)	(4,191)
Property operating expenses		(5,169)	(9,121)
Net rental income	**3**	**127,825**	**122,274**
Management, administrative and other activities income	4	2,040	4,710
Depreciation		(24,429)	(22,823)
Provisions		(1,501)	(2,203)
Personnel expenses	5	(7,108)	(8,100)
Other expenses	6	(15,640)	(11,766)
Operating income		**81,187**	**82,092**
Net financial income (expense)	7	(13,232)	12,163
Net exceptional items	8	6,110	191,693
Corporate income tax	9	9	1,332
NET INCOME		**74,074**	**287,280**

3.2.1.2 Balance sheet

Assets

(In thousands of euros)	Notes	12/2018	12/2017
Intangible assets		6,012	4,872
Depreciation and impairment		(3,090)	(2,187)
Sub-total		**2,922**	**2,685**
Tangible assets		1,696,530	1,661,102
Depreciation and impairment		(168,184)	(144,536)
Sub-total		**1,528,346**	**1,516,566**
Investments		738,626	739,564
Impairment of investments		(20,029)	(11,984)
Sub-total		**718,597**	**727,580**
Total non-current assets	**10**	**2,249,865**	**2,246,831**
Receivables	11	225,276	216,194
Cash	12	374,694	196,207
Adjustment accounts		3,273	3,252
Total current assets		**603,243**	**415,653**
Expenses to be spread over several financial years		5,186	4,887
Bond redemption premiums		17,262	21,138
TOTAL ASSETS		**2,875,556**	**2,688,509**

Liabilities

(In thousands of euros)	Notes	12/2018	12/2017
Share capital and share premium		544,839	544,839
Reserves		9,205	9,205
Revaluation adjustment		15,635	15,635
Retained earnings		299,967	112,726
Earnings		74,074	287,280
Interim dividend		(45,805)	(37,637)
Regulated provisions		2,474	2,857
Equity	**13**	**900,389**	**934,905**
Provisions	14	10,226	7,973
Borrowings and financial liabilities	15	1,910,326	1,683,756
Payables	16	47,372	55,408
Adjustment accounts	17	7,243	6,467
Current liabilities		**1,975,167**	**1,753,604**
TOTAL LIABILITIES		**2,875,556**	**2,688,509**

3.2.1.3 Cash-flow Statement

(In thousands of euros)	Notes	12/2018	12/2017
Net income		74,074	287,280
Depreciation, amortization, and impairment allowances net of reversals		38,053	17,163
Income from asset disposals		(9,921)	(187,536)
Other calculated expenses/(income)		7,019	4,360
Cash flow		**109,225**	**121,267**
Change in working capital requirement[1]		**(1,090)**	**(10,639)**
Net cash flow from operating activities		**108,135**	**110,628**
Acquisitions of investment assets		(59,951)	(371,596)
Sale of investment assets[2]		28,602	434,797
Change in loans and advances granted[3]		(10,665)	(12,236)
Net cash flow from investing activities		**(42,014)**	**50,965**
Dividends and interim dividends paid	13	(108,208)	(95,466)
Increase or decrease in capital		-	-
Increase in borrowings[4]		1,080,043	1,281,418
Decrease in borrowings[4]		(858,125)	(1,164,500)
Net cash flow from financing activities		**113,711**	**21,452**
Change in net cash position		**179,832**	**183,045**
Net cash at beginning of year		194,107	11,062
Net cash at end of year	12	373,939	194,107
Net cash at end of year		**373,939**	**194,107**
Cash on balance sheet		**374,694**	**196,207**
Bank overdrafts		**(756)**	**(2,100)**

(1) The change in working capital requirement breaks down as follows:

● *Trade receivables*	*(4,958)*	*9,202*
● *Trade payables*	*(154)*	*(2,327)*
● *Other receivables*	*(2,826)*	*(4,111)*
● *Other liabilities*	*6,869*	*(12,187)*
● *Adjustment accounts*	*(21)*	*(1,216)*
● *Change*	*(1,090)*	*(10,639)*

(2) In 2017, main cash inflows are linked to disposals of participating interests for Euro 309.3 thousand and disposals of assets located in Poitiers for Euro 41.2 thousand net of expenses, in Toulouse Fenouillet for Euro 30.6 thousand net of expenses, of five service malls for Euro 28.9 thousand net of expenses. In 2018, cash inflows on disposals consisted mostly of the disposals of the Saint-Paul and Lannion sites for Euro 25.2 million excluding transfer taxes.

(3) In 2017, additional loans were arranged for Euro 3,999 thousand. In 2018, additional loans were arranged for Euro 7,800 thousand.

(4) Increases and decreases in borrowings and financial liabilities correspond exclusively to changes in confirmed credit lines and to the arrangement of a new bond issue for Euro 300 million (note 15, p. 175).

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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 other than investment property 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 assets 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 depreciable life of 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 depreciable lives 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. If it appears that the market values are lower than the net carrying values, a depreciation is created.

The shopping centers owned by Mercialys are appraised by experts in accordance with RICS (Royal Institution of Chartered Surveyors) Code of Ethics, appraisal and valuation standards using the open market 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 REIT (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 planning, 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 performance of the asset 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, note 1.2, p. 165), level of profitability, outlook and usefulness to the Company.

1.4 Provisions

In accordance with ANC Rule 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 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 derivatives (assets) and other payables for derivatives (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 of 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 net income from rental activities, 60% 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 contract 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, are not representative of 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 2018, Mercialys conducted a new bond issue with a nominal amount of Euro 300 million maturing in February 2026. This issue has a coupon of 1.80%.
- Mercialys sold the Saint-Paul site on Réunion island for Euro 14 million excluding transfer taxes in June 2018 and the Lannion site for Euro 11.2 million excluding transfer taxes in December 2018.
- In November, Mercialys delivered and inaugurated its project on Reunion Island, Cap Sacré-Cœur center. This project represents Euro 4.6 million in additional rental income.

Note 3 Net rental income

(In thousands of euros)	12/2018	12/2017
Rents	135,328	134,214
Lease rights and other payments	1,338	1,393
Rental revenues	**136,666**	**135,607**
Property tax	(8,028)	(9,447)
Rebilling to tenants	7,819	9,426
Non-recovered property taxes	**(209)**	**(21)**
Service charges	(28,125)	(27,568)
Rebilling to tenants	24,662	23,377
Non-recovered service charges	**(3,463)**	**(4,191)**
Management fees	(4,791)	(7,995)
Rebilling to tenants	2,795	2,709
Other expenses	(3,173)	(3,835)
Property operating expenses	**(5,169)**	**(9,121)**
NET RENTAL INCOME	127,825	122,274

"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

The Management, administrative and other activities income comprise primarily fees charged in respect of services provided by certain Mercialys staff (whether in connection with: advisory services provided by the team dedicated to extension/ renovation programs, which works on a cross-functional basis for Mercialys and the Casino Group, or with shopping center management services provided by teams) as well as letting, asset management and advisory fees relating to the partnerships formed with Union Investment and Amundi Immobilier. The income from management is unchanged compared with the previous year.

Note 5 Personnel expenses

Personnel expenses comprise salaries and benefits granted to the Company's employees.

The proceeds from the tax credit for competitiveness and employment (CICE) are accounted for as and when the qualifying remuneration on which it is based is recognized. It amounted to Euro 16.0 thousand for 2018 (compared with Euro 17.3 thousand in 2017), deducted from personnel expenses.

This tax credit has helped to improve the Company's competitiveness, particularly through investments in software or other IT developments of Euro 32.3 million, including Anaplan 2018 licence. Anaplan is dedicated to realize connected planning for faster decision making.

On average over the year, the Company had 48 employees in 2018 (44 managers, 2 supervisors and 2 clerical staff), compared with 52 employees in 2017.

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; directors' fees 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. The change in this item between 2018 and 2017 is mainly due to adjustments made in 2017 to the operating costs of past services, which had been overestimated.

Note 7 Net financial income (expense)

(In thousands of euros)	12/2018	12/2017
Interest income	**65,630**	**73,308**
Provision for bonus share plans	10	-
Provision for treasury shares	-	-
Reversal of provision for impairment of participating interests	2,413	3,185
• AMR	1,007	-
• Alcudia Albertville	1,129	-
• Point Confort	276	589
• La Diane	-	2,596
• Other	1	-
Income from consolidated interests	27,464	39,339
• Kerbernard	-	2,951
• Timur	-	2,040
• Fiso	-	3,135
• Point Confort	325	277
• Les Salins	-	826
• Caserne de Bonne	-	2,074
• Géante de Périaz	-	522
• Narbonne	-	345
• La Diane	10,686	6,319
• Dentelle	214	223
• Agout	163	140
• AMR	2,494	2,994
• Alcudia Albertville	-	4,577
• Mercialys Gestion	123	183
• Aix2	377	529
• Immosiris	3,373	3,524
• Hyperthetis Participations	7,914	8,359
• Rennes-Anglet	1,510	-
• Other	285	321
Interests in affiliated companies	1,735	1,524
Net income/sale of treasury shares	193	659
Financial income from investments	1,079	885
Interest income on hedging derivatives	32,681	27,685
Other financial income	54	31
Interest expense	**(78,862)**	**(61,145)**
Provision for bonus share plans	(239)	(406)
Provision for treasury shares	(305)	-
Depreciation of bond redemption premium	(5,034)	(4,654)
Provision for participating interests	(10,459)	(2,200)
• Point Confort	(943)	-
• UIR II	(2,118)	-
• Alcudia Albertville	-	(1,130)
• AMR	(2,668)	(1,070)
• Rennes-Anglet	(3,068)	-
• Hyperthetis Participations	(1,662)	-
Interests in affiliated companies	(79)	(141)
Interest on borrowings	(40,730)	(33,675)
Interest charges on hedging derivatives	(19,920)	(18,970)
Net expense/sale of treasury shares	(1,672)	(972)
Capitalization of borrowing costs	753	272
Other financial expenses	(1,177)	(399)
NET FINANCIAL INCOME (EXPENSE)	**(13,232)**	**12,163**

Note 8 Net exceptional items

Net exceptional items reported in 2018 essentially correspond to capital gains on fixed asset disposals leading to a net of expenses of Euro 9.9 million.

Note 9 Tax

Tax expense corresponds to tax due on income from the Company's taxable business activities, plus the additional contribution owing on the amounts paid out. Since the taxable sector reported a net loss, no tax expense has been recognized for 2018; the recognized income can be mainly explained by an adjustment of the additional corporate income tax levy on dividend payouts, which has been ruled as "unconstitutional" by the French *Conseil Constitutionnel*.

Deferred tax assets and liabilities are not material.

Note 10 Fixed assets

10.1 Breakdown

(In thousands of euros)	12/2018	12/2017
Software	5,430	4,135
Leasehold rights	252	252
Other intangible assets	330	485
Depreciation and impairment	(3,090)	(2,187)
Net intangible assets	**2,922**	**2,685**
Land and land improvements	949,260	951,529
Depreciation and impairment	(18,158)	(15,095)
Net land and land improvements	**931,102**	**936,434**
Buildings, fixtures and fittings	731,338	694,085
Depreciation and impairment	(146,054)	(126,202)
Net buildings, fixtures and fittings	**585,284**	**567,883**
Other property, plant and equipment	15,931	15,488
Depreciation and impairment	(3,971)	(3,239)
Other net property, plant & equipment other than investment property	**11,960**	**12,249**
Participating interests	605,010	614,667
Impairment of participating interests	(20,029)	(11,984)
Loans	133,379	124,882
Other non-current financial assets	237	15
Net investments	**718,597**	**727,580**
NET NON-CURRENT ASSETS	**2,249,865**	**2,246,831**

Other property, plant & equipment other than investment property consist of fixed assets in progress for Euro 6,790 thousand as at December 31, 2018, compared to Euro 7,516 thousand as at December 31, 2017.

Participating interests are presented in detail in the table of subsidiaries and associated companies (note 24, p. 182).

10.2 Changes

(In thousands of euros)		Gross	Depreciation and impairment	Net
As at December 31, 2016	Intangible assets	3,673	(1,301)	2,372
	Property, plant and equipment other than investment property	1,706,732	(130,960)	1,575,772
	Investments	581,795	(12,970)	568,826
	Total	**2,292,200**	**(145,231)**	**2,146,970**
Increase	Intangible assets	1,303	(887)	416
	Property, plant and equipment other than investment property	74,836	(29,509)	45,327
	Investments	302,967	(2,200)	300,768
	Total	**379,106**	**(32,596)**	**346,510**
Decrease	Intangible assets	104	(1)	103
	Property, plant and equipment other than investment property	120,466	(15,933)	104,533
	Investments	145,198	(3,185)	142,013
	Total	**265,768**	**(19,119)**	**246,649**
As 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 at 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**

Intangible assets and property, plant & equipment other than investment property

The increases for the period consist essentially of:

- the acquisition of units on the Le Port site for an amount of Euro 31.6 million, the extension of the Rennes Saint-Grégoire shopping center for Euro 5.2 million, and the extension of the Monthieu shopping center for Euro 4.1 million.

Decreases for the period correspond primarily to:

- the disposal of the assets at Paris Massena, Saint-Paul and Lannion for a net book value of Euro 18.6 million generating a capital gain net of costs of Euro 7.9 million.

Investments

In June 2018, there was a universal transfer of the assets of Agout and Alcudia Albertville to Mercialys, resulting in a decrease of Euro 10.6 million. These universal transfers of wealth generated a deficit of Euro 775 thousand.

Mercialys has entered into several current account agreements with its subsidiaries. Loans realized as at December 31, 2018 were as follows (including interest income):

- SNC Fenouillet Participation: Euro 44,688 thousand;
- SNC Fenouillet Immobilier: Euro 74,929 thousand;
- SCI Rennes Anglet: Euro 10,966 thousand;
- OPCI UIR II: Euro 2,729 thousand.

10.3 Impairment

At December 31, 2018, Mercialys recognized Euro 3,736 thousand as impairment expense for property, plant & equipment other than investment property and reversed an impairment of Euro 27 thousand for its property assets compared with an allowance of Euro 7,572 thousand and a reversal for impairment of Euro 665 thousand in 2017.

On participating interests, impairment changes recognized for the fiscal year concern Point Confort, Alcudia Albertville, AMR, Rennes-Anglet, Hyperthetis and UIR II for Euro 8,045 thousand. At December 31, 2018 these impairments amounted to Euro 20,029 thousand compared with Euro 11,085 thousand at December 31, 2017.

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 year.

Note 11 Receivables

11.1 Breakdown

(In thousands of euros)	12/2018	12/2017
Trade receivables	22,279	16,493
Impairment	(4,977)	(3,984)
Net trade receivables	**17,302**	**12,509**
Other operating receivables	43,271	52,781
Current accounts of affiliated companies	164,740	150,941
Impairment	(37)	(37)
Other net receivables	**207,974**	**203,685**
RECEIVABLES	**225,276**	**216,194**

The aging of trade receivables breaks down as follows:

Trade accounts and other receivables	Assets not due and not impaired	Assets due and not impaired at closing date				Impaired assets	Total
(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	
As at December 31, 2017	4,517	2,357	1,520	941	326	5,144	6,833	16,494
As at December 31, 2018	6,074	831	3,664	545	(328)	10,786	11,493	22,279

Trade receivables as at December 31, 2018, comprise primarily rents, lease rights and advisory services invoiced at the end of the year.

Other operating receivables consist essentially of:

- tax receivables of Euro 9,916 thousand as at December 31, 2018, compared with Euro 14,652 thousand at December 31, 2017;
- amounts receivable from tenants under construction leases standing at Euro 5,153 thousand as at December 31, 2018 compared with Euro 5,889 thousand as at December 31, 2017. 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 to be received of Euro 1,051 thousand as at December 31, 2018 compared with Euro 1,126 thousand as at December 31, 2017.

Current accounts of affiliated companies mainly include the current accounts with SCI Caserne de Bonne for Euro 71,332 thousand, compared with Euro 75,495 thousand as at December 31, 2017, and SNC FISO for Euro 8,896 thousand, compared with Euro 10,205 thousand as at December 31, 2017, SARL La Diane for Euro 46,022 thousand compared with Euro 35,307 thousand as at December 31, 2017 and SNC Sacré-Cœur for Euro 16,121 thousand as at December 31, 2018.

These receivables include accounts receivable of Euro 34,413 thousand, compared with Euro 30,804 thousand as at December 31, 2017, including primarily:

- trade receivables: Euro 4,521 thousand (Euro 1,955 thousand as at December 31, 2017);
- other operating receivables: Euro 27,602 thousand (Euro 26,365 thousand as at December 31, 2017);
- current accounts of affiliated companies: Euro 874 thousand (Euro 544 thousand as at December 31, 2017).

11.2 Debt maturity schedule

(In thousands of euros)	12/2018	12/2017
Less than one year	220,547	210,714
More than one year	4,729	5,480
RECEIVABLES	**225,276**	**216,194**

Note 12 Net cash

(In thousands of euros)	12/2018	12/2017
Treasury shares	4,975	2,942
Impairment	(305)	-
Liquidity contract	101	101
Banks	369,923	193,164
CASH	**374,694**	**196,207**

The Company held 345,930 treasury shares under the liquidity contract with the service providers as at December 31, 2018, compared with 127,534 as at December 31, 2017.

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 net income	Regulated provisions	Equity
As at December 31, 2016	**544,839**	**195,395**	**15,521**	**755,755**
Increase in share capital				-
Decrease in share capital				-
Dividends paid		(57,829)		(57,829)
Net income for the period		287,280		287,280
Interim dividend		(37,637)		(37,637)
Other movements			(12,665)	(12,665)
As at December 31, 2017	**544,839**	**387,209**	**2,857**	**934,905**
Increase in share capital				-
Decrease in share capital				-
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)
AS AT DECEMBER 31, 2018	**544,839**	**353,076**	**2,474**	**900,389**

The 2018 interim dividend resulted in a cash payment of Euro 45,805 thousand.

As at December 31, 2018, the authorized share capital consisted of 92,049,169 shares with a par value of Euro 1.00.

13.2 Dividends

As at December 31, 2017, out of these 92,049,169 shares, 91,768,775 benefited from the dividend in respect of 2017 earnings (280,394 treasury shares are exempt from dividend payment).

The Company paid its shareholders a gross dividend of Euro 1.09 per share in respect of the financial year ended December 31, 2017. An interim dividend of Euro 0.41 per share was paid in 2017, and the final dividend of Euro 0.68 per share was paid on May 3, 2018.

Payment of the final dividend represented a total of Euro 62,403 thousand.

The total dividend for the 2017 financial year therefore came to Euro 100,040 thousand.

On October 23, 2018, Mercialys also paid an interim dividend of Euro 0.50 per share, representing an amount of Euro 45,805 thousand.

On February 13, 2019, the Board of Directors proposed, subject to approval by the Annual General Meeting of April 25, 2019, to pay a dividend in respect of 2018 amounting Euro 1.12 per share (including the interim dividend of Euro 0.50 per share already paid in October 2018).

The dividend corresponds to the distribution of 95% of the parent company's recurring tax profit, on which the mandatory distribution is based according to SIIC tax rules, or

Euro 0.93 per share, and Euro 0.06 per share corresponding to capital gains realized in 2018 and finally to the Euro 0.13 per share corresponding to capital gains on the sale of real estate and investments in real estate companies realized in 2017.

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 Payment in shares

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, 2017	**74,588**
Shares awarded	85,697
Shares cancelled	(10,426)
Shares issued	(14,446)
Shares in circulation at December 31, 2017	**135,413**
Shares awarded	83,199
Shares cancelled	(27,429)
Shares issued	(8,933)
SHARES IN CIRCULATION AT DECEMBER 31, 2018	**182,250**

13.4 Bonus share plans

Allocation dates	04/20/2016	04/20/2016	03/20/2017	03/20/2017	04/27/2017	04/27/2017	12/21/2017	04/26/2018	04/26/2018	04/26/2018
End of allocation period	04/20/2019	04/20/2019	03/20/2019	03/20/2020	04/27/2020	04/27/2020	03/21/2019	04/26/2021	04/26/2021	04/26/2020
End of holding period	04/19/2021	04/19/2021	03/20/2019	03/20/2022	04/27/2022	04/27/2022	12/21/2019	04/26/2023	04/26/2023	04/26/2020
Share price at the allocation date (in euros)	20.01	20.01	16.75	16.75	17.93	17.93	18.09	16.08	16.08	16.08
Number of beneficiaries	4	10	114	11	2	3	3	2	7	112
Number of bonus shares awarded at inception	17,139	11,525	14,478	12,283	41,750	14,562	2,624	46,959	26,496	9,744
Fair value of bonus share (in euros)	10.61	13.08	14.56	9.64	5.04	5.04	16.63	7.91	7.91	13.89
Selected performance rate	71%	88%	100%	80%	39%	39%	100%	56%	56%	100%
NUMBER OF SHARES IN CIRCULATION BEFORE APPLICATION OF THE PERFORMANCE CRITERIA AT DECEMBER 31, 2018	**13,413**	**9,687**	**10,668**	**12,283**	**41,750**	**10,279**	**2,624**	**49,959**	**26,496**	**8,091**

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 3 years and average TSR over 3 years;
- organic growth in rental revenues and in FFO.

Note 14 Provisions

Changes

(In thousands of euros)	12/2017	Additions	Reversal	12/2018
For liabilities and charges	7,760	3,775	1,564	9,971
For end of career severance allowances	195	40	-	235
For long service awards	18	2	-	20
PROVISIONS	**7,973**	**3,817**	**1,564**	**10,226**
o/w operating		1,607	105	
o/w financial		239	10	
o/w exceptional		1,971	1,449	

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.

Note 15 Borrowings and other financial liabilities

15.1 Breakdown

(In thousands of euros)	12/2018	12/2017
Bonds	1,710,093	1,405,553
Borrowings and debts from credit institutions	183,000	258,500
Bank overdrafts	756	2,100
Other financial liabilities (security deposits received)	16,477	17,602
BORROWINGS AND FINANCIAL LIABILITIES	**1,910,326**	**1,683,756**

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, 2018, the amount of bond financing was Euro 1,679.7 million, divided into four 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);
- the Euro 479.7 million remainder of a bond issue of Euro 650 million, issued in March 2012 and partially redeemed in December 2015, yielding a fixed rate of 4.125% and maturing in March 2019.

The new bond issue of Euro 300 million resulted in the recognition of Euro 1.5 million in bond issuance costs.

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 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.

15.3 Hedging

In addition, Mercialys introduced an interest rate hedging policy in October 2012 through swaps in order to enable it to spread out its interest rate risk over time.

Breakdown of hedges as at December 31, 2018:

(In thousands of euros)	Notional	Marked to market Net	Marked to market Asset	Marked to market Liability	Premium	Provision
Fixed/floating rate swaps	1,582,000	43,483	43,483	-	-	-
Refixing swaps	897,000	(2,977)	857	(3,834)	-	-

At end December 2018, Mercialys' debt structure after hedging broke down as follows: 63% fixed-rate debt and 37% variable-rate debt.

15.4 Confirmed credit lines

The credit line is Euro 240 million. The conditions were revised and the maturity fixed at five years starting from December 2014, then extended by another year, taking maturity to December 2020. The costs amounting to Euro 1.6 million are spread over time.

Mercialys also set up:

- in December 2014, confirmed credit lines for a total amount of Euro 60 million with a 3-year maturity (with a double one-year extension option);
- in July 2016, confirmed credit line for a total amount of Euro 30 million with a three-year maturity (with a double one-year extension option), taking it to December 2019 and a confirmed bank credit line for a total amount of Euro 30 million with a three-year maturity renewed for one year (with a double one-year extension option) taking it to 2020;
- in December 2018, a confirmed credit line for a total amount of Euro 30 million with a three-year maturity (with a double one-year extension option), taking it to December 2019, renewed for two years (with a double one-year extension option), taking it to December 2021.

At the end of December 2018, the Mercialys Group's confirmed credit facilities therefore amounted to Euro 360 million.

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, 2018, the outstanding stood at Euro 183 million compared with Euro 258.5 million at December 31, 2017.

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;
- ICR (Interest Coverage ratio): 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 property excluding transfer tax > Euro 1 billion at any time;
- Change of ownership clauses also apply.

	Covenants	12/2018	12/2017
Loan To Value (LTV)	<50%	40.8%	39.9%
ICR (Interest Cost ratio)	>2	5.0x	5.2x

As at December 31, 2018 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.

(1) EBITDA: Earnings before interest, taxes, depreciation, and amortization.

Note 16 Payables

16.1 Breakdown

(In thousands of euros)	12/2018	12/2017
Trade payables	18,664	18,679
Tax and social security liabilities	4,324	5,235
Income tax	-	-
Current accounts of affiliated companies	13,543	17,084
Trade payables on assets	7,268	10,350
Other liabilities	3,573	4,060
DEBTS	**47,372**	**55,408**

Current accounts of affiliated companies mainly correspond to the following subsidiaries:

(In thousands of euros)	
SCI Timur	7,990
SNC Dentelle	2,522
SNC Géante Périaz	2,989

Charges to be paid amount to Euro 28,930 thousand compared with Euro 31,902 thousand as at December 31, 2017, broken down as follows:

- trade payables: Euro 16,945 thousand (Euro 15,721 thousand as at December 31, 2017);
- tax and social security liabilities: Euro 2,864 thousand (Euro 3,957 thousand as at December 31, 2017);
- current accounts of affiliated companies: Euro 42 thousand (Euro 128 thousand as at December 31, 2017);
- trade payables on assets: Euro 6,663 thousand (Euro 8,211 thousand as at December 31, 2017);
- other liabilities: Euro 2,416 thousand (Euro 3,885 thousand as at December 31, 2017).

16.2 Debt maturity schedule

(In thousands of euros)	12/2018	12/2017
Less than one year	47,372	55,405
Between one and five years	-	-
More than five years	-	-
PAYABLES	**47,372**	**55,405**

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, 2018, these amounted to Euro 4,461 thousand compared with Euro 5,276 thousand as at December 31, 2017;

Within the context of work ordered from suppliers: Euro 1,215 thousand as at December 31, 2018, compared with Euro 2,563 thousand as at December 31, 2017.

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 kept 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 Committee.

Casino will only begin works once the order has been reiterated by Mercialys after definitive authorization is obtained and at least 60% of developments 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 effective rents resulting from letting and expected rents 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 this exclusivity, 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.

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, the two parties decided to terminate the existing Current Account and Cash Management Agreement and sign a new Current Account Agreement. This Agreement will enable 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 is now set to mature on December 31, 2019.

After approval by the Board of Directors on December 12, 2018, it was decided to extend the Agreement until December 2020, under unchanged conditions.

18.1.2 Commitments given

In connection with these asset disposals, Mercialys has given rental guarantees to the purchasers:

- Monthieu site

  In connection with the extension of the Géant Monthieu shopping center, Mercialys has agreed to contribute to the financing of the public infrastructure of the Commercial Activity Zone (ZAC) the completion of which will be to its benefit.

  Mercialys will pay the sum of Euro 752 thousand in several installments between the declaration of the start of works and June 30, 2019.

- Rennes – Anglet sites (disposals completed in the 1st half of 2016)

  Mercialys gave a rental guarantee for the Rennes and Anglet hypermarkets. Mercialys committed to pay rent for the second three-year period (from June 29, 2019 to June 28, 2022) in the event of non-renewal of the lease for the hypermarkets.

- 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.

- Fontaine-Lès-Dijon site (disposal completed in July 2017)

  Rental guarantee on the second three-year period of the hypermarket's lease 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.

- 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 thousand) 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 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 thousand). The rental guarantee will be applicable starting December 21, 2018 for a period of 24 months (until December 21, 2020).

Mercialys granted SAS Immosiris a rental guarantee on the Clermont-Ferrant hypermarket. Mercialys committed to pay the rent and service charges for the second three-year period in the event of non-renewal of the lease by the hypermarket, and non-reletting. In case of reletting, Mercialys committed to pay SAS Immosiris the difference between the rent and service charges that should have been paid by DCF and the rent and service charges paid by the new tenant, accounting for the rent-free periods granted to the new tenant, and this only for the second three-year period (from November 10, 2018 to November 9, 2021).

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.

On the assumption that Corin exercises its right to sell – at the earliest on January 31, 2020 – Mercialys has the option to buy Corin's undivided rights, or 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 Commitment made in connection with the disposal of SAS Hyperthetis Participations

As part of the disposal of the 49% stake in SAS Hyperthetis Participations, Mercialys has the exclusive control of this company and 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 (the highest price between the fair value and an IRR), able to be exercised on its initiative in 2022. This option was valued at Euro 135.4 million, at December 31, 2018, corresponding to the Company's IRR. The appraised fair value totaled Euro 269 million (excluding transfer taxes) at the end of December 2018. If the options are not exercised, there is an exit clause for disposal of the assets at their fair value.

Mercialys also granted SAS Hyperthetis Participations a rental guarantee on the hypermarkets. Mercialys committed to pay rent for the second three-year period in the event of non-renewal of the lease by the hypermarkets (from June 26, 2018 to June 25, 2021).

18.2.3 Other commitments

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, 2018, the Group did not have any finance leases.

18.3.2 Operating leases

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

1) Leases on parcels of land related to investment properties (mainly construction leases and emphyteutic leases);

2) Commercial leases for offices;

3) Car leases;

4) IT equipment leases.

18.3.3 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 portion (the guaranteed minimum rent) and a portion pegged to the revenue of the lessee operating the commercial premises. The guaranteed minimum 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' exposure to interest rate risk relates to the borrowings described in note 15.3, p. 176. To manage its exposure to the risk of changes in interest rates, the Company uses derivatives (interest rate swaps).

Note 20 Information concerning related parties

(In thousands of euros)	12/2018	12/2017
Income/(Expenses)		
Invoiced rents		
Distribution Casino France	17,710	19,824
Monoprix	10,470	10,268
Casino Restauration	1,030	776
Other Casino Group entities	5,499	5,483
Advisory Services Agreement received by Mercialys	296	295
Short-term occupancy agreement billed by Mercialys to the Casino Group	337	1,834
Service agreement for Hyperthetis Participations	100	100
Service agreement for Immosiris	50	50
Real estate advisory services agreement for AMR	389	0
Trademarks license agreement for Rennes-Anglet	2	0
Service agreement paid to the Casino Group	(2,210)	(2,142)
Property Management income paid to the Casino Group	(4,648)	(5,037)
Earn-out payment for the Le Port Sacré-Coeur site	(385)	0
Interest income	28,078	49,463
Interest expense	(55)	(141)
Income from the sale of assets to related parties[1] [3]	0	11,295
Exclusive agency agreement with IGC Services	(1 50)	(1,136)
Assets/(Liabilities)		
Loans	133,312	124,841
Participating interests	596,594	606,250
Current accounts of affiliated companies	150,365	133,857
Project management agreements prepaid by Mercialys to IGC Services	0	3
Call for funds for IGC Services property development agreements	0	353
Acquisition of fixed assets from Casino Group[2]	21,808	1,791

(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. 178 et seq. In 2017, and in 2018, no acquisitions were made under this agreement.

(3) Significant transactions are detailed in note 2, p. 167. – 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' 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 an agreement for the provision of services, asset management and brand licensing. 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 Agreement for the provision of services and asset management for Immosiris

In connection with the property transactions in 2015, Mercialys has entered into an asset management and services delivery contract 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 operation 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 Exclusive agency agreements with IGC Services

In connection with the transactions for sale of its asset portfolios, Mercialys calls upon the expertise of IGC Services to find any legal entities that may be interested in acquiring one or more assets.

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. 178.

20.9 Other related party transactions

20.9.1 SCI Rennes-Anglet

At end December 2018, Mercialys granted a loan of Euro 10,894 thousand to SCI Rennes-Anglet compared to Euro 3,064 thousand in 2017. Interest is charged on this current account advance at the arithmetic mean of EONIA daily fixing rates for the interest period increased by 50 bps. It was entered into for the term of the agreement, *i.e.* 15 years automatically renewable for successive periods of five years.

Mercialys and SCI Rennes-Anglet also entered into a brand license agreement.

20.9.2 SCI AMR

Mercialys entered into the following agreements with SCI AMR:

- Real Estate Advisory Services: under this 5-year agreement, SCI AMR entrusts Mercialys with general assistance in managing its property assets;
- Exclusive marketing mandate for a period of five years.

20.9.3 SNC Fenouillet Participation

At end December 2018, as on December 2017, Mercialys granted a loan of Euro 39,778 thousand to SCI 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 remuneration paid to officers and directors in 2018 amounted to Euro 1,407 thousand compared with Euro 1,525 thousand as at December 31, 2017.

Note 22 Statutory Auditors' fees

Fees in thousands of euros 12/2018	Ernst & Young	KPMG
Fees for certification of the financial statements	156.0	156.0
Fees other than for certification of the financial statements[1]	60.5	22.5
TOTAL	**216.5**	**178.5**

(1) Fees other than for certification of the financial statements relate to:

- *The issue of a comfort letter in connection with the bond issu*
- *Reports on the planned distribution of interim dividen*
- *The CSR report*

Note 23 Subsequent events

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

Note 24 Subsidiaries and equity holdings

24.1 Subsidiaries (at least 50% of share capital owned)

(In thousands of euros)			Equity			Carrying cost 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**	**2018 revenue, excl. tax**	**2018 net income (+ or -)**	**Dividends received**
SAS Point Confort	1, cours A. Guichard 42000 Saint-Étienne	306 139 064	154	7,310	100	8,130	7,463	449	478	311	325
SARL La Diane	1, cours A. Guichard 42 000 Saint-Étienne	424 153 815	293,255	7,652	100	295,179	295,179	46,022	-	16,310	16,573
SAS Hyperthetis Participations	1, cours A. Guichard 42 000 Saint-Étienne	811 749 852	27,439	236,549	51	139,937	138,275	-	14,572	7,754	7,914
SNC Dentelle	1, cours A. Guichard 42 000 Saint-Étienne	498 780 345	7,994	185	99.99	8,009	8,009	-	380	185	214
SAS Mercialys gestion	1, cours A. Guichard 42000 Saint-Étienne	484 531 561	37	127	100	37	37	548	11,862	123	183
SAS Immosiris	1, cours A. Guichard 42000 Saint-Étienne	814 312 096	14,048	126,641	51	71,649	71,649	-	7,495	6,294	3,373
SAS Astuy	1, cours A. Guichard 42000 Saint-Étienne	821 879 467	37	(11)	100	37	37	78	-	(4)	-
SAS Epicanthe	1, cours A. Guichard 42000 Saint-Étienne	812 269 546	1	(25)	100	1	1	555	-	(14)	-
SAS Mercialys exploitation	1, cours A. Guichard 42000 Saint-Étienne	815 249 198	37	(591)	100	37	37	1,341	3,957	(186)	-
TOTAL						**523,016**	**520,687**				

24.2 Shareholdings (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**	**2018 revenue, excl. tax**	**2018 net income (+ or -)**	**Dividends received**
SAS Corin Asset Management	Centre commercial La Rocade 20600 Furiani	492 107 990	37	224	40	15	15	-	1,180	128	-
SCI Rennes Anglet	8, rue Lamennais 75008 Paris	820 948 016	2,562	12,834	30	7,687	4,619	10,864	3,261	(4,471)	1,510
SCI AMR	91-93, bd Pasteur 75015 Paris	791 464 191	100,369	12,870	39.90	58,885	46,371	-	9,721	2,974	2,494
SNC AIX 2	1, cours A. Guichard 42000 Saint-Étienne	512 951 617	10	754	50	6,991	6,991	791	2,074	754	-
OPCI UIR II[1]	112, av. Kleber 75784 Paris Cedex 16	533 700 654	51,236	1,444	19.98	8,406	6,288	2,685	5,443	1,416	392
TOTAL						**81,984**	**64,284**				

(1) The items concerning OPCI UIR II are taken from the balance sheet ending on December 31, 2017.

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**	**2018 revenue, excl. tax**	**2018 net income (+ or -)**	**Dividends received**
SNC Fenouillet Immobilier	1, cours A. Guichard 42000 Saint-Étienne	808 659 460	2	935	-	1	1	74,192	5,499	935	-
GIE Grand Quartier[1]	Route de Saint-Malo 35760 Saint-Grégoire	729 300 087	440	6,782	4.64	10	10	-	3,314	1,320	-
TOTAL						**11**	**11**				

(1) The items concerning the GIE are taken from the balance sheet ending on December 31, 2017.

3.2.3 Statutory Auditors' report on the corporate financial statements

End of financial year: December, 31, 2018.

To Mercialys' General meeting,

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, 2018, as attached to this report.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position for the financial 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

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 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 1st, 2018 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 for 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 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 have no opinion about the items in these annual financial statements taken separately.

Measurement of property, plant and equipment other than investment property

Identified risk	At December 31, 2018, the net carrying value of the Company's tangible assets amounted to Euro 1,528 million. Note 1.2 "Property, plant & equipment other than investment property" of the "Accounting principles and measurement methods" section of the annual financial statements presents the accounting rules and methods followed by your company regarding the recognition, the breakdown of components and the methods for amortizing and measuring the property, plant and equipment other than investment property. In order to determine the presence of impairments, your company is required to make assumptions and rely on independent appraisals. The measurement of property, plant & equipment other than investment property 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 rate, capital expenditure and any recent comparable transactions on the market. The measurement of property, plant & equipment other than investment property is considered to be a key point of the audit because of their substantial 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; • comparison, over a selection of assets, of 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 adopted by the independent real estate appraisers, in particular the yield rate, 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 carrying 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 notes to the annual financial statements.

Measurement of participating interests

Identified risk	Participating interests are reported in the balance sheet at December 31, 2018 for a net amount of Euro 719 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 shown in note 1.3 "Investments" of the "Accounting principles and measurement methods" section of the notes to the annual financial statements, the value in use of the participating interests is determined on the basis of several assessment factors such as the Net Asset Value ("NAV") according to the appraisals made on the real estate portfolio of the companies concerned, their profitability level and their future outlook and use. The estimation of the value in use of participating interests is considered to be a key point of the audit because of its sensitivity to the adopted assumptions.
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 subjected to cost accounting procedures and an assessment of whether the adjustments made, if any, on the equity are based on probative documentation; • comparison of the adopted net carrying 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 works identical to those presented above on the measurements of property, plant & equipment other than investment property. Our works also consisted in: • an assessment of the recognition of a provision for risks in the event your company having undertaken 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" of the notes 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 financial year; • examining the disclosures in note 20 of the notes to the annual financial statements in the 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 legislation and regulations.

Disclosures in the 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 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 report on 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 controlling your Company or controlled by it. 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 purchase or exchange offer, provided in accordance with the provisions of Article L.225-37-5 of the French Commercial Code, we verified the compliance with the documents underlying them which were communicated to us. Based on this work, we have no observation to make about this information.

Other disclosures

In accordance with French law, we verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed 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, 2018, our firms were in their ninth 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 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 considers necessary for the preparation of the annual financial statements without any material misstatements, whether as a result of fraud or error.

While preparing the annual financial statements, it is the responsibility of management to evaluate the 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 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 fraud 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 such audit. Furthermore:

- they identify and evaluate the risks that the annual 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 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 the 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 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 include the material misstatements that we consider as the most significant for the audit of the annual financial statements for the year and which therefore constitute the key points of the audit that we are required to describe in this report.

We also provide the with the statement specified in Article 6 of (EU) Regulation no. 537-2014 confirming our independence, as defined by the rules applicable in France as these are fixed 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, on March 18, 2019

The Statutory Auditors

KPMG SA
Isabelle Goalec

ERNST & YOUNG et Autres
Nicolas Perlier

3.2.4 Statutory Auditors' report on related-party agreements

Annual General Meeting to approve the financial statements for the fiscal year ended December 31, 2018

Statutory Auditors' report on regulated agreements

In our capacity as Statutory Auditors of your company, we hereby report on regulated 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 and commitments 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 or commitments. It is your responsibility, according to Article R. 225-31 of the Commercial Code, to assess the benefits of these agreements and commitments 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 Commercial Code, concerning the implementation, during the fiscal year, of the agreements and commitments 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.

Agreements and commitments submitted for approval by the Annual General Meeting

Agreements and commitments authorized and entered into during the fiscal year

Pursuant to Article L. 225-40 in the French Commercial Code, we have fiscal year which had been authorized by your Board

With Casino Finance, controlled by Casino, Guichard-Perrachon

Amendment no. 2 to the document amending the cash advance agreement entered into on January 18, 2019

Persons concerned

Mr. David Lubek, permanent representative of La Forézienne de Participations and Chairman 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

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 in a maximum amount 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 Advances Agreement was signed on February 26, 2015, and Casino Finance (a subsidiary of Casino, Guichard-Perrachon and the entity centralizing financings and cash flows 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, the Board of Directors authorized the signing 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 extends the agreement until December 2019. The terms and conditions are as follows:

As regards interest, all 'A' Advances will bear interest at one-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, the 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 extends the agreement until December 2020, under the same terms and conditions.

Terms and conditions

For the fiscal year ended December 31, 2018, your company paid a commitment fee of Euro 192,000 excluding VAT to Casino Finance.

Reasons for the company's interest in the agreement

Your company gave the following reason for this agreement: "In order for this undrawn source of financing to continue to be included in the liquidity ratio calculated by Standard & Poor's (inclusion of unused lines only with a maturity > 12 months) which contributes to the BBB/stable outlook rating, this agreement must be extended until December 2020."

With Casino, Guichard-Perrachon, a director of your company

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.

Persons concerned

Messrs. Michel Savart and Jacques Dumas, directors of your company and of Casino, Guichard-Perrachon.

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 agreed to assume the specific expenses incurred by your company at that time, i.e.:

- 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, corresponding 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.

Reasons for the company's interest in the agreement

Your Board gave the following reason for this agreement: this agreement was signed to ensure payment of the expenses directly incurred for the disposal of shares in your company by Casino, Guichard-Perrachon.

Agreements and commitments authorized since the end of the period

We have been advised of the following agreements and commitments, authorized since the end of the fiscal year, which were previously authorized by your Board of Directors.

With Mr. Eric Le Gentil, Chairman of the Board of Directors of your company as of February 13, 2019

Non-compete clause

Nature and purpose

At its meeting on February 13, 2019, your Board of Directors authorized a non-compete obligation regarding Eric Le Gentil that would apply, in the event of termination of his duties, for a period of one year, it being understood that your company may reduce or waive the period of application thereof.

In exchange, Mr. Eric Le Gentil would be paid a monthly sum equivalent to 50% of one-twelfth of his annual fixed compensation. This allowance will not be paid if Mr. Éric Le Gentil exercises his entitlement to retire. All things considered, no allowance may be paid to him beyond the age of 65.

Reasons for the company's interest in the agreement

Your Board gave the following reason for this agreement: this non-compete clause was authorized in order to protect the company's interests.

With Vincent Ravat, Chief Executive Officer of your company as of February 13, 2019

Non-compete clause

Nature and purpose

At its meeting on February 13, 2019, your Board of Directors authorized a non-compete obligation regarding Mr. Vincent Ravat that would apply, in the event of termination of his duties, for a period of one year, it being understood that your company may reduce or waive the period of application thereof.

In exchange, Mr. Vincent Ravat would be paid a monthly sum equivalent to 50% of one-twelfth of his annual fixed compensation.

Reasons for the company's interest in the agreement

Your Board gave the following reason for this agreement: this non-compete clause was authorized in order to protect the company's interests.

With Ms.Elizabeth Blaise, Chief Operating Officer of your company as of February 13, 2019

Non-compete clause

Nature and purpose

At its meeting on March 5, 2019, your Board of Directors authorized a non-compete obligation regarding Ms. Elizabeth Blaise that would apply, in the event of termination of her duties, for a period of one year, it being understood that your company may reduce or waive the period of application thereof.

In exchange, Ms. Elizabeth Blaise would be paid a monthly sum equivalent to 50% of one-twelfth of her annual fixed compensation.

Reasons for the company's interest in the agreement

Your Board gave the following reason for this agreement: this non-compete clause was authorized in order to protect the company's interests.

Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments 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 the following agreements and commitments, previously approved by General Meetings of prior years, have remained in force during the year.

With L'Immobilière Groupe Casino, which controls a shareholder that owns more than 10% of the share capital of your company

Amendment no. 1 to the document amending the Consulting Services Master Agreement dated March 23, 2015

NATURE AND PURPOSE

Your company, together with L'Immobilière Groupe Casino and Plouescadis, signed a Consultancy Services Agreement on July 25, 2007 with Mercialys Gestion, which had formed a team of specialists in the valuation of real estate assets. On March 23, 2015, your company, on the one hand, and L'Immobilière Groupe Casino and Plouescadis, on the other hand, signed a document amending the consultancy services master agreement (hereinafter the "Consulting Services Master Agreement") incorporating the changes made to the Agreement of July 27, 2007 together with all the provisions that remain unchanged.

At its meeting of April 27, 2017, your Board of Directors authorized the signing of Amendment no. 1 to the Consulting Services Master Agreement. This amendment, signed on May 18, 2017, was signed in order to enable the subsidiaries directly controlled by L'Immobilière Groupe Casino and Plouescadis to benefit from the services provided by your company, and to update the financial terms of the Agreement. This addendum entered into force on January 1, 2017.

Your company, in its capacity as a 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 operational sites or on planned sites (excluding projects completed in connection with the Partnership Agreement between your company and Casino), as well as wider marketing activities.

Billing in respect of this Consultancy Services Master 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 N+1. Billing is indeed based on time spent by your company's 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.

TERMS AND CONDITIONS

For the 2018 fiscal year, your company received remuneration in the amount of Euro 296,000 excluding VAT under this agreement.

Trademarks license agreement

NATURE, PURPOSE AND TERMS AND CONDITIONS

In respect of this agreement 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 of purchase of this trademark in the event of L'Immobilière Groupe Casino intending to sell it.

With Casino, Guichard-Perrachon, a director of your company

Trademarks license agreement

NATURE, PURPOSE AND TERMS AND CONDITIONS

Under this agreement 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.

Loss of employment insurance and welfare/pension scheme for managers

PERSONS CONCERNED

Mr. Eric Le Gentil, Chairman and Chief Executive Officer of your company as of July 17, 2013.

Mr. Vincent Ravat, Chief Operating Officer of your company as of August 30, 2016.

Nature and amount of the sums paid during the financial year

Éric Le Gentil and Vincent Ravat benefit, while in office, from the senior executive unemployment insurance scheme and the compulsory collective supplementary pension and welfare schemes offered within your company.

In respect of the unemployment insurance and welfare schemes, the contributions paid by your company in 2018 amounted to Euro 10,877 for Mr. Éric Le Gentil and Euro 10,827 for Mr. Vincent Ravat.

In addition, Messrs. Éric Le Gentil and Vincent Ravat benefit, while in office, from commitments based on the terms of collective and mandatory retirement provision systems, the contributions for which are determined in accordance with national labor management agreements.

b) which were not implemented during the year

In addition, we have been informed of the continuation commitments by the Annual General Meeting in previous fiscal years, which were not implemented during the fiscal year.

With Casino, Guichard-Perrachon, a director of your company

Document amending the Real Estate Partnership Agreement signed

PERSONS CONCERNED

Messrs. Michel Savart and Jacques Dumas, directors of your company and of Casino, Guichard-Perrachon.

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 of 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 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 your company may decide to undertake and which are subject to an undertaking by Casino, Guichard-Perrachon to present them 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 governing bodies of the parties, which undertake to make their best efforts to validate the projects,
  - "Validated Projects" are "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 of 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 governing 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,

- present-valuing the price on confirmation of the order to take into account changes in the letting and in the capitalization rate,
- the price is present-valued 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 2018 were as follows:

- First half 2018

	Shopping center		Retail Parks		High street
Type of property	Mainland France	Corseand Overseas Departments & Territories	Mainland France	Corseand Overseas Departments & 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%	6.8%	5.6%
< 5,000 sq.m.	6.4%	6.8%	6.8%	7.4%	6.0%

- Second half 2018

	Shopping center		Retail Parks		High street
Type of property	Mainland France	Corseand Overseas Departments & Territories	Mainland France	Corseand Overseas Departments & Territories	
> 20,000 sq.m.	5.4%	6.0%	6.0%	6.3%	5.2%
5,000 to 20,000 sq.m	5.9%	6.3%	6.3%	6.7%	5.5%
< 5,000 sq.m.	6.3%	6.7%	6.7%	7.3%	6.0%

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-compete clause in favor of Casino, Guichard-Perrachon, which will apply for the whole term of the Partnership Agreement. This non-compete clause was strengthened as part of the amendment of the Partnership Agreement. Thus, 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 2018, no projects were acquired by the company under the Partnership Agreement.

With Mr. Eric Le Gentil, Chairman and Chief Executive Officer of your company as of July 17, 2013

Non-compete clause
NATURE AND PURPOSE

At its meeting on July 17, 2013, the Board of Directors authorized a non-compete and non-solicitation obligation concerning Mr. Éric Le Gentil that would apply, in the event of the termination of his duties, for a period not exceeding the length of his presence at the company, capped at one year, it being specified that the company may reduce the term of the clause or waive its application.

In return, Mr. Éric Le Gentil will receive monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

TERMS AND CONDITIONS

This agreement was not applied in the 2018 fiscal year.

With Mr. Vincent Ravat, Chief Operating Officer of your company as of August 30, 2016

Non-compete clause

NATURE AND PURPOSE

At its meeting on August 30, 2016, the Board of Directors authorized a non-compete obligation concerning Mr. Vincent Ravat that would apply, in the event of termination of his duties, for a period not exceeding the length of his presence at the company, capped at one year, it being specified that the company may reduce the term of the clause or waive its application.

In return, Mr. Vincent Ravat will receive monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

TERMS AND CONDITIONS

This agreement was not applied in the 2018 fiscal year.

Paris-La Défense and Lyon, on March 11, 2019

The Statutory Auditors

KPMG SA	ERNST & YOUNG et Autres
Isabelle Goalec	Nicolas Perlier
Associate	Associate

3.2.5 Five-year results of Mercialys SA

	2018	2017	2016	2015	2014
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	138,704.4	137,899.9	144,453.3	142,180.1	131,192.0
Income before tax, employee profit-sharing, amortization, depreciation and provisions	118,447.2	308,152.8	156,656.3	179,623.5	149,901.8
Income tax expense	(9.3)	(1,332.4)	102.6	1,119.3	-
Employee profit-sharing	-	-	-	58.1	70.0
Income after tax, employee profit-sharing, amortization, depreciation and provisions	74,074.3	287,280.2	114,187.3	148,251.5	126,583.8
Total dividend payment to shareholders	103,095.1[1]	100,333.6	97,572.1	122,425.4	114,141.0
Comprehensive income per share (in euros)					
Income after tax, employee profit-sharing, but before amortization, depreciation and provisions	1.29	3.37	1.70	1.95	1.63
Income after tax, employee profit-sharing, amortization, depreciation and provisions	0.80	3.12	1.24	1.61	1.38
Dividend paid per share	1.12[1]	1.09	1.06	1.33	1.24
Workforce					
Number of employees (full-time equivalent)	51.3	50.3	43.2	41.4	40.5
Payroll (in thousands of euros)	5,887.9	6,040.8	5,092.6	5,061.2	4,904.6
Amount paid for employee benefits social security and social programs (in thousands of euros)	2,401.0	2,341.3	2,099.7	1,959.6	2,028.3

(1) Subject to the approval by the Annual General Meeting to be held on April 25, 2019.

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, 2018 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 due but not paid as of the reporting date						Art. D. 441 L-2: Invoices issued 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 brackets												
Number of invoices concerned	ns					91	ns					16,744
Total amount of invoices concerned including tax	101	15	(576)	35	(57)	(583)	1,907	-	(66)	3,489	846	4,269
Percentage of the total amount of purchases for the period excluding tax	0%	0%	1%	0%	0%	1%						
Percentage of revenue for the period excluding tax							1.3%	-	0%	2.5%	0.6%	3.1%
(B) Invoices excluded from (A) concerning payables and receivables in dispute or not recognized in the accounts												
Number of invoices excluded						17						12,301
Total amount of invoices excluded including tax						50						11,492
(C) Benchmark terms for payment used (contractual or statutory term – Article 441-6 or Article 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
89 %
Attendance rate at the Board of Directors

4

Corporate governance

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4.1.1 Board of Directors 198

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4.2.1 Compensation and benefits of Directors 232

4.2.2 Compensation and benefits of executives and corporate officers 234

4.1 Management and control of the Company

4.1.1 Board of Directors

The Company is incorporated as *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 is available for consultation on the AFEP website at the address provided below: www.afep.com.

In accordance with the AFEP-MEDEF Code, and pursuant to Article L.225-37 of the French Commercial Code, the Company complies with all of the recommendations of this Code, with the exception of one, as explained below:

- The revised version of the Code, dated June 2018, states in its Article 19 that "the directors are bound to report to the Board any conflict of interest, whether actual or potential, and **abstain from attending the debate** and taking part in voting on the related resolution".

In its internal rules, Mercialys states that "all directors shall inform the Board of any conflict of interest, real or potential, in which they may be directly or indirectly involved. They must **refrain from taking part in discussions and decisions on these subjects."**

Mercialys has not systematically declared that the directors concerned must not attend the debate on these subjects. Instead, the directors concerned may decide whether or not to attend the debate on these subjects.

4.1.1.1 Composition of the Board of Directors

A. Current composition of the Board

As of February 13, 2019, the reporting date for the 2018 fiscal year, the Board of Directors had eleven members, seven of whom were independent (63.6%) as defined by the AFEP-MEDEF Corporate Governance Code, and six were women (54.5%).

The positions of Chairman of the Board of Directors and Chief Executive Officer have been separated since the Board's meeting of February 13, 2019. Since this date, Mr. Éric Le Gentil has been Chairman of the Board of Directors and Mr. Vincent Raval has been 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 composition of the Board of Directors at February 13, 2019, and its position during fiscal year 2018.

	Gender	Age (at 12/31/2018)	Mercialysis shares held (at 02/13/2019)	First appointed on	Expiry of the directorship (date of meeting)	Rate of attendance at Board meetings (2018)	Membership of Committees/ Rate of attendance (2018) ARSDC	IC*	ACC
Non-executive corporate officer									
Éric Le Gentil	M	58	24,800	02/13/2013	04/25/2019	100%		M 100%	M[8]
Independent Directors									
Stéphanie Bensimon [1] *(from 06/07/2018)*	F	42	100	07/06/2018	04/25/2019	83%	M [4]/P [8] 100%		
Victoire Boissier	F	51	800	04/20/2016	2021	91%			M 75%
Anne-Marie de Chalambert *(until 04/26/2018)*	F	75	-	07/23/2013	-	100%		M [3]/C [3] 100%	M [3] 100%
Élisabeth Cunin	F	58	1,000	06/06/2012	04/25/2019	91%			C 100%
Dominique Dudan *(from 04/26/2018)*	F	64	200	04/26/2018	2021	88%		M [2]/C [2] 100%	M [2] 100%
Marie-Christine Levet *(until 06/07/2018)*	F	51	-	06/06/2012	-	80%	M [5]/C [5] 50%		
Ingrid Nappi-Choulet	F	52	950	04/30/2014	2020	82%	M 100%		
Pascale Roque	F	57	900	10/24/2017	04/25/2019	64%	M/C [4][9] 100%		
Generali Vie			7,373,571	04/30/2014	2021				
Bruno Servant company representative	H	58		04/30/2014		91%		M 75%	
Directors representing the majority shareholder									
La Forézienne de Participations			22,235,085	12/10/2010	2021				
David Lubek company representative	H	45		11/13/2017		100%	M [7] 100%	M [6]	
Jacques Dumas	H	66	508	08/22/2005	2020	100%			M 100%
Casino, Guichard-Perrachon *(until 12/12/2018)*			-	08/19/1999	-				
Antoine Giscard d'Estaing company representative	H	57		04/06/2009		80%		M [7] 50%	
Michel Savart	H	56	500	05/06/2010	2020	100%	M [6]	M 100%	M [7] 100%
Number of meetings in 2018						**11**	**4**	**4**	**4**
Rate of attendance in 2018						**89%**	**90%**	**88%**	**96%**

M: member C: Chairman
MC: Management Committee. ARSDC: Audit, Risk and Sustainable Development Committee
IC: Investment Committee. ACC: Appointments and Compensation Committee

(1) Ratification of the appointment submitted to the Annual General Meeting of April 25, 2019.
(2) Since April 26, 2018.
(3) Until April 26, 2018.
(4) Since June 7, 2018.
(5) Until June 7, 2018.
(6) Since December 12, 2018 – No meeting held between December 12 and 31, 2018.
(7) Until December 12, 2018.
(8) Since February 13, 2019.
(9) Until February 13, 2019.
* *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 sale of 15% of the share capital of Mercialys, announced on July 26, 2018, the Casino Group has reduced its representation on the Mercialys Board of Directors from four to three seats. The Board is now composed of eleven directors. With seven independent directors (63.6%), a majority of whom are female, 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 six women out of eleven Directors, *i.e.*, 54.5%. Furthermore, each Committee is chaired by a female independent director.

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 Committees. Proposals for renewals take into account the findings of 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.

Reappointments 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 and the tasks devolved to the Board Committees. Consideration is also given to their wish to be associated with the Company's development, their commitments to Mercialys' corporate social responsibility, and their availability, given the frequency of Board and Committee meetings.

The Board of Directors has also endeavored to achieve a balanced gender representation on its specialized committees. As at February 13, 2019, 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.

The diversity of the skills represented on the Board is presented in the section below.

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, as well as in economic research, corporate social responsibility (CSR):

	Real Estate / Construction / Urban planning	Research	Legal / Human Resources	Finance / Accounting	Company management	Insurance	Retail / Hospitality	Others*
Éric Le Gentil	■		■	■	■	■		■
Stéphanie Bensimon	■		■	■	■			
Victoire Boissier	■			■	■		■	
Élisabeth Cunin	■		■	■	■		■	■
Dominique Dudan	■		■	■	■		■	■
Jacques Dumas	■		■	■	■		■	
David Lubek	■			■	■	■	■	
Ingrid Nappi-Choulet	■	■		■				■
Pascale Roque	■		■	■	■		■	
Michel Savart	■		■	■	■		■	
Bruno Servant	■			■		■		■

* *IT, Health, CSR...*

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 Corporate Governance 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 Stéphanie Bensimon, Victoire Boissier, Élisabeth Cunin, Pascale Roque, Dominique Dudan, Ingrid Nappi-Choulet, Pascale Roque, and Bruno Servant, the representative of Generali Vie. Since the end of September 2018, Élisabeth Cunin no longer holds an executive position within the Camaïeu group and the Board therefore no longer considers it necessary to evaluate the flow of business between Camaïeu and Mercialys.

The table below provides a summary analysis of the position of each of the Directors regarding the independence criteria of the AFEP-MEDEF Corporate Governance Code:

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7
Independent Directors							
Stéphanie Bensimon	yes	yes	yes	yes	yes	yes	yes
Victoire Boissier	yes	yes	yes	yes	yes	yes	yes
Élisabeth Cunin	yes	yes	yes	yes	yes	yes	yes
Dominique Dudan	yes	yes	yes	yes	yes	yes	yes
Ingrid Nappi-Choulet	yes	yes	yes	yes	yes	yes	yes
Pascale Roque	yes	yes	yes	yes	yes	yes	yes
Bruno Servant, representative of Generali Vie	yes	yes	yes	yes	yes	yes	yes
Non-independent Directors							
Jacques Dumas	no	yes	yes	yes	yes	yes	no
Éric Le Gentil	no	yes	yes	yes	yes	yes	no
David Lubek, representative of Forézienne de Participations	no	yes	yes	yes	yes	yes	no
Michel Savart	no	yes	yes	yes	yes	yes	no

B. Directorships and positions held by members of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer

Mr. Éric Le Gentil

CHAIRMAN OF THE BOARD OF DIRECTORS (DIRECTORSHIP SUBMITTED FOR RENEWAL)

Date of birth: June 20, 1960
French citizen
Business address: 16-18, rue du Quatre-Septembre – 75002 Paris (from April 1, 2019)
Number of Mercialys shares held: 24,800

EXPERTISE AND EXPERIENCE

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 Generali France in 1999 as Chief Executive Officer of Generali 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

Directorship/Position	Date appointed	Date when term expired
Director	February 13, 2013	AGM of April 25, 2019
Chairman of the Board of Directors	February 13, 2013	AGM of April 25, 2019
Member of the Investment Committee	April 13, 2012	AGM of April 25, 2019
Member of the Appointments and Compensation Committee	February 13, 2019	AGM of April 25, *2019*

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (WITHIN THE MERCIALYS GROUP)

- Managing Partner of La Diane *

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Director of the Association Amis et Mécènes de l'Opéra Comique – AMOC;
- Chief Executive Officer of Mercialys** (listed company)

* Directorships and positions ended in February 14, 2019.
** Directorships and positions ended in February 13, 2019.

Mr. 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 (from April 1, 2019)
Number of Mercialys shares held: 8,013

EXPERTISE AND EXPERIENCE

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 real estate development and management group, listed on the London Stock Exchange, operating 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 Chief Operating 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

Directorship/Position	Date appointed	Date when term expired
Chief Executive Officer	February 13, 2019	AGM of April 25, 2019

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019

(WITHIN THE MERCIALYS GROUP)

- Chairman of Mercialys Exploitation;
- 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 (CNCC).

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS

(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

Chief Operating Officer of Mercialys* (listed company).

* Directorships and positions ended in February 13, 2019.

Mrs. Elizabeth 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 (from April 1, 2019)
Number of Mercialys shares held: 777

EXPERTISE AND EXPERIENCE

A graduate of the Institut d'Etudes Politiques in Paris, Elizabeth 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 POSITION

- Deputy Chief Executive Officer and Chief Financial Officer of Mercialys (listed company).

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Deputy Chief Executive Officer	February 13, 2019	BD of April 25, 2019

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (WITHIN THE MERCIALYS GROUP)

- Chairman of Mercialys Gestion

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

None

Mrs. Stéphanie Bensimon

INDEPENDENT DIRECTOR (DIRECTORSHIP SUBMITTED FOR RATIFICATION - DIRECTORSHIP SUBMITTED FOR RENEWAL)

Date of birth: May 6, 1976
French citizen
Business address: 20, place Vendôme – 75001 Paris
Number of Mercialys shares held: 100

EXPERTISE AND EXPERIENCE

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 in real estate investment for Europe.

MAIN POSITION

- Managing Director in charge of real estate activities for Ardian France.

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Independent Director	June 7, 2018	AGM of April 25, 2019
Member of the Audit, Risks and Sustainable Development Committee	June 7, 2018	AGM of April 25, 2019
Chairwoman of the Audit, Risks and Sustainable Development Committee	February 13, 2019	AGM of April 25, 2019

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

- Director of Poste Immo;
- Co-Manager of Gerpresse – Gestion Étude et Réalisation de Presse;
- Manager of SCI Charlotte, SCI Tamara, La Galaxie and West Bridge SCI.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

None

Mrs. 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, Victoire Boissier began her career in 1990 in the banking sector (Barclays) and then she 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 Chief Operating Officer.

MAIN POSITION

- Chief Operating Officer -Finance Groupe -at Grandir/Les Petits Chaperons Rouges.

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Independent 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 HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

None.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Director, Member of the Strategic Committee and the Accounts Committee of Gascogne (listed company);
- Managing Partner of Achats Services;
- Member of the Executive Committee and Vice-President Finance of Louvre Hôtels Group.

Mrs. Élisabeth Cunin

INDEPENDENT DIRECTOR (DIRECTORSHIP SUBMITTED FOR RENEWAL):

Date of birth: September 17, 1960
French citizen
Business address: 16-18, rue du Quatre-Septembre – 75002 Paris (residence for service) (from April 1, 2019)
Number of Mercialys shares held: 1,000

EXPERTISE AND EXPERIENCE

Élisabeth Cunin holds degrees from the École Polytechnique, 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 Étam. She became Chief Executive Officer of André in 2001 and then of Étam Lingerie in 2005. In 2011, Élisabeth Cunin became Chairman of Comptoir des Cotonniers and Princesse Tam-Tam, brands owned by Japanese group Fast Retailing, which also owns Uniqlo. In October 2013, she joined the Camaïeu group as Chairwoman of the Management Board, where she served until the end of September 2018.

MAIN POSITION

- Corporate Director.

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Independent Director	June 06, 2012	AGM of 04/25/2019
Member of the Appointments and Compensation Committee	November 27, 2013	AGM of 04/25/2019
President of the Appointments and Compensation Committee	October 24, 2017	AGM of 04/25/2019

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

None.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Chief Executive Officer of Camaïeu International;
- Chairwoman and Member of the Management Board of Financière Brame;
- President of Camaïeu International* and Financière Brame*;
- Permanent representative of Camaïeu International on the Board of Directors of Mode Développement Belgique SA* (Belgium);
- Permanent representative of Camaïeu International, General Partner of Camaïeu Monaco & Cie*;
- Executive Manager of Camaïeu Asia*;
- Executive Director at Camaïeu Apparel (Shanghai) Co Ltd*.

* Directorships and positions ended in 2018.

Mrs. 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: 200

EXPERTISE AND EXPERIENCE

After scientific studies, 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, 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, Dominique Dudan created her own firm, Artio Conseil, while holding the position of Chief Executive Officer of Arcole Asset Management. In 2011, Dominique Dudan became Chairman 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. Dominique Dudan is also a member of RICS France, of the MEDEF Economic Commission for the Groupement de Professions de Services, of the Cercle des Femmes de l'Immobilier, of the Club de l'Immobilier d'Île-de-France, of the Institut d'Études Immobilières et Foncières, and of the VoxFemina association. She is a Chevalier of the French National Order of Merit.

MAIN POSITION

- Corporate Director.

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Independent 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 HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

- Director and member of the Audit and Risks Committee of Gecina (listed company);
- Member of the Supervisory Board and Chairwoman of the Audit Committee of Selectirente (listed company);
- Member of the Supervisory Board and member of the Audit and Risk Committee of Swiss Life Reim (France);
- Chairwoman and member of the Supervisory Board of Sofidy Pierre Europe (OPCI);
- Senior Adviser for the real estate section of LBO France Gestion;
- Chairwoman of Artio Conseil;
- Manager of SCI du Terrier, SCI du 92, and SARL William's Hotel;
- Fellow of the Royal Institution of Chartered Surveyors and member of RICS France.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- 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 (ORIE)*.

** Directorships and positions ended in 2018.*

Mr. Jacques Dumas

DIRECTOR

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

Jacques Dumas holds a Master's Degree in Law and studied at the Institut d'Études Politiques in 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 as the 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 POSITION

- Adviser to the Chairman of Casino, Guichard-Perrachon (listed company);
- Executive Vice-President of Euris.

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Director	August 22, 2005	AGM to be held in 2020
Member of the Appointments and Compensation Committee	December 21, 2017	AGM to be held in 2020

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

Within the Euris Group

- Director of Rallye (listed company);
- Permanent representative of Euris on the Board of Directors of Finatis (listed company) and member of the Audit Committee;
- Permanent representative of Euris on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Member of the Supervisory Committee of Monoprix.

Outside the Euris Group

- Managing Partner of Cognacq-Parmentier and Longchamp-Thiers.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Chairman of GreenYellow;
- Vice-Chairman and Member of the Supervisory Board of Monoprix SA;
- Permanent representative of Cobivia on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Permanent representative of Distribution Casino France on the Board of Directors of Distribution Franprix;
- Permanent representative of Messidor SNC on the Board of Directors of Cdiscount;
- Member of the Appointments and Compensation Committee of Rallye (listed company);
- Member of the Audit, Risks and Sustainable Development Committee of Mercialys (listed company);
- Member of the Appointments and Compensation Committee of Casino, Guichard-Perrachon* (listed company).

* Directorships and positions ended during 2018.

Mrs. Ingrid Nappi-Choulet

INDEPENDENT DIRECTOR

Date of birth: April 1st, 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 PhD in economic science from Université Paris XII and degrees from Université Paris Dauphine (HDR in management science) and the Institut d'Études Politiques in Paris (HDR in Urban Planning and Development), Ingrid Nappi-Choulet is a Professor at ESSEC (since 1994). She is also in charge of the Real Estate Economics course at the 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. Main positionShe 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. Ingrid Nappi-Choulet 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

Directorship/Position	Date appointed	Date when term expired
Independent Director	April 30, 2014	AGM to be held in 2020
Member of the Audit, Risks and Sustainable Development Committee	May 5, 2015	AGM to be held in 2020

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019
(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.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS
(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Director of ADI – Association des Directeurs Immobiliers.

Mrs. Pascale Roque

INDEPENDENT DIRECTOR (DIRECTORSHIP SUBMITTED FOR RENEWAL):

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

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, 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 Executive Committee of Pierre & Vacances group.

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Independent Director	October 24, 2017	AGM of April 25, 2019
Member of the Audit, Risks and Sustainable Development Committee	December 21, 2017	AGM of April 25, 2019

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019
(OUTSIDE THE MERCIALYS GROUP)

- Permanent representative of PV-CP Gestion Exploitation on the Board of Directors of Sogire;
- Permanent representative of PV Résidences & Resorts France on the Board of Directors of PV Exploitation Belgique (Belgium);
- Director of Sociedad de Explotación Turistica Pierre et Vacances España SL (Spain);
- Director of Bonavista de Bonmont SL (Spain);
- Manager of Pierre et Vacances Maeva Tourisme Haute-Savoie.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS
(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Chairwoman of the Audit, Risks and Sustainable Development Committee of Mercialys* (listed company)

*Directorships and positions ended in February 13, 2019

Mr. Michel Savart

DIRECTOR

Date of birth: April 1st, 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, 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;
- Chairman and Chief Executive Officer of Foncière Euris (listed company).

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Director	May 06, 2010	AGM to be held in 2020
Member of the Investment Committee	October 22, 2010	AGM to be held in 2020
Member of the Audit, Risks and Sustainable Development Committee	December 12, 2018	AGM to be held in 2020

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

Within the Euris Group

- Chairman of the Management Board of Centrum Serenada Sp. Zoo and Centrum Krokus Sp. Zoo (Poland);
- 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 (listed company);
- 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, and Manager of SCI Pont de Grenelle and SNC Centre Commercial Porte de Châtillon;
- Representative of Mat-Bel 2, Manager of Immat Bel and Matbelys;
- Co-Manager of Guttenbergstrasse BAB5 GmbH, (Germany).

Outside the Euris Group

- Chairman of Aubriot Investissements.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Chairman of the Management Board of Centrum Riviera Sp. Zoo (Poland) and Centrum Wzgorze Sp. Zoo (Poland);
- Director of Cdiscount;
- Representative of Fenouillet Participation, Manager of Fenouillet Immobilier;
- Permanent representative of Finatis on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Representative of Foncière Euris, Chairwoman of Marigny Belfort;
- Representative of Immat Bel, Manager of Marigy 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;
- Representative of Matignon Abbeville, Manager of Centrum Z Sarl, Centrum K Sarl and Centrum J Sarl and Manager A of Centrum NS Luxembourg Sarl;
- Manager of Aubriot Investissements and Montmorency;
- Co-Manager of Einkaufszentrumam Alex GmbH and Loop 5 Shopping Centre GmbH (Germany);
- Member of the Appointments and Compensation Committee of Mercialys* (listed company).

* Directorships and positions ended during 2018.

La Forézienne de Participations

DIRECTOR

Simplified joint-stock company with share capital of Euro 568,599,197
Head office: 1, cours Antoine Guichard – 42000 Saint-Étienne
501 655 336 R.C.S. Saint-Étienne
Number of Mercialys shares held: 22,235,085

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Director	December 10, 2010	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

Within the Casino Group

- Chairman of Jekk;
- Director of Proxipierre and Shopping Property Fund 1.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

None.

Mr. David Lubek

Appointed on November 13, 2017

PERMANENT REPRESENTATIVE OF LA FORÉZIENNE DE PARTICIPATIONS

Date of birth: May 13, 1973
French citizen
Business address: Casino Group - 148, rue de l'Université – 75007 Paris

EXPERTISE AND EXPERIENCE

Graduate of École Polytechnique and ENSAE, holder of a post-graduate degree in economics (EHESS), David Lubek began his career as assistant economics professor at ENSAE. He joined the Ministry of Finance in 2000 at the Budget Department where he occupied several managerial positions (research budget, budget execution synthesis). In 2006, he joined the Finance Auditing division 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. 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 POSITIONS

- Chief Financial Officer of the Casino Group and Member of its Executive Committee

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (WITHIN THE MERCIALYS GROUP)

- Member of the Investment Committee of Mercialys (listed company).

(OUTSIDE THE MERCIALYS GROUP)

Within the Casino Group

- Chairman and Chief Executive Officer of Casino Finance;
- Director of Ségisor;
- Chairman and member of the Supervisory Committee of Monoprix;
- Member of the Supervisory Committee of GreenYellow.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Member of the Audit, Risks and Sustainable Development Committee of Mercialys* (listed company);
- Permanent representative of Casino, Guichard-Perrachon on the Supervisory Board of Monoprix*.

* Directorships and positions ended during 2018

Generali Vie

INDEPENDENT DIRECTOR

French corporation with share capital of Euro 299,197,104
Head office: 2, rue Pillet-Will – 75009 Paris
602 062 481 R.C.S. Paris
Number of Mercialys shares held: 7,373,571

DIRECTORSHIPS AND POSITIONS HELD WITHIN THE COMPANY

Directorship/Position	Date appointed	Date when term expired
Independent director	April 30, 2014	AGM to be held in 2021

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019
(OUTSIDE THE MERCIALYS GROUP)

Within the Generali France Group

- Director of Generali IARD, Generali Luxembourg and GFA Caraïbes.

Outside the Generali France Group

- Director of Foncière Développement Logements (listed company), Objectif Sélection, Palatine Mediterranea, Reconnaissance Europe, Risque & Sérénité, Fonds Nouvel Investissement 1, Fonds Nouvel Investissement 2, Carte Blanche, Vigeo and Immeo (German company);
- Director of Association pour la Location du Moncey – Beeotop;
- Member of the Supervisory Board of Covivio Hotels (listed company) and Foncia Pierre Rendement;
- Non-voting Director of Fonds Logement Intermédiaire.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS
(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Chairman of Haussmann Investissement;
- Non-voting director of Mercialys (listed company);
- Director of Europe Assistance Holding and Expert et Finances;
- Member of the Supervisory Board of Foncière de Paris SIIC (listed company), Generali Habitat and Rocher Pierre 1.

Mr. Bruno Servant

Appointed on April 30, 2014

PERMANENT REPRESENTATIVE OF GENERALI VIE

Date of birth: February 26, 1960
French citizen
Business address: Generali France – 2, rue Pillet-Will – 75309 Paris Cedex 9
Number of Mercialys shares held: 850

EXPERTISE AND EXPERIENCE

As a graduate of ESSEC and the Institut d'Études Politiques de Paris, Public Service section, and the Institut des Actuaires, 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 S.A. In September 2003, he became Chief Operating Officer of UBS Global Asset Management France SA. He then joined the Generali Group in September 2007 as Chief Operating Officer and Corporate Secretary of Generali Investments France. Since March 2012, he has been Investment Director at Generali Vie.

MAIN POSITION

- Investment Director of Generali Vie.

OTHER DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019

(WITHIN THE MERCIALYS GROUP)

- Member of the Investment Committee in Mercialys (listed company).

(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 Objectif Selection;
- Chairman of the Board of Directors of Generali Investments Asia Limited (Hong Kong);
- Member of the Board of Generali Insurance Management SpA (SGR) (Italy);
- Member of the Supervisory Board of Lion I and Lion River II (Netherlands).

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS

(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Permanent representative of Generali Vie, Member of the Supervisory Board of Foncière de Paris (listed company);
- Permanent representative of Generali Vie, non-voting Director on the Board of Directors of Mercialys (listed company);
- Permanent representative of Generali Vie on the Board of Directors of Generali Luxembourg (Luxembourg);
- Permanent representative of Generali France Assurances on the Supervisory Board of Foncière des Murs (listed company);
- Director of STEG.

C. Directorships and positions held by members of the Board of Directors ended during the 2018 fiscal year

Mrs. Anne-Marie de Chalambert

INDEPENDENT DIRECTOR UNTIL APRIL 26, 2018

Date of birth: June 07, 1943
French citizen

EXPERTISE AND EXPERIENCE

Anne-Marie de Chalambert began her career in 1962 as press spokesman at Pathé-Marconi. In 1969, she moved into property development as Marketing Manager of Valois. In 1980, she founded and was Chairman and Chief Executive Officer of VLGI (Vente Location Gestion Immobilière), a subsidiary of Banque Lazard. In 1996, she joined Generali as Manager Real Estate. She then became Chairman and Chief Executive Officer of Generali Immobilier, where she transformed Generali France's mainly residential portfolio into a portfolio consisting primarily of office properties, mostly in Paris and the Paris region. She was appointed Chairman of Generali Real Estate Europe in 2004, where she brings together the group's various European real estate teams and invests in communal projects. In 2009, she took up the role of Chairman of Generali Immobilier until March 2010. Since 2010, she has acted as a consultant to Institut Pasteur in its real estate strategy.

MAIN POSITION

- Consultant to the Institut Pasteur.

DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019
(OUTSIDE THE MERCIALYS GROUP)

- Member of the Investment Committee of the Institut Pasteur.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS
(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Director, Chairwoman and Member of the Investment Committee and Member of the Appointments and Compensation Committee of Mercialys* (listed company);
- Director and Member of the Appointments and Compensation Committee and Member of the Investment Committee of Nexity SA (listed company);
- Director and Member of the Compensation and Selection Committee, Member of the Accounting and Audit Committee and member of the Independent Directors' Committee of Société Foncière Lyonnaise SA* (listed company);
- Chairwoman of AMCh*.

* Directorships and positions ended during the 2018 fiscal year.

Mrs. Marie-Christine Levet

INDEPENDENT DIRECTOR UNTIL JUNE 7, 2018

Date of birth: March 28, 1967
French citizen

EXPERTISE AND EXPERIENCE

After graduating from the École des Hautes Études Commerciales and obtaining an MBA from the Institut Européen d'Administration des Affaires (Insead), Marie-Christine Levet began her career at Accenture before joining Disney and later Pepsico in marketing and strategy roles. Ms Levet is one of France's Internet pioneers and has over fifteen years of professional experience in the new technologies sector, both as an entrepreneur and an investor. She managed several large companies in the French web industry between 1997 and 2009 (Lycos France, Club-Internet, and media group Tests). In 2010, she turned to venture capital and helped launch investment fund Jaïna Capital, specializing in funding for innovative start-ups. Marie-Christine Levet is currently a partner at Educapital, an investment fund specialized in education and training, which she created in October, 2017.

MAIN POSITION

- Corporate Director.

DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019
(OUTSIDE THE MERCIALYS GROUP)

- Director and Chairwoman of the Audit Committee of Iliad, Econocom and Maisons du Monde (listed companies);
- Director of SoLocal (listed company).

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS
(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Director, Chairwoman and Member of the Audit, Risks and Sustainable Development Committee of Mercialys* (listed company);
- Member of the Investment Committee of Mercialys (listed company)*;
- Director and Member of the Audit Committee of BPIfrance Financement;
- Director of FINP, the Google Digital Innovation Fund for French publishers;
- Director and then Member of the Supervisory Board and member of the Appointments and Compensation Committee of Avanquest (listed company);
- Director, Member of the Appointments and Compensation Committee and of the Audit Committee of Hipay Group (listed company);
- Non-voting Director of BPIfrance Financement.

* Directorships and positions ended during the 2018 fiscal year.

Casino, Guichard-Perrachon

DIRECTOR UNTIL DECEMBER 12, 2018

French corporation with share capital of Euro 167,886,006.48
Head office: 1, cours Antoine Guichard – 42000 Saint-Étienne
554 501 171 R.C.S. Saint-Étienne

DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019
(OUTSIDE THE MERCIALYS GROUP)

Within the Casino Group

- Director of Intexa (listed company), Banque du Groupe Casino and Proxipierre;
- Member of the Supervisory Board of Geimex;
- Member of the Supervisory Committee of Monoprix.

Outside the Casino Group

- Director of Loire Télé.

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS
(OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Director of Mercialys* (listed company);
- President of Investeur 103;
- Member of the Supervisory Board of Monoprix SA;
- Director of Ségisor and Tevir.

* Directorships and positions ended during the 2018 fiscal year.

Mr. Antoine Giscard d'Estaing

appointed on April 6, 2009

PERMANENT REPRESENTATIVE OF CASINO, GUICHARD-PERRACHON UNTIL DECEMBER 12, 2018

Date of birth: January 05, 1961
French citizen

EXPERTISE AND EXPERIENCE

Antoine Giscard d'Estaing holds a degree from the École des Hautes Études Commerciales and studied at the École Nationale d'Administration. After four years at the Inspectorate of Finances, in 1990 he started at Suez-Lyonnaise des Eaux, where he operated in particular as Chief Financial Officer. He then joined Schneider Electric in 2000 as Executive Vice-President of Finance, Management Control and Legal Affairs, before moving to Danone in 2005 as Executive Vice-President of Finance, Strategy and Information Systems. He was appointed Danone's Corporate Secretary in 2007. Partner of Bain & Company since 2008, he joined the Casino Group in April 2009 where, until November 2018, he served as Chief Financial Officer and Member of its Executive Committee.

MAIN POSITIONS

- Vice-Chairman, Banque de Financement, d'Investissements et de Marchés at HSBC France.

DIRECTORSHIPS AND POSITIONS HELD IN 2018 AND IN EFFECT AT FEBRUARY 13, 2019 (OUTSIDE THE MERCIALYS GROUP)

- Chairman and member of the Supervisory Committee of Cnova Pay;
- Director, Chairman and Member of the Audit Committee and member of the Appointments and Compensation Committee of NRJ Group (listed company).

OTHER DIRECTORSHIPS AND POSITIONS HELD DURING THE PAST FIVE YEARS (OTHER THAN THE DIRECTORSHIPS AND POSITIONS LISTED ABOVE)

- Chairman of the Board of Directors and Director of Banque du Groupe Casino;
- Vice-Chairman and Chief Operating Officer of Casino Finance;
- President of Casino Finance and GreenYellow;
- President and Member of the Supervisory Board of Monoprix SA;
- Director of the Board of Directors and Member of the Financial Committee of Companhia Brasileira de Distribuição (listed company – Brazil);
- Chief Financial Officer and Member of the Executive Committee of the Casino Group*;
- Permanent representative of Casino, Guichard-Perrachon on the Board of Directors of Mercialys* (listed company) and Member of its Investment Committee*;
- Chairman and Member of the Supervisory Committee of GreenYellow* and Monoprix*;
- Chairman and Chief Executive Officer and Director of Casino Finance*;
- Chairman of the Board of Directors and Non-Executive Director of Cnova N.V.* (listed company – Netherlands).

*Directorships and positions ended during the 2018 fiscal year.

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 internal rules of the Board of Directors, found in chapter 9, § 9.1.5, p. 365 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 Corporate Governance Code, to allow business continuity, promote smooth renewal of Directors and allow shareholders to 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 Annual General Meeting (see Article 14 of the articles of association, or p. 360);
- under Article 23 of the Company's articles of association, one or more non-voting Directors may be selected from the Company's shareholders and appointed by the Annual General Meeting, or between two Annual General Meetings by the Board of Directors subject to approval at the next scheduled 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 80. However, the Company has no non-voting Directors;
- according to the internal rules, each director must hold a number of shares in registered form corresponding to at least the equivalent of directors' fees for one year.

E. Changes to the composition of the Board of Directors in 2018

Date	Departures	Ratifications	Renewals	Nominations / Co-optations
Annual General Meeting of April, 26, 2018	Anne-Marie de Chalambert [1]	Pascale Roque [1]	Victoire Boissier [1] La Forézienne de Participations Generali Vie [1]	Dominique Dudan [1]
Board of Directors of June 7, 2018	Marie-Christine Levet [1]			Stéphanie Bensimon [1]
Board of Directors of December 12, 2018	Casino, Guichard-Perrachon (represented by Antoine Giscard d'Estaing)			

[1] *Independent director*

At the Annual General Meeting of April 26, 2018, Dominique Dudan was appointed as a new independent director to replace Anne-Marie de Chalambert who did not wish to have her directorship renewed.

On June 7, 2018, Marie-Christine Levet resigned from her position as director and Stéphanie Bensimon was appointed as her replacement.

Following changes to the Casino Group's equity interest in Mercialys, Casino, Guichard-Perrachon resigned from its directorship on December 12, 2018.

F. Changes to the composition of the specialized committees during 2018 fiscal year

Date	Departures	Nominations
Board of Directors of April 26, 2018	**Anne-Marie de chalambert[(1)]:** Member and Chairwoman of the Investment Committee Member of the Appointments and Compensation Committee	**Dominique Dudan[(1)]:** Member and Chairwoman of the Investment Committee Member of the Appointments and Compensation Committee
Board of Directors of June 7, 2018	**Marie-Christine Levet[(1)]:** Member and Chairwoman of the Audit, Risks and Sustainable Development Committee	**Stéphanie Bensimon[(1)]:** Member of the Audit, Risks and Sustainable Development Committee **Pascale Roque[(1)]:** Chairwoman of the Audit, Risks and Sustainable Development Committee
Board of Directors of December 12, 2018	**Antoine Giscard d'Estaing:** Member of the Investment Committee **David Lubek:** Member of the Audit, Risks and Sustainable Development Committee **Michel Savart:** Member of the Appointments and Compensation Committee	**David Lubek:** Member of the Investment Committee **Michel Savart:** Member of the Audit, Risks and Sustainable Development Committee

(1) Independent Director

G. Ratifications and renewals proposed to the Annual General Meeting of April 25, 2019

Ratifications	Directorships expiring	Renewals
Stéphanie Bensimon [(1)]	Stéphanie Bensimon [(1)] Élisabeth Cunin [(1)] Éric Le Gentil [(2)] Pascale Roque [(1)]	Stéphanie Bensimon [(1)] Élisabeth Cunin [(1)] Éric Le Gentil [(2)] Pascale Roque [(1)]

(1) Independent Director
(2) President of the Board of Directors since February, 13 2019

It is proposed that the Annual General Meeting of April 25, 2019 ratify the appointment of Stéphanie Bensimon as independent director of the Company, to replace Marie-Christine Levet, resigned. Following a recommendation from the Appointments and Compensation Committee, it is proposed that the Annual General Meeting renew the directorships of Stéphanie Bensimon, Élisabeth Cunin, Pascale Roque and Éric Le Gentil.

Subject to the approval by the Annual General Meeting of April 25, 2019 of the ratifications and renewals proposed, at the end of the Meeting, the Board will be composed of eleven members with seven independent members as defined by the criteria of the AFEP-MEDEF Corporate Governance Code, namely: Stéphanie Bensimon, Victoire Boissier, Élisabeth Cunin, Dominique Dudan, Ingrid Nappi-Choulet, Pascale Roque and Generali Vie (represented by Bruno Servant). The Board will also include three representatives of the majority shareholder, namely Jacques Dumas and Michel Savart, and La Forézienne de Participations (represented by David Lubek). Independent Directors will make up 63.6% of the Board, and women 54.5%.

4.1.2 Senior Management of the Company

The roles of Chairman and Chief Executive Officer were combined since July 17, 2013. On February 13, 2019, the Board of Directors decided to separate the functions of Chairman of the Board of Directors and Chief Executive Officer and appointed Eric Le Gentil as Chairman of the Board of Directors, Vincent Ravat as Chief Executive Officer and Elizabeth Blaise as Deputy Chief Executive Officer. In order to further improve the quality of the Company's governance with regard to best market practices, Eric Le Gentil asked the Board to vote on the separation of the functions, which heretofore had been exercised jointly by him. At the Annual General Meeting of April 25, 2019, it will be proposed that the term of office of Eric Le Gentil be renewed and, if approved, the Board of Directors will renew this new gouvernance for 3 years. As Chairman of the Board, Eric Le Gentil will perform specific functions beyond 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 statute 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 operation 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, that require the approval of the Chief Executve 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, i.e. the Chief Executive Officer and the Deputy Chief Executive Officer, has specific authorized annual limits on guarantees, loans, credit facilities, commercial paper and bond issues, that require their joint approval.

On March 5, 2019, the Board of Directors authorized the Senior Management, for a period ending on December 31, 2019, 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.

The Senior Management is also authorized to negotiate, implement, 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, the Senior Management is authorized to negotiate and issue commercial paper up to a maximum of Euro 500 million.

Finally, the Senior Management is authorized to issue bonds for a total 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

In addition to Senior Management, the Management Committee of Mercialys consists of the heads of the Mercialys' main operational and financial departments. The Committee is tasked with implementing the Company's strategy, as determined by the Board of Directors.

The Management Committee's duties and responsibilities thus include:

- determining the Company's main budget priorities and defining the action plans associated with all parts of its business;

- monitoring the operational performance and implementing actions to optimize such performance;
- enabling information to be exchanged between all departments, and encouraging the dissemination of best practices, especially with respect to operational management, risk control and sustainable development;
- issuing opinions on the main axes of development of the Company, on the main negotiations in process and on changes to the portfolio of projects, and to do this before they are presented to the Investment Committee, and then to the Board of Directors.

The Senior Management Committee comprises the following members:

- Vincent Ravat, Chief Executive Officer;
- Élizabeth Blaise, Deputy Chief Executive Officer, Chief Financial Officer;
- Nicolas Joly, Executive Vice-President;
- Christophe Rigo, Human Resources Director;
- Fabrice Haurani, Director of Asset Management;
- Didier Jacquel, Operations Director;
- Stéphane Vallez, Letting and B2B Marketing Director.

4.1.3 Preparation and organization of the Board of Directors' work

4.1.3.1 Functioning 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 Chairman's report with a view to approving it. 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. In this connection, it 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, by the Company's articles of association, by the provisions of the internal rules of the Board of Directors and by the charters of the 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.

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 rules were amended most recently on March 5, 2019 to take into account the latest recommendations of the AFEP-MEDEF Code amended in June 2018 and the changes in governance on February 13, 2019. 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 and Risks 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. 229.

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 the Registration Document (see chapter 9, § 9.1.5, p. 365 et seq.). They may also be consulted online at the Company's website: www.mercialys.com.

B. Information for 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 internal rules of the Board.

The Chairman of the Board of Directors is required to provide Directors 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 Drector 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 2016 launched the use of electronic files for the Board and the Committees, facilitating data transmission and archiving.

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 and environmental 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 takes 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 Finance Officer 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 Group'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.

4.1.3.2 Duties of the Board of Directors

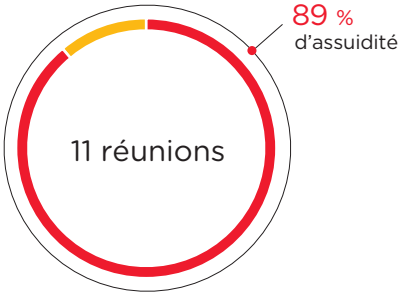
A. Approval of the financial statements – Business activity of the Company and its subsidiaries

The Board approved the financial statements for December 31, 2017 and the first half of 2018, as well as the business plan and financial projections of Mercialys. It approved the reports and resolutions submitted to the Combined Annual and Extraordinary General Meeting on April 26, 2018. It was also informed of the Group's operations at March 31 and September 30, 2018.

The Board of Directors has given its approval for the disposal of sites identified as arbitrable, namely the disposal of the shopping center in Saint-Paul, Réunion Island, and the disposal of a portfolio of two impaired assets, namely Lannion and Gap.

The Board also benefited from specific presentations on the Company's gender equality policy.

The Board of Directors met eleven times in 2018. The average attendance rate of Directors was 89%.



B. Corporate governance

The Board of Directors reviewed the situation of the Company with regard to the principles of corporate governance, including the membership and organization of the Board and its Committees, the renewal of directorships and the 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. 225 et seq.).

The Company's independent directors also met on December 12, 2018. In this connection, they submitted a report to the Chairman and Chief Executive Officer on the observations and recommendations made in the course of this meeting. They confirmed to the Chairman and Chief Executive Officer the smooth functioning of the Board and the proper integration of its new directors. The Independent Directors also highlighted the quality of the discussions on all of the topics reviewed by the committees and by the Board of Directors.

C. Corporate Social Responsibility

The Board of Directors also approved the chapter 2 of the 2017 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.

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 2017 to Éric Le Gentil And Vincent Ravat as, respectively, Chairman and Chief Executive Officer and Chief Operating 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 26, 2018 (ex-post resolutions approved at 94.65% for Éric Le Gentil and at 94.71% for Vincent Ravat). This compensation was paid to the corporate officers at the end of the Annual General Meeting of April 26, 2018.

In connection with the 2018 compensation policy presented to the Annual General Meeting of April 26, 2018, the Board of Directors also set the 2018 objectives for the compensations of Messrs. Éric Le Gentil and Vincent Ravat, and the principles and criteria for the compensation packages of Éric Le Gentil and Vincent Ravat.

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 Éric Le Gentil and Vincent Ravat (see § 4.2.2.1,B,6 p. 239 and 240, and § 4.2.2.3, B,5, p. 246).

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. In terms of their training, expertise and experience, the Committee members are appointed by the Board of Directors, which also appoints the Chair 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 Chair of each committee reports to the Board of Directors on the work of each of its meetings.

At February 13, 2019, the specialized committees were composed as follows:

Audit, Risks and Sustainable Development Committee (1)	Investment Committee	Appointments and Compensation Committee
4 members *of which 3 independent(2)*	*5 members* *of which 2 independent*	*5 members* *of which 3 independent(2)*
Stéphanie Bensimon Chairwoman – Independent **Ingrid Nappi-Choulet** Independent **Pascale Roque** Indepenent **Michel Savart** Not independent – Representative of the majority shareholder	**Dominique Dudan** Chairwoman – Independent **Éric Le Gentil** Not independent, Chairman of the Board of Directors **David Lubek** Not independent – Representative of the majority shareholder **Michel Savart** Not 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** Not independent – Representative of the majority shareholder **Éric Le Gentil** Not 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.

(2) Committee with a majority of independent directors, in accordance with the AFEP-MEDEF Corporate Governance Code, chaired by an independent female director. Details of the members' expertise are presented in § 4.1.1, p. 200.

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.

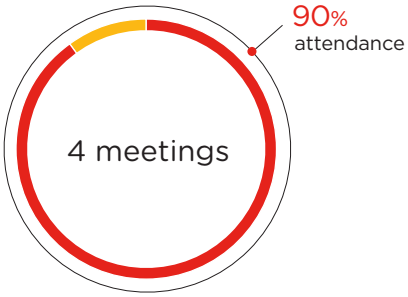
Its duties are:

- 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 Mercialys or its subsidiaries in terms of commitments and/or risk;
- 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.

At its meeting of October 24, 2017, the Board of Directors decided that this committee would be responsible for reviewing all non-financial information and in particular information on development. The Audit and Risk Committee was therefore renamed the "Audit, Risks and Sustainable Development Committee". In this capacity, it reviews the sustainable development policy determined by Senior Management and its implementation, it seeks information about the risks associated with sustainable development through risk mapping, and it keeps abreast of regulatory changes likely to impact Mercialys' management of the different environmental, social and governance criteria.

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 2018



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 2018.

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' risk prevention documents.

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 the Senior Management's general report on agreements with a Related Party which occurred in 2018.

The Committee has taken note of the risk mapping and of the work carried out by the Risk Prevention Committee since it was established in November 2016.

4.1.4.2 Investment Committee

A. Duties and responsibilities

The Investment Committee has drawn up a charter to confirm its powers and responsibilities, firstly, in connection with the determination of the strategy and the monitoring of the Company's investment activity, and secondly, the prior authorizations which the Company has to give to Senior Management, available on the Company's website at: www.mercialys.com.

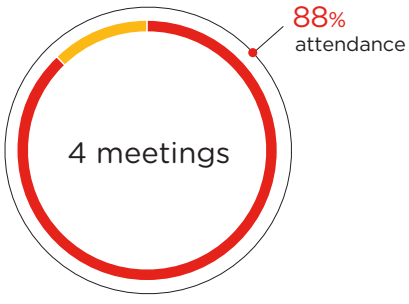
The Investment Committee's primary duties are to examine the investment strategy, to express its opinion on the annual investment budget and to assess any proposed investments or disposals. It is also responsible for examining and giving an opinion on all renegotiations relating to the Partnership Agreement with Casino concerning development projects, with regard to all projects affected 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 others) concerning the Partnership Agreement signed with Casino 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.

B. Activity in 2018



The Committee issued its recommendations regarding the various plans for enlargement, for acquisitions and for asset sales submitted to the Board of Directors. It also examined, as part of the process of reviewing all related-party agreements, the compensation relating to services carried out by Mercialys within the context of the Advisory services framework agreement with L'Immobilière Groupe Casino and Plouescadis.

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 2018 fiscal year.

The Committee also took account of the progress of certain projects that had received prior authorization, as well as the Mercialys 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 directors' fees or specific 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.

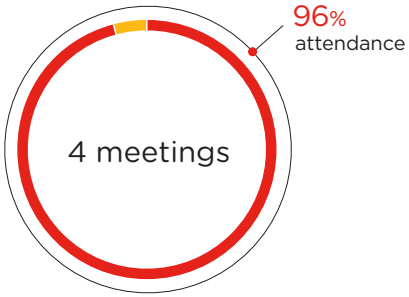
Its duties are:

- to prepare 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 portion of such compensation;
- to assess all the other benefits and compensation awarded to the Chief Executive Officer and any Deputy Chief Executive Officer(s);
- to consider proposed stock warrant, stock option and bonus share plans for employees and senior managers so that the Board of Directors may set the aggregate and/or individual number of warrants, options or shares awarded and the terms and conditions for awarding them;
- to examine the composition of the Board of Directors;
- to examine candidacies for directorships, having regard to the candidates' business experience and skills and the extent to which they are representative in economic, social and cultural terms;
- to consider 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 directors 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;
- to start regularly assessing 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 appraisal of the operation of the Board of Directors, and reviewing compliance with – and the correct application of – the principles of corporate governance and ethical 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 with a view regarding the criteria for good governance, particularly in respect of the representation of women and independent members, but also in terms of the expertise, 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. Activity in 2018



The Committee conducted its annual review of the organization and operation of the Board of Directors and its specialized committees, as well as the correct application of the principles of corporate governance and of the rules of ethics in accordance with the AFEP-MEDEF Corporate Governance 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 informed about the methods used to determine the fixed and variable compensation payable to the Chairman and Chief Executive Officer and Chief Operating Officer in 2017 (2017 ex-post compensation policy submitted to the Ordinary General Meeting of April 26, 2018), the results of the 2016 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 papers.

Furthermore, the Committee reviewed the pre-2018 policy for compensation of the Chairman and Chief Executive Officer and of the Chief Operating Officer, as submitted for approval to the Annual General Meeting of April 26, 2018 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 and the modernization of modern life ("Sapin 2" Act).

The Committee also reviewed, as part of the process of reviewing related-party agreements, the procedures for establishing an Agreement between Casino and Mercialys, within the context of the proposed disposal (the "Project") of all or part of Casino's equity interest in the share capital of Mercialys. This agreement sets out Casino's responsibility, under the Project, to cover the costs incurred by Mercialys pursuant to the sale of the Casino Group's equity interest in Mercialys (external fees and total exceptional compensation paid by Mercialys to its top management).

It examined the procedures for setting up bonus share awards for all Mercialys employees, key employees and corporate officers, as well as the performance criteria determined for the plans applicable to the members of the Management Committee.

The Committee also reviewed the new composition of the specialized committees following changes that occurred during the 2018 fiscal year.

The Appointments and Compensation Committee also examined the question of the succession of the executive corporate officer and noted that the presence of a Chief Operating Officer makes it possible to mitigate the effect of an unexpected replacement 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 states that "when the Chief Executive Officer ceases to carry out or is prevented from carrying out his/her duties, the Chief Operating Officers, unless otherwise decided by the Board, keep their duties and responsibilities until the appointment of the new Chief Executive Officer".

It was also informed about the methods for allocating Directors' fees 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 appraisal of the functioning of the Board of Directors by the Appointments and Compensation Committee charged with organizing the implementation of this code and assisted by an outside consultant, if it so wishes.

In 2017, the Appointments and Compensation Committee entrusted this assessment to an external consultant who performed this assessment based on an analysis of each of the completed questionnaires submitted personally and in confidence by each of the eleven 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 of the latter two with the Company's Chairman and Chief Executive Officer and its Chief Operating 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 assessment, noted the proposed areas for improvement, and took steps in order to further improve its best practices.

In accordance with the recommendations issued as part of this review, a schedule was drawn up in 2018 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, presentation of risk mapping is now subject to regular review 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 reminds the Directors that each of them should be able to perform their duties in accordance with the rules of independence, ethics, trust and integrity. In particular it includes instructions on the Directors' obligation to be informed, in defense of the corporate interest, about the prevention and management of conflicts of interest, the diligence of Directors, the protection of confidentiality and about ownership by the Directors of shares in the Company's equity capital. Measures regarding the prevention of insider trading were included in the Insider Trading Policy which was adopted in 2017 and updated in December 2018, and to which specific reference is made by the internal rules. 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 codes of good conduct and governance, 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, 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 internal existing procedures and thus consolidate the good governance approach. A decision was therefore made to introduce a process of reviewing all related-party agreements.

Regarding the rules relating to the prevention and management of conflicts of interest, the internal rules specify that all Directors are obliged to inform the Board of Directors about any actual or potential conflict in which a Director may, directly or indirectly, be involved; and are obliged to abstain from participating in any discussion and from voting on the corresponding resolution. Furthermore, each Director shall consult the Chairman before becoming involved in any business activity or accepting any position or obligation that may place the Director in a situation of actual or potential conflict of interest. The Chairman may take these matters to the Appointments and Compensation Committee.

4.1.6.1 Procedure for the prior review by the Audit, risks and sustainable development Committee and the Investment Committee of related-party agreements

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 related-party agreements 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.

The regulated agreements entered into by the Company are also subject to this procedure, regardless of their amount. At the request of Senior Management, this procedure may 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 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 and Risks Committee. The internal rules of the Board of Directors also include provisions relating to the principle of prior review of the related-party agreements by the Audit, Risks and Sustainable Development Committee and the Investment Committee.

4.1.6.2 Convictions

To the Company's knowledge, no member of the Board of Directors has, in the past five years:

- received a conviction for fraud or been indicted and/or been subject to an official public penalty from the 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, management, or supervisory body of a publicly traded company, or from being involved in the management or conduct of a publicly traded company.

4.1.6.3 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 of the Company's shares. Pursuant to the internal rules, each Director, whether an individual, a legal entity or a permanent representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's directors' fees – and said shares may be acquired using the aforesaid attendance fee.

Subject to the above, there is, to the best Company's knowledge, no restriction 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 the prohibition against trading in the Company's shares in connection with the prevention of misconduct and insider trading.

4.1.6.4 Prevention of misconduct and insider trading

In 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 internal rules of the Board of Directors have been amended and an Insider trading policy has been adopted (last updated December 2018). This policy includes in particular a description (i) of the applicable laws and regulations, (ii) the definition of insider information (iii) measures taken by the Company in the context of the prevention of insider trading, (iv) obligations of persons with access to insider information and 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 created a Stock Market Ethics Committee tasked primarily with addressing all questions concerned with the application of the Insider Trading Policy.

The Insider Trading Policy, just like the internal rules of the Board of Directors, refers to observance of the prohibition against executing any transactions in the Company's securities and financial instruments:

- during the 30 calendar days preceding the date of public disclosure by the Company of a press release announcing its annual and half-year results and the day of said publication;
- during the 15 calendar days preceding the date of public disclosure by the Company of a press release announcing its quarterly financial disclosures and the day of said publication;

- starting from the date when a person has insider information and until such information ceases to be privileged, in particular because it has been publicly disclosed.

4.1.6.5 Attendance and accumulation of directorships

The internal rules of the Board of Directors states 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' fees 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 comes up for renewal at the Annual General Meeting, are in a position where they are accumulating directorships. The internal rules of the Board of Directors remind Directors that they are required to comply with the statutory rules and with the recommendations of the AFEP-MEDEF Code which states as follows:

- the executive corporate officer shall not hold more than two other directorships in other listed companies which are not part of its group, including foreign companies, and shall receive 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 non-Group listed companies, including foreign companies. This recommendation applies during at the time of the nomination or of later reappointment 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. 275 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.

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 and/or directors' fees 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 the 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.

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, enable the prevention of 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, particularly through the process of prior examination of related-party agreements, on which the independent Directors sit, help to prevent conflicts of interest.

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 given 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. 275 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 Compensation policy for Directors

The total amount of directors' fees allocated to the members of the Board of Directors is set by the Annual General Meeting. The Board of Directors sets the rules for the allocation of Directors' fees to Directors and members of the Committees on the basis of the recommendations of the Appointments and Compensation Committee, in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code.

The variable portion of directors' fees payable to Directors or Committee members who have been absent is not reallocated. Individual or additional directors' fees payable to members representing or employed by the majority shareholder or its group of controlled companies are limited to 50% of the subsequent amounts. The subsequent individual or additional directors' fees are paid *prorata temporis* depending on the date when the duties began or ended.

The directors' fees and compensation of Committee members are paid in the month following the end of each fiscal year.

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.

The Annual General Meeting of June 20, 2016 set the total amount of directors' fees to be paid to members of the Board of Directors and its Committees at Euro 325,000. This amount was previously Euro 305,000.

On the basis of the recommendations of the Appointments and Compensation Committee, the Board of Directors, at its meeting of December 14, 2016, set the rules for allocating directors' fees among the members as follows:

- the annual individual amount of directors' fees was set at Euro 15,000 comprising a fixed portion of Euro 5,000 per year and a variable portion of Euro 10,000 per year, awarded on the basis of attendance at meetings of the Board of Directors;
- an additional directors' fee in an annual amount of Euro 20,000 is paid to the Chairman of the Board of Directors;
- members of the specialized Committees receive an additional attendance fee comprising a fixed portion of Euro 4,000 per year and a variable portion of Euro 11,000 per year for members of the Investment Committee, and Euro 6,000 for members of the Audit and Risks Committee, and the Appointments and Compensation Committee, awarded on the basis of attendance at meetings;
- an additional directors' fee of Euro 5,000 per year is paid to the Chairman of each of these Committees.

These rules did not evolve in 2018.

4.2.1.2 Compensation of Directors in respect of 2018

In accordance with the rules on the breakdown of directors' fees, as described above, the total gross directors' fees paid in January 2019, in respect of the 2018 fiscal year, to the members of the Board of Directors and members of the Committees was Euro 288,841 compared to Euros 309,098 euros in respect of the 2017 fiscal year. Mr. Bruno Servant waived his directors' fees as a member of the Investment Committee.

The tables below detail the directors' fees paid by the Company in 2017, 2018 and 2019 to each director and member of the specialized Committees (excluding Éric Le Gentil, whose information is provided in § 4.2.2.1, B, 2, p. 237). It is specified that no directors' fees or compensation was paid by the companies Mercialys controls and that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code.

Directors' fees paid in 2017 and 2018 (for fiscal years 2016 and 2017)

(in euros)	2017	2018
Victoire Boissier	9,493	17,600
Bernard Bouloc	41,200	34,701
Anne-Marie de Chalambert	45,000	43,889
Élisabeth Cunin	24,000	25,945
Yves Desjacques	11,600	9,296
Jacques Dumas	12,500	12,500
Antoine Giscard d'Estaing	13,000	13,889
Marie-Christine Levet	29,000	28,889
David Lubek [1]	-	768
Ingrid Nappi-Choulet	21,800	20,167
Pascale Roque [2]	-	3,154
Michel Savart	20,000	18,300
Bruno Servant	30,000	30,000

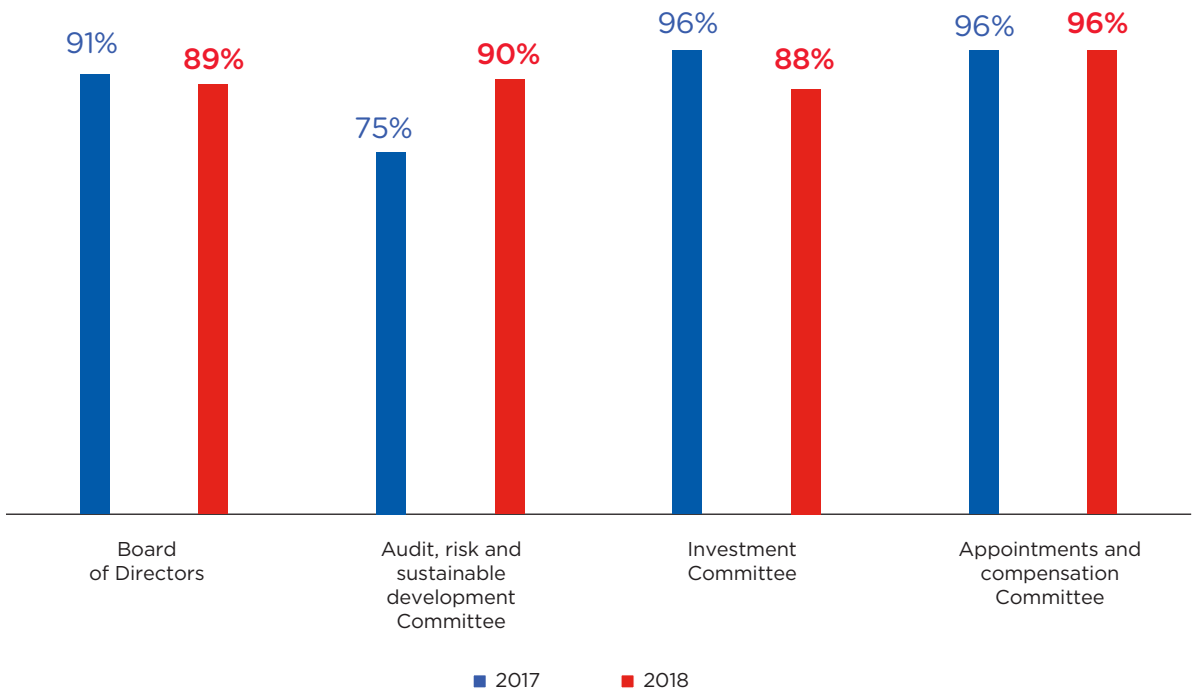
(1) Appointed on November 13, 2017, replacing Mr Yves Desjacques, as a permanent representative of La Forézienne de Participations.
(2) Appointed on October 24, 2017 to replace Mr Bernard Bouloc.

Directors' fees paid in 2019 (for fiscal year 2018)

	Board of Directors		Specialized Committees		
(in euros)	Fixed component	Variable component	Fixed component	Variable component	Total
Stéphanie Bensimon [1]	2,836	4,545	2,268	3,000	12,649
Victoire Boissier	5,000	9,091	4,000	6,000	24,091
Anne-Marie de Chalambert [2]	1,589	2,727	4,131	10,000	18,447
Élisabeth Cunin	5,000	9,091	9,000	6,000	29,091
Dominique Dudan [2]	3,411	6,364	8,869	7,000	25,644
Jacques Dumas	2,500	5,000	2,000	3,000	12,500
Antoine Giscard d'Estaing [3]	2,500	4,000	2,000	2,750	11,250
Marie-Christine Levet [1]	2,164	3,636	3,896	1,500	11,196
David Lubek	2,500	5,000	2,000	3,000	12,500
Ingrid Nappi-Choulet	5,000	8,182	4,000	6,000	23,182
Pascale Roque	5,000	6,364	6,836	6,000	24,200
Michel Savart	2,500	5,000	4,000	8,500	20,000
Generali Vie [4]	5,000	9,091	-	-	14,091

(1) Resignation of Ms. Marie-Christine Levet on June 7, 2018/Appointment of Ms. Stéphanie Bensimon on June 7, 2018.
(2) 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.
(3) Resignation of the Casino, Guichard-Perrachon company of their directorships, represented by Mr. Antoine Giscard d'Estaing.
(4) Generali Vie received directors' fees in respect of the 2018 fiscal year in its capacity as director, Mr. Bruno Servant having waived his directors' fees as a member of the Investments Committee.

RATE OF ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND SPECIALIZED COMMITTEES



4.2.2 Compensation and benefits of executives and corporate officers

4.2.2.1 Compensation of the Chairman and Chief Executive Officer in respect of 2018

A. Principles and criteria for determining, distributing and awarding the compensation components of the Chairman and Chief Executive Officer in 2018

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 2018 to the Chairman and Chief Executive Officer in respect of his corporate directorship, were submitted for adoption by the Annual General Meeting on April 26, 2018 (Resolution 6).

At the Annual General Meeting of April 26, 2018, the shareholders approved the principles and criteria for determining and awarding the compensation of the Chairman and Chief Executive Officer.

The principles for determining the compensation of executive corporate officers submitted to the Annual General Meeting are those of the AFEP-MEDEF Code: completeness, balance between the compensation components, benchmarking, consistency, and intelligibility of the rules and measurements.

A reminder is provided below of the 2018 compensation policy for the Chairman and Chief Executive Officer.

Fixed compensation

Set at Euro 450,000 on March 1, 2015, the fixed compensation did not change in 2017 and remains unchanged in 2018.

Annual variable compensation

In order to more firmly place Corporate Social Responsibility (CSR) at the core of the Group's strategic priorities, a decision was taken to change the mechanism for the 2018 variable compensation paid in 2019 to the corporate officers.

This change involves incorporating a quantifiable CSR target and reducing the percentage for managerial targets, taking out the measurement of the social and societal criterion.

The variable compensation is therefore structured around two types of objectives:

1. quantitative objectives, weighted at 80% (versus 70% in 2017) of which 1 CSR objective at 10%; and

2. managerial objectives, whose weighting has been reduced to 20% (versus 30% in 2017).

The results of the compensation benchmarking performed in 2017 with the Mercer consultancy firm show that:

- the fixed compensation for the Chairman and Chief Executive Officer ranks between the 1st quartile and the median of the market;
- the target bonus is less competitive, as it ranks below the 1st quartile of the market.

In order to reduce the difference in level with respect to market practices, it was decided that the target variable compensation of the Chairman and Chief Executive Officer would be changed and raised to the level of the 1st quartile, *i.e.* 70% versus 50% for the 2017 fiscal year.

Therefore, variable compensation may represent 70% of his fixed annual compensation if the objectives defined are achieved, and may equal up to 140% (vs 100% in 2017) of his fixed annual compensation if the objectives are exceeded.

The criteria selected and their weight 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 excluding the carrying cost of the 2019 debt refinancing	0%	14%	28%
	Organic growth of rental revenues (excluding indexation)	0%	7%	14%
	EBITDA margin	0%	7%	14%
	Improvement in CSR classifications: GRESB and EPRA	0%	7%	14%
	Footfall spread in Mercialys centers as compared to the total CNCC market	0%	7%	14%
	Current financial vacancy rate	0%	7%	14%
	Annualized rental income from 2018 openings	0%	7%	14%
Managerial objectives (20% of the total variable compensation)		0%	14%	28%
TOTAL VARIABLE COMPENSATION AS % OF THE FIXED COMPENSATION		**0%**	**70%**	**140%**

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, the payment of the variable portion of the compensation due for fiscal year 2018, after determining the amount on the basis of the achievement of the objectives defined above, depends on the approval of the Company's Annual General Meeting to be held in April 25, 2019.

Long term compensation

Remember that Éric Le Gentil benefits from a long-term variable incentive plan, established on the advice of Appointments and Compensation Committee, by the Board of Directors' meeting of March 11, 2016. This compensation will only be paid to Mr. Le Gentil after a period of three years, *i.e.* in 2019, subject to his continued presence in the company (in the capacity of corporate officer), and to two performance conditions, as described in § 4.2.2.1,B,4, p. 238 and 239. In 2017, the Board resolved to adopt the principle of a bonus share award in order to associate the Chairman and Chief Executive Officer over the long term with the Company's performance, subject to compliance with the provisions of Article L. 225-197-6 of the French Commercial Code. This award would replace the previously granted long term variable incentive plan. This principle of awarding bonus shares was repeated in 2018.

So, that bonus shares may only be awarded to corporate officers if the Company grants to its employees, and to at least 90% of the employees of its subsidiaries, one of the following benefits:

- stock options and/or stock warrants;
- bonus shares;
- the introduction of a profit-sharing arrangement or of an exceptional participation agreement. For companies that already have such agreements, the first allocation authorized by the Ordinary General Meeting held after the Law of December 3, 2008, assumes that each of them (the listed company, and its concerned subsidiaries) changes the manner of calculating one of these agreements or pays an additional profit share or profit-sharing supplement.

This award would represent a target of 75% of his fixed salary (*i.e.* Euro 337,500) and can represent up to 112.50% of his fixed salary (*i.e.* Euro 506,250) in the event of outperformance.

The bonus shares awarded will only be fully vested by the Eric Le Gentil at the end of a three-year vesting period, provided that they are still corporate officers and subject to company performance, the latter being assessed on all three years, on the basis of the following criteria and evaluation grids:

- Relative performance of the Mercialys share, dividend included (Total Shareholder Return – TSR), compared to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2018, measured between January 1, 2018 and December 31, 2020, for 50% of the allotted shares:

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%

- 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 allocation.

At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in rental revenues	Multiplier
2.00%	0%
2.30%	100%
2.60% or more	150%

The multiplier moves in a straight line between the defined limits.

- 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 allocation.

  At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in FFO	Multiplier
2.00%	0%
3.00%	100%
4.00% or more	150%

The multiplier moves in a straight line between the defined limits.

The bonus shares awarded in 2018 will become the property of the beneficiary after a vesting period of at least three years which will end in 2021.

At the end of this three-year vesting period, Éric Le Gentil will be required to hold 50% of his shares for a period of at least two years after they are fully vested, and to hold the remaining 50% until the termination of his position.

Furthermore, in accordance with the provisions of the final subparagraph of Article 24.3.3 of the AFEP-MEDEF Code, Éric Le Gentil undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Other compensation components

The Chairman and 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.

No severance allowance shall be paid to Éric Le Gentil as a result of the termination of, or change in, his position.

The Chairman and Chief Executive Officer may also benefit from an allowance relating to a non-compete clause. Indeed, if his position is terminated, the Chairman and Chief Executive Officer will be bound by a non-compete 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 period. In return, Éric Le Gentil will be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

In addition, the Chairman and Chief Executive Officer receives, for his service on the Board of Directors, compensation comprising a fixed and a variable component determined on the basis of attendance at Board meetings. For 2017, this fee totaled Euro 50,000.

B. Compensation, in respect of 2018, of Éric Le Gentil, Chairman and Chief Executive Officer until February 13, 2019

1. Summary of compensation payable by Mercialys and the companies it controls or which control it

The compensation, directors' fees and benefits of any kind payable by Mercialys to Éric Le Gentil for fiscal years 2017 and 2018 are as follows, given that he receives no compensation in the form of attendance or other fees from the companies controlled by Mercialys and that Mercialys is not controlled as defined by Article L. 233-16 of the French Commercial Code:

Table 1 – AMF position-recommendation number 2009-16

(in euros)	Fiscal year 2018	Fiscal year 2017
Compensation due for the fiscal year (see § 2, below)	1,205,021	1,043,554
Valuation of multi-year variable incentive awarded during the year	-	-
Valuation of options awarded during the year	-	-
Valuation of bonus shares awarded [1]	268,549	97,116
TOTAL	**1,302,137**	**1,140,670**

(1) Potential valuation of the shares awarded, not yet vested, under plans 24 and 27 and subject to a condition of presence in a corporate officer position as well as and performance conditions over 3 years (see § 6 below).

2. Compensation paid by Mercialys and the companies it controls

Éric Le Gentil received the following compensation, directors' fees and benefits of all kind from Mercialys in his capacity as Chairman of the Board of Directors and Chief Executive Officer in fiscal years 2017 and 2018:

Table 2 – AMF position-recommendation number 2009-16

	Fiscal year 2018		Fiscal year 2017	
(in euros)	Amounts owed [8]	Amounts paid [9]	Amounts owed [8]	Amounts paid [9]
Fixed compensation [1] [2]	452,755	452,755	452,191	452,191
Annual variable compensation [1] [3]	504,630[3]	344,250	344,250	320,625
Multi-year variable compensation [1]	70,313[4]	184,140[5]	182,812	326,188
Exceptional compensation [6]	112,500	175,000	-	150,000
Directors' fees	50,000	50,000	50,000	50,000
Benefits in kind [7]	14,823	14,823	14,301	14,301
TOTAL	**1,205,021**	**1,220,968**	**1,043,554**	**1,313,305**

(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 2018 compensation policy, as approved at the Ordinary Shareholders' Meeting of April 26, 2018, under § 4..2.2.1, A, p. 234, and clarifications are provided in table 3 below. It should be noted that the payment of this amount will be subject to the approval of the fourth resolution presented to the Annual Shareholders' Meeting of April 25, 2019.

(4) Éric Le Gentil will receive Euro 70,313, this compensation must gain the approval of the Resolution 4 by the Company's shareholders at the Company's Annual General Meeting, under the 2016 long-term incentive facility according to the terms and provisions set out by the Board Meeting of March 11, 2016 (see § 4 below).

(5) In April 2018, Éric Le Gentil received the sum of Euro 182,812, in addition to Euro 1,328 corresponding to banking costs in connection with the reinvestment of this sum in shares, i.e. Euro 184,140.

(6) See § 5 below.

(7) Senior executive unemployment insurance and benefit plan covering all the Company's employees.

(8) Compensation paid in respect of the fiscal year, regardless of the date of payment.

(9) All compensation paid during the fiscal year.

The compensation package granted in 2018 to the Chairman and Chief Executive Officer was 7% smaller than the 2017 package.

Éric Le Gentil does not receive any compensation, directors' fees or other benefits from companies controlled by Mercialys.

3. Annual variable compensation

The variable compensation of Éric Le Gentil for the 2018 fiscal year was determined by the Board of Directors at its meeting of February 13, 2019, on the proposal of the Appointments and Compensation Committee, applying the criteria in the table below:

			Minimum	Target	Maximum	Actual
Quantitative objectives Mercialys (80% of the total variable compensation)	FFO growth excluding the carrying cost of the 2019 debt refinancing	% of the fixed compensation	0%	14%	28%	28%
		Value of the indicator		*3.0%*		*4.5%*
	Organic growth of rental revenues (excluding indexation)	% of the fixed compensation	0%	7%	14%	11.69%
		Value of the indicator		*2.3%*		*2.5%*
	EBITDA margin	% of the fixed compensation	0%	7%	14%	4.20%
		Value of the indicator		*84.5%*		*84.3%*
	Improvement in CSR classifications: GRESB and EPRA	% of the fixed compensation	0%	7%	14%	12.25%
		Value of the indicator		*Status maintained*		*Status maintained + GRESB score at 87%*
	Footfall spread in Mercialys centers as compared to the total CNCC market	% of the fixed compensation	0%	7%	14%	14%
		Value of the indicator		*250 bps*		*310 bps*
	Current financial vacancy rate	% of the fixed compensation	0%	7%	14%	0%
		Value of the indicator		*2.4%*		*2.5%*
	Annualized rental income from 2018 openings	% of the fixed compensation	0%	7%	14%	14%
		Value of the indicator		*Euro 4.9 m*		*Euro 5.4 m*
Managerial objectives (20% of the total variable compensation)		% of the fixed compensation	0%	14%	28%	28%
TOTAL VARIABLE COMPENSATION AS % OF THE FIXED COMPENSATION			**0%**	**70%**	**140%**	**112.14%**

This compensation will only be paid subject to the approval of the 4th resolution proposed to the Company's Annual General Meeting on April 25, 2019 (see chapter 8, p. 314).

4. Long-term variable compensation – Obligation to hold Mercialys shares

Éric Le Gentil is the beneficiary of one long-term variable incentive set up, on the advice of the Appointments and Compensation Committee, by the Board of Directors' meetings of March 11, 2016, as the arrangements made by the Board meetings of March 11, 2014 and March 23, 2015 expired in 2017 and 2018 respectively.

Under the arrangements of March 11, 2014, 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).

This long-term variable compensation is only paid at the end of a three-year period subject to a condition of presence (in the capacity of corporate officer) and to the two following performance conditions, assessed annually over three consecutive years, each of them applying to half of the target incentive payment:

- absolute performance of the Company's shares, dividend included (Total Shareholder Return – TSR), corresponding to the total return for the shareholder;
- relative performance of the Company's share, dividend included (Total Shareholder Return – TSR) in relation to the performance of the companies making up the EPRA/NAREIT Eurozone index, with the percentage of the incentive actually vested varying according to the Company's position in the rankings.

The assessment of the achievement of performance conditions for 2016, carried out by an external third party, shows the following information:

Long-term variable incentive plan dated March 11, 2016

	2016	2017	2018
Absolute performance of Mercialys shares, dividend included			
Annual Mercialys TSR	5.2%	2.19%	-24.74%
Multiplier	0%	0%	0%
Performance of Mercialys shares, dividend included, relative to that of companies making up the EPRA/NAREIT Eurozone index			
Mercialys ranking	16th	39th	40th
Position as a percentile	33rd	86th	97th
Multiplier	125%	0%	0%
Overall performance	62.5%	0%	0%
Amount vested (payment made in 2019 subject to the condition of continued employment)	**Euro 70,313**	**Euro 0**	**Euro 0**

Éric Le Gentil is required to reinvest in shares 50% of the incentive thus acquired in shares, after deducting social security contributions and income tax at the maximum marginal rate, and to hold the corresponding shares throughout the term of his directorship. This compensation is due in any case.

5. Exceptional compensation

The Board of Directors, at its meeting of February 10, 2016, decided, on the recommendation of the Appointments and Compensation Committee, to recognize his contribution to the exceeding if the objectives set for 2015 – particularly: (i) in terms of investments, the acquisition of ten hypermarkets from Casino and five sites to be transformed from Monoprix; (ii) three disposals made with an investor in connection with asset allocation and preserving the financial profile; (iii) on the commercial side, the signature of global transactions with international brands and new innovative retailers; (iv) in terms of marketing, the complete overhaul of the internal and external concept, its fast deployment onto facades and the creation of a new corporate identity – to award him an exceptional bonus of Euro 350,000, half of which was paid in cash in February 2016 and half of which will be paid in February 2018 subject to the condition of continued presence as a corporate officer.

Futhermore, the Board of Directors decided, on February 13, 2019 to change the 2018 compensation policy to be able to pay M. Eric Le Gentil exceptional compensation which will 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 special circumstance for the Company which required major involvement by the Chairman and Chief Executive Officer during the 2018 fiscal year. Payment of this compensation is subject to Resolutions 8 and 10 being approved by the Ordinary general meeting (submitted to the meeting of April 25, 2019, (see chapter 8, p. 318 and 319).

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 2018 by the Company and/or companies that it controls to M. Eric Le Gentil.

In accordance with the authorization conferred by the 26th resolution of the Extraordinary Annual General Meeting of April 27, 2017, authorizing the granting of bonus shares to the corporate officers, M. Éric Le Gentil received two bonus share allocations in line with the following criteria and procedures:

Table 6 – AMF position-recommendation number 2009-16

	Bonus shares awarded to Éric Le Gentil				
No. and date of the plan	Number of shares awarded in the year	Valuation of the shares according to the method adopted for the consolidated financial statements	Vesting date	Availability date (2) (5)	Performance conditions (3) (6)
Plan 24, of 04/27/2017	19,269 (1)	Euro 97,116	04/27/2020	04/28/2022	YES
Plan 27, of 04/26/2018	21,673 (4)	Euro 171,433	04/26/2021	04/27/2023	YES
TOTAL	**40,942**	**EURO 268,549**			

(1) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Éric Le Gentil will be 28,904 shares corresponding to a value 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: the absolute performance of the Company's share price, including dividends, corresponding to the total shareholder return (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 Company's share price dividends included (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 Éric Le Gentil will be 32,509 shares corresponding to a value of Euro 257,146.

(5) 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.

(6) 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: the relative performance of the Company's share price, including dividends, corresponding to the 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; organic growth of rental revenues, including Casual Leasing, excluding indexation, measured as a yearly average over 3 years between January 1, 2018 and December 31, 2020 for 25% of the initial award, and growth in the FFO (excluding cost of carrying the debt financing for 2019, for the 2018 fiscal year) measured as a yearly average over 3 years between January 1, 2018 and December 31, 2020 for the remaining 25% of the initial award.

Moreover, no share became available in 2018.

7. Employment contract, special pension plans, severance pay and non-compete compensation

Table 11 – AMF position-recommendation number 2009-16

Employment contract		Supplementary pension plan		Compensation or benefits due, based on termination of, or change in, duties		Compensation linked to a non-compete clause (3)	
Yes	No (1)	Yes	No (2)	Yes	No	Yes	No
	X		X		X	X	

(1) In accordance with the provisions of the Corporate Governance Code, the Chairman and Chief Executive Officer, Éric Le Gentil does not have an employment contract with the Mercialys Group.

(2) 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) Éric Le Gentil may benefit from a payment linked to a non-compete obligation that would apply for a period of one year; it is specified that the Company may reduce or waive the application period. In exchange, he would be paid a monthly sum equivalent to one-twelfth of 50% of his annual fixed compensation as Chairman of the Board. This clause ends the previous one in his capacity as Chief Executive Officer. The payment of this clause will be in instalments over his term of office.

Note that none of the AMF tables (Position-recommendation no. 2009-16) which do not appear in the foregoing pages apply to Eric Le Gentil, namely:

- table 3, on directors' fees and other 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, stock options or purchases of shares exercised in the fiscal year by each executive corporate officer;
- table 7, on awarded bonus shares that have vested in favor of each corporate officer;
- table 8, on the history of grants of stock warrants and stock options;
- table 9, on the stock warrants or stock options granted to the top ten employees who are not corporate officers and the options they have exercised;
- table 10, on the history of grants of bonus shares.

4.2.2.2 2019 Compensation Policy for the Chairman of the Board of Directors, non-executive corporate officer

Report by the Board of Directors on the principles and criteria for determining, distributing and awarding the compensation components of the Chairman of the Board of Directors for fiscal year 2019

(Twelfth resolution of the Ordinary Shareholders' Meeting of April 25, 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 the benefits of any kind, attributable for 2019 to the Chairman of the Board of Directors in respect of his corporate position, must be approved by the Ordinary Shareholders' Meeting of April 25, 2019.

In this connection, the Board of Directors, at its meeting on February 13, 2019, established, on the basis of the recommendations of the Appointments and Compensation Committee, the principles for determining the structure of the compensation of the Chairman of the Board of Directors. 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 and Senior Management.

The compensation of the Chairman of the Board of Directors is thus composed of fixed compensation and directors' fees for his Board membership and his participation in the Investment Committee and the Appointments and Compensation Committee:

- annual fixed compensation: Euro 225,000;
- directors' fees: as provided by the rules in force within the Company.

This compensation is due as from February 13, 2019.

The Chairman of the Board of Directors receives no variable compensation in cash or securities.

The Chairman of the Board of Directors may also benefit from an allowance relating to a non-compete clause that would apply for a period of one year, it being specified that the Company may reduce or waive the application period. In return, he will be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation as Chairman of the Board of Directors. This allowance will not be paid if Eric Le gentil exercices his entitlement to retire. In any case, no allowance may be paid to him beyond the age of 65. Payment of this clause will be in instalments during his term of office.

This clause terminates the previous clause binding Eric Le Gentil in his capacity as Chief Executive Officer.

4.2.2.3 Compensation of the Chief Operating Officer in respect of 2018

A. Principles and criteria for determining, distributing and awarding the compensation components of the Chief Operating Officer in 2018

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 2018 to the Chief Operating Officer in respect of his corporate directorship, were submitted for adoption by the Annual General Meeting on April 26, 2018 (Resolution 7).

At the Annual General Meeting of April 26, 2018, the shareholders approved the principles and criteria for determining and awarding the compensation of the Chief Operating Officer.

The principles for determining the compensation of executive corporate officers submitted to the Annual General Meeting are those of the AFEP-MEDEF Code: completeness, balance between the compensation components, benchmarking, consistency, and intelligibility of the rules and measurements.

A reminder is provided below of the 2018 compensation policy for the Chief Operating Officer

Fixed compensation

The annual fixed compensation of the Chief Operating Officer was set at Euro 270,000 on his appointment on August 30, 2016, with effect from September 1, 2016, on the basis of the benchmarking conducted by a specialized firm. At the Appointments and Compensation Committee meeting of August 30, 2016, it was duly recorded that the Chief Operating Officer's compensation would change in time to reflect the successful assumption of his position. Given the successful assumption of his position, the Board of Directors, at its meeting held on February 14, 2017 and on the recommendation of the Appointments and Compensation Committee, decided to raise his annual fixed compensation to Euro 300,000 with effect from March 1, 2017, *i.e.* an increase of 11%. This amount remained unchanged in 2018.

The annual fixed and variable compensation of the Chief Operating Officer is divided in two: two-thirds paid by Mercialys and one-third by Mercialys Gestion, a wholly owned subsidiary of Mercialys, because he keeps his salaried positions as Director in charge of operations, letting and marketing within Mercialys Gestion.

Annual variable compensation

In order to more firmly place Corporate Social Responsibility (CSR) at the core of the Group's strategic priorities, a decision was taken to change the mechanism for the 2018 variable compensation paid in 2019 to the corporate officers.

This change involves incorporating a quantifiable CSR target and reducing the percentage for managerial targets, taking out the measurement of the social and societal criterion.

The variable compensation is therefore structured around two types of objectives:

1. quantitative objectives, weighted at 80% (versus 70% in 2017) of which 1 CSR objective at 10%; and

2. managerial objectives, whose weighting has been reduced to 20% (versus 30% in 2017).

The variable compensation of the Chief Operating Officer may represent 40% of his fixed annual compensation if the defined objectives are achieved, and may equal up to 80% of his fixed annual compensation if these objectives are exceeded.

The criteria selected and their weight in determining the variable compensation are as follows:

		% of the fixed compensation		
	Minimum	**Minimum**	**Target**	**Maximum**
Quantitative objectives Mercialys (80% of the total variable compensation)	FFO growth excluding the carrying cost of the 2019 debt refinancing	0%	4%	8%
	Organic growth of rental revenues (excluding indexation)	0%	4%	8%
	EBITDA margin	0%	4%	8%
	Improvement in CSR classifications: GRESB and EPRA	0%	4%	8%
	Footfall spread in Mercialys centers as compared to the total CNCC market	0%	4%	8%
	Current financial vacancy rate	0%	4%	8%
	Annualized rental income from 2018 openings	0%	4%	8%
	Number of qualified customer contacts in the Mercialys databases	0%	4%	8%
Managerial objectives (20% of the total variable compensation)		**0%**	**8%**	**16%**
TOTAL VARIABLE COMPENSATION AS % OF THE FIXED COMPENSATION		**0%**	**40%**	**80%**

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, the payment of the variable portion of the compensation due for fiscal year 2018, after determining the amount on the basis of the achievement of the objectives defined above, depends on the approval of the Company's Annual General Meeting to be held in April 25, 2019.

Long term compensation

In order to associate the Chief Operating 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.

This award represents a target of 50% of fixed salary (Euro 150,000) and could represent up to 75% of fixed salary (Euro 225,000) in the event of outperformance.

The bonus shares awarded will only be fully vested by the Chief Operating Officer at the end of a three-year vesting period, subject to conditions of presence (in the capacity of corporate officer) and of company performance, the latter being assessed on all three years, on the basis of the following criteria and evaluation grids:

- Relative performance of the Mercialys share, dividend included (Total Shareholder Return – TSR), compared to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2018, measured between January 1, 2018 and December 31, 2020, for 50% of the allotted shares:

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%

- 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 allocation.

  At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in rental revenues	**Multiplier**
2.00%	0%
2.30%	100%
2.60% or more	150%

The multiplier moves in a straight line between the defined limits.

- 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 allocation.

  At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in FFO	Multiplier
2.00%	0%
3.00%	100%
4.00% or more	150%

  The multiplier moves in a straight line between the defined limits.

The bonus shares awarded in 2018 will become the property of the beneficiary after a vesting period of at least three years which will end in 2021.

At the end of this three-year vesting period, Vincent Ravat will be required to keep 50% of his shares for a period of at least two years after they are fully vested, and to hold the remaining 50% until the termination of his position.

Furthermore, in accordance with the provisions of the final subparagraph of Article 24.3.3 of the AFEP-MEDEF Code, Vincent Ravat undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Moreover, remember that Vincent Ravat is the beneficiary of bonus share plans which were awarded to him as a Mercialys Gestion employee, prior to his appointment as Chief Operating Officer.

Other compensation components

The Chief Operating 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 Operating Officer resulting from the termination of, or change in, his position.

The Chief Operating Officer may also benefit from an indemnity relating to a non-compete clause. Indeed, if his position is terminated, the Chief Operating Officer will be bound by a non-compete 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 period. In exchange, the Chief Operating Officer will be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

B. Details of the compensation, in respect of 2018 fiscal year, of Vincent Ravat, Chief Operating Officer until February 13, 2019

Vincent Ravat, Chief Operating Officer, currently holds the position of Director in charge of operations, letting and marketing at Mercialys Gestion, a company controlled by Mercialys and is in this respect, an employee of that company. The fixed and variable compensation of Vincent Ravat is divided into two parts, with two thirds paid by Mercialys and one third paid by Mercialys Gestion.

1. Summary of compensation payable by Mercialys and the companies it controls or which control it

The compensation, directors' fees and benefits of any kind payable to Mr. Vincent Ravat for fiscal year 2018 by Mercialys and the companies it controls were established as follows. It should be noted that Mercialys is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

Table 1 – AMF position-recommendation number 2009-16

(in euros)	Fiscal year 2018	Fiscal year 2017
Compensation due for the fiscal year (see § 2, below)	584,043	486,149
Valuation of multi-year variable incentive awarded during the year	-	-
Valuation of options awarded during the year	-	-
Valuation of bonus shares awarded (1)	119,360	43,163
TOTAL	**703,403**	**529,312**

(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 § 5 below).

2. Compensation paid by Mercialys and the companies it controls

Vincent Ravat received the following compensation, directors' fees and benefits of all kinds from Mercialys in his capacity as Chief Operating Officer in fiscal year 2018:

Table 2 – AMF position-recommendation number 2009-16

	Fiscal year 2018		Fiscal year 2017	
(in euros)	Amounts due [7]	Amounts paid [8]	Amounts due [7]	Amounts paid [8]
Fixed compensation [1] [2]	200,404	200,404	197,233	194,156
Annual variable compensation [1] [3]	124,960 [3]	115,200	115,200	33,240
Multi-year variable compensation [1] [4]	-	-	-	-
Exceptional compensation [5]	75,000	-	-	33,340
Directors' fees	-	-	-	-
Benefits in kind [6]	13,347	13,347	9,569	9,569
TOTAL	**413,711**	**328,951**	**322,002**	**270,305**

(1) Gross compensation before social security contributions and tax. On the recommendation of the Appointments and Compensation Committee, the Board of Directors decided, on the basis of a benchmark created by a specialized consulting firm, to increase Vincent Ravat's gross fixed annual compensation to Euro 300,000 as of March 1, 2017.

(2) The amounts indicated also include paid leave.

(3) The methods for determining variable compensation are restated in the 2018 compensation policy, as approved at the Annual Shareholders' Meeting of April 26, 2018, under § 4.2.2.3,A, p. 241, and clarifications are provided in table 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 Shareholders' Meeting of April 25, 2019.

(4) Vincent Ravat does not receive multi-year compensation.

(5) See § 4 below.

(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees.

(7) Compensation paid in respect of the fiscal year, regardless of the date of payment.

(8) All compensation paid during the fiscal year.

In addition, Vincent Ravat performs the duties of Director of operations, letting and marketing at Mercialys Gestion. For this reason, the amounts of the compensation and benefits of all kinds due for 2018 were as follows:

Table 2 – AMF position-recommendation number 2009-16

	Fiscal year 2018		Fiscal year 2017	
(in euros)	Amounts due [7]	Amounts paid [8]	Amounts due [7]	Amounts paid [8]
Fixed compensation [1] [2]	102,193	102,193	102,779	101,277
Annual variable compensation [1] [3]	62,480 [3]	57,600	57,600	16,620
Multi-year variable compensation [1] [4]	-	-	-	-
Exceptional compensation [5]	-	25,000	-	34,160
Directors' fees	-	-	-	-
Benefits in kind [6]	5,659	5,659	3,768	3,768
TOTAL	**170,332**	**190,452**	**164,147**	**155,825**

(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 § 4.2.2.3,A, p. 241, and clarifications are provided in the table 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 Shareholders' Meeting of April 25, 2019.

(4) Vincent Ravat does not receive multi-year compensation.

(5) See § 4 below.

(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees and company car.

(7) Compensation paid in respect of the fiscal year, regardless of the date of payment.

(8) All compensation paid during the fiscal year.

3. Annual variable compensation

The variable compensation of Vincent Ravat for fiscal year 2018 was determined by the Board of Directors at its meeting of February 13, 2019, on the proposal of the Appointments and Compensation Committee, applying the criteria in the table below:

			Minimum	Target	Maximum	Actual
Quantitative objectives Mercialys (80% of the total variable compensation)	FFO growth excluding the carrying cost of the 2019 debt refinancing	% of the fixed compensation	0%	4%	8%	8%
		Value of the indicator		*3.0%*		*4.5%*
	Organic growth of rental revenues (excluding indexation)	% of the fixed compensation	0%	4%	8%	6.68%
		Value of the indicator		*2.3%*		*2.5%*
	EBITDA margin	% of the fixed compensation	0%	4%	8%	2.40%
		Value of the indicator		*84.5%*		*84.3%*
	Improvement in CSR classifications: GRESB and EPRA	% of the fixed compensation	0%	4%	8%	7%
		Value of the indicator		*Status maintained*		*Status maintained + GRESB score at 87%*
	Footfall spread in Mercialys centers as compared to the total CNCC market	% of the fixed compensation	0%	4%	8%	8%
		Value of the indicator		*250 bps*		*310 bps*
	Current financial vacancy rate	% of the fixed compensation	0%	4%	8%	0%
		Value of the indicator		*2.4%*		*2.5%*
	Annualized rental incomes from 2018 openings	% of the fixed compensation	0%	4%	8%	8%
		Value of the indicator		*Euro 4.9 m*		*Euro 5.4 m*
	Number of qualified customer contacts in the Mercialys databases	% of the fixed compensation	0%	4%	8%	8%
		Value of the indicator		*600,000*		*715,279*
Managerial objectives (20% of the total variable compensation)		% of the fixed compensation	0%	8%	16%	14.40%
TOTAL VARIABLE COMPENSATION AS % OF THE FIXED COMPENSATION			**0%**	**40%**	**80%**	**62.48%**

This compensation will be paid subject to the approval of the 5th resolution proposed to the Company's Annual General Meeting on April 25, 2019 (see chapter 8, p. 315).

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 Vincent Ravat's exceptional contribution to the success of the implementation of the Toulouse Fenouillet project, opened on November 8, 2016, by giving him an extraordinary bonus of Euro 100,000 in cash, 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 Vincent Ravat's compensation package, Mercialys paid 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 to be received in February 2019, subject to the condition of continued employment.

In February 2018, Vincent Ravat received Euro 25,000 from Mercialys Gestion, in respect of real estate transactions completed in 2015; this compensation was introduced in early 2016, for his position as Director in charge of operations, lettign and marketing.

The Board of Directors decided, on February 13, 2019 to change the 2018 compensation policy to be able to pay M. Vincent Ravat exceptional compensation which will 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 special circumstance for the Company which required the major involvement of the Chief Operating Officer during the 2018 fiscal year. Payment of this compensation is subject to Resolutions 9 and 11 being approved by the Ordinary general meeting of April 25, 2019 (see chapter 8, p. 318 and 319).

5. 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 2018 by the Company and/or companies it controls to Mr. Vincent Ravat.

It is, however, specified that in 2014 and 2016 Vincent Ravat benefited from bonus share allotment plans, which were made in the context of his salaried duties and before his appointment as Chief Operating Officer (see chapter 7, § 7.2.5.3, p. 305 et seq.).

In accordance with the authorization conferred by the 26th resolution of the Extraordinary Annual General Meeting of April 27, 2017, authorizing the granting of bonus shares to the corporate officers, Mr Vincent Ravat received two bonus share allocations in line with the following criteria and procedures:

Table 6 – AMF position-recommendation number 2009-16

	Bonus shares awarded to Vincent Ravat				
No. and date of the plan	Number of shares awarded in the year	Valuation of the shares according to the method adopted for the consolidated financial statements	Vesting date	Availability date (2) (5)	Performance conditions (3) (6)
Plan 24, of 04/27/2017	8,564 (1)	Euro 43,163	04/27/2020	04/28/2022	YES
Plan 27, of 04/26/2018	9,633 (4)	Euro 76,197	04/26/2021	04/27/2023	YES
TOTAL	**18,197**	**EURO 119,360**			

(1) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Vincent Ravat will be 12,846 shares corresponding to a value 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 beneficiary (in their capacity as corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of two performance criteria: the absolute performance of the Company's share price, including dividends, corresponding to the total shareholder return (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 Company's share price dividends included (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 Vincent Ravat will be 14,450 shares corresponding to a value of Euro 114,299.

(5) 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.

(6) Bonus shares become vested only if the beneficiary (in their capacity as corporate officer) is still present at the Company on the vesting date of the shares, and subject to fulfillment of three performance criteria: the relative performance of the Company's share price, including dividends, corresponding to the total shareholder return (TSR) compared to the performance of the companies in the EPRA/NAREIT Eurozone on January 1, 2018, measured between January 1, 2018 and December 31, 2020, for 50% of the initial award, organic growth in rental revenues, including Casual Leasing, excluding indexation, measured as an annual average over 3 years between January 1 2018 and December 31, 2020, for 25% of the initial award, and growth in the FFO (excluding carrying cost for 2019, for the 2018 fiscal year) measured as a yearly average over 3 years between January 1 2018 and December 31, 2020 for the remaining 25% of the initial award.

Moreover, no share became available in 2018.

6. Employment contract, special pension plans, severance pay and non-compete compensation

Table 11 – AMF position–recommendation number 2009-16

Employment contract		Supplementary pension plan		Compensation or benefits due, based on termination of, or change in, duties		Compensation linked to a non-compete clause (3)	
Yes	No (1)	Yes	No (2)	Yes	No	Yes	No
	X		X		X	X	

(1) Vincent Ravat has an employment contract with Mercialys Gestion. He holds the position of Director in charge of the operations, letting and marketing.

(2) Vincent Ravat does not benefit from any additional 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) Vincent Ravat may benefit from a payment linked to a non-compete clause 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 is specified that the Company may reduce or waive the application period. 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 instalments during his term of office. This new non-compete clause terminates the preceding one in his capacity as Chief Operating Officer.

As mentioned for Éric Le Gentil on p. 240, note that none of the AMF tables (Position-recommendation no. 2009-16) which do not appear in the foregoing pages apply to Vincent Ravat.

Pursuant to the provisions of Article L. 225-100, II, of the French Commercial Code, the Ordinary Shareholders' Meeting of April 25, 2019 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 2018 to the Chairman and Chief Executive Officer and to the Chief Operating Officer for their mandate. Details and comments about this information can be found in chapter 8, appendix 1 and 2, p. 341 et seq.

4.2.2.4. 2019 compensation policy for the Chief Executive Officer and the Deputy Chief Executive Officer

Report by the Board of Directors on the principles and criteria for determining, distributing and awarding the compensation components of the Chief Executive Officer and Deputy Chief Executive Officer for fiscal year 2019

(Thirteenth and Fourteenth resolutions of the Ordinary Shareholders' Meeting of April 25, 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 the benefits of any kind, attributable for 2019 to the Chief Executive Officer and Deputy Chief Executive Officer in respect of their corporate position, must be approved by the Ordinary Shareholders' Meeting of April 25, 2019.

In this context, the Board of Directors, at its meeting on February 13, 2019 and March 5, 2019, established, on the basis of the recommendations of the Appointments and Compensation Committee, the principles for determining the structure of the compensation of the Chief Executive Officer and the Deputy Chief Executive Officer for 2019.

I. Principles

The Board of Directors refers to the principles of the AFEP-MEDEF code for determining the compensation of the corporate executive officers: completeness, balance among the compensation components, benchmark, consistency, intelligibility of the rules and measurements.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, the Board of Directors deliberates without the interested parties being present.

The Board of Directors ensures that the compensation policy is aligned with the corporate interests and with the interests of the shareholders and stakeholders. The performance indicator selected for the variable compensation component must be in line with the Mercialys strategy.

II. Compensation components of the Chief Executive Officer

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 Vincent Ravat's fixed compensation from Euro 300,000 to Euro 360,000 with respect to his new functions.

This compensation is due as from February 13, 2019.

Mr. Vincent Ravat will no longer be bound by any employment contract, his employment contract with Mercialys Gestion expiring 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 has been suggested that the variable compensation mechanism introduced in 2018 containing a CSR target be maintained

The variable compensation will therefore be 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 previously indicated, in order to align this variable compensation with that of the previous Chief Executive Officer, it was decided that the annual variable compensation of the Chief Executive Officer be increased to 70% (vs 40% in his capacity as Chief Operating 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 Chief Operating Officer) of his fixed annual compensation if these objectives are exceeded.

It is determined on the basis of having achieved quantitative objectives for 80% and managerial objectives for 20%.

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%
	Organic growth excluding indexation	0%	10.5%	21%
	EBITDA margin	0%	10.5%	21%
	Reduction in emissions (scope 1 and 2: energy consumption and refrigerant leaks) as part of the 2030 carbon strategy (-47% between 2017 and 2030)	0%	7%	14%
	Footfall spread in Mercialys centers as compared to the total CNCC market	0%	3.5%	7%
	Repurchase and partial refinancing of the 2023 bond issue to extend the duration (without carrying cost impact)	0%	7%	14%
Managerial objectives (20% of the total variable compensation)		0%	14%	28%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION		**0%**	**70%**	**140%**

For each quantitative criterion, a minimum threshold of achievement is set, as is a target level corresponding to the objectives of Mercialys for a performance that meets objectives, and a performance level that exceeds the target. 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 the 2019 fiscal year, after determining its amount based on the achievement of the objectives defined above, is conditional on approval by the Annual General Meeting to be held in 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 corporate officers if the Company grants to its employees and at least 90% of employees in its subsidiaries one of the following benefits:

- stock purchase and/or subscription options;
- bonus shares;
- the implementation of a statutory profit-sharing agreement. For companies that already have such an agreement in place, the first allocation authorized by the General Meeting held after the introduction of Law of December 3, 2008 requires that each of them (listed company and subsidiaries concerned) amend the calculation methods relating to one of these agreements, or pays a supplementary profit-sharing allocation.

This allotment would then represent a target of 75% of his fixed salary (*i.e.* Euro 270,000) and could represent up to 112.5% of his fixed salary (*i.e.* Euro 405,000) in the event of outperformance.

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 the capacity of corporate officer) and of company performance, the latter being assessed on all three years, on the basis of the following criteria and evaluation grids:

- Relative performance of the Mercialys share, dividend included (Total Shareholder Return – TSR), compared to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2019, measured between January 1, 2019 and December 31, 2021, for 40% of the allotted shares:

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 index ranking by the number of companies on the index over the course of the period.

- 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 under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in rental revenues	Multiplier
2.00%	0%
2.30%	100%
2.60% or more	150%

The multiplier moves in a straight line between the defined limits.

- FFO growth measured as the three-year annual average between January 1, 2019 and December 31, 2021 for the remaining 40% of the initial allocation.

At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in FFO	Multiplier
2.00%	0%
3.00%	100%
4.00% or more	150%

The multiplier moves in a straight line between the defined limits.

The number of shares vested on the basis of the various performance criteria may be rounded up, up to a limit of 150% of the individual initial award.

The bonus shares awarded in 2019 will become the property of the beneficiary after a vesting period of 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 registered shares for a period of at least two years after they are fully vested, and to hold 50% until the termination of his position as corporate officer.

Furthermore, in accordance with the provisions of the final subparagraph 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 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-compete clause. In effect, in the event of the termination of his position, the Chief Executive Officer will be bound by a non-compete 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 is specified that the Company may reduce or waive the application period. 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 instalments during his term of office. This clause terminates the previous clause binding Vincent Ravat in his capacity as Chief Operating Officer.

III. Compensation components of the Deputy Chief Executive Officer

Fixed compensation

After her appointment as Deputy Chief Executive Oficer on February 13, 2019, it was decided to set her fixed compensation, in compliance with the benchmark surveys carried out, 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 is proposed to retain the variable compensation system set up in 2018 which incorporates 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%.

The variable compensation of the Deputy Chief Executive Officer may represent 40% of her fixed annual compensation if the defined objectives 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 %	12 %
	Organic growth excluding indexation	0 %	4 %	8 %
	EBITDA margin	0 %	6 %	12 %
	Reduction in emissions (scope 1 and 2: energy consumption and refrigerant leaks) as part of the 2030 carbon strategy (-47% between 2017 and 2030)	0 %	4 %	8 %
	Asset disposals during the fiscal year	0 %	4 %	8 %
	Increase in the debt hedging with a maximum budget (Euro 500,000)	0 %	4 %	8 %
	Buyback and partial refinancing of the 2023 bond issue to extend the duration (without carrying cost impact)	0 %	4 %	8 %
Managerial objectives (20% of the total variable compensation)		0 %	8 %	16 %
TOTAL VARIABLE COMPENSATION AS A % OF THE FIXED COMPENSATION		**0 %**	**40 %**	**80 %**

For each quantitative criterion, a minimum threshold of achievement is set, as is a target level corresponding to the objectives of Mercialys for a performance that meets objectives, and a performance level that exceeds the target. Variable compensation is calculated in a linear fashion between the minimum threshold and the maximum threshold.

Pursuant to the provision of Article L. 225-37-2 of the French Commercial Code, payment of the variable portion of the Deputy Chief Executive Officer's compensation for 2019 fiscal year, after determination its amount based on the achievement of the objectives defined above, is conditional on the approval by the Company's Annual 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 above for Chief Executive Officer), on the principle of bonus share awards.

This award would represent a target of 50% of her fixed salary (i.e. Euro 115,000) and could represent up to 75% of her fixed salary (i.e. Euro 172,500) in the event of outperformance.

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 the capacity of corporate officer and/or employee) and of company performance, the latter being assessed on all three years, on the basis of the following criteria and evaluation grids:

- Relative performance of the Mercialys share, dividend included (Total *Shareholder Return* – TSR), compared to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2019, measured between January 1, 2019 and December 31, 2021, for 40% of the allotted shares:

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 index ranking by the number of companies on the index over the course of the period.

- 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 under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in rental revenues	Multiplier
2.00 %	0 %
2.30 %	100 %
2.60 % or more	150 %

The multiplier moves in a straight line between the defined limits.

- FFO Growth measured as the three-year annual average between January 1, 2019 and December 31, 2021, for the remaining 40% of the initial allocation.

At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in FFO	Multiplier
2.00 %	0 %
3.00 %	100 %
4.00 % or more	150 %

The multiplier moves in a straight line between the defined limits.

The number of shares vested on the basis of the various performance criteria may be rounded up, if appropriate, to a limit of 150% of the individual initial award.

The bonus shares awarded in 2019 will become the property of the beneficiary after a vesting period of 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 registered shares for a period of at least two years after they are fully vested, and to hold 50% until the termination of her corporate office and/or her position.

Furthermore, in accordance with the provisions of the final subparagraph 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 Elizabeth 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. 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-compete clause. In effect, in the event of the termination of her position, the Deputy Chief Executive Officer will be bound by a non-compete 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 is specified that the Company may reduce or waive the application period. In exchange, the Deputy Chief Executive Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of her annual fixed compensation.


Euro 1,863 M
Drawn debt
1.8 %
Average cost
of drawn debt
40.8 %
LTV excluding
transfer taxes

5

Risk factors

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5.1 Organization of internal control and risk management

Mercialys internal control and risk management systems described in this chapter were developed according to the reference framework of the AMF, the French financial markets regulator. The main due diligence carried out before writing the paragraphs below involved circulating AMF questionnaires and internal questionnaires or interviews in order to survey all internal control and risk management systems.

These systems constitute an organizational framework which defines: 1/ players, roles and responsibilities; 2/ a risk management process based on the identification of the risks, their analysis and their treatment, and 3/ continuous oversight of this system.

They essentially rely on a specific organization which is dedicated to risk management through the establishment of a Risks Prevention Committee in 2016, the internal dissemination of procedures, documentation and operating methods considered as improvement levers, and permanent monitoring through risk assessment (depending on occurrence and impact) leading to a regular update of the associated risk mapping.

These systems are an integral part of the operational and strategic management of the Mercialys Group, and aim to protect Mercialys from the 10 identified risk families, thereby guaranteeing controlled and sustainable development for the Company.

5.1.1 Internal control and risk management bodies

Mercialys' internal control and risk management procedures, as described in this chapter, are applicable to Mercialys and the subsidiaries it controls within the meaning of the French Commercial Code, in accordance with AMF requirements. As specified 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

The Executive Management, via the Management Committee, is responsible for defining and implementing internal control and risk management systems.

Mercialys Board of Directors is informed of the main characteristics of the risk management and internal control procedures.

To this effect, the Audit, Risks and Sustainable Development Committee is tasked with verifying that the Company has the required structural means to identify, detect and prevent risks, anomalies and irregularities in the management of its business. Among other duties, this committee conducts close and regular monitoring of risk management and internal control systems.

In this context, it issues observations and recommendations on audit work performed, while carrying out or commissioning any risk management or internal control analyses and reviews that it deems appropriate.

The Audit, Risks and Sustainable Development Committee is specifically responsible for monitoring the preparation of financial information and monitoring the efficiency of the Company's internal control and risk management systems. The appointment of this committee is defined and governed by an "Audit, Risks and Sustainable Development Committee Charter".

The details on the composition, duties and accomplishments of the Audit, Risks and Sustainable Development Committee are set out in chapter 4, § 4.1.4.1, p. 225 and 226.

5.1.1.2 Risks Prevention Committee

A Risks Prevention Committee was created in 2016 to specifically address the strong demand for risk monitoring by regulators and to secure Mercialys' underlying operational and financial processes, thereby offering an enhanced visibility on risk management.

The Committee is primarily tasked with managing the risk control system through risk mapping. Its specific duties include identifying the risks incurred by Mercialys, surveying and assessing existing procedures, implementing a plan to complete or optimize risk management and to control the correct application of procedures.

The members of this Committee include the Chief Executive Officer, the Deputy Chief Executive Officer and Chief Financial Officer, the Executive Vice-President, the Director of Human Resources, the Internal Control Manager, the CSR Manager and the Director of Compliance and Ethics. Through its members, the Committee has direct access within departments in order to not only benefit from the expert position of each head of department, but also to optimize the procedures for risk identification, analysis and treatment. Furthermore, the fact that the Committee reports directly to Executive Management strengthens Mercialys' policy of making risk management an integral part of its strategy.

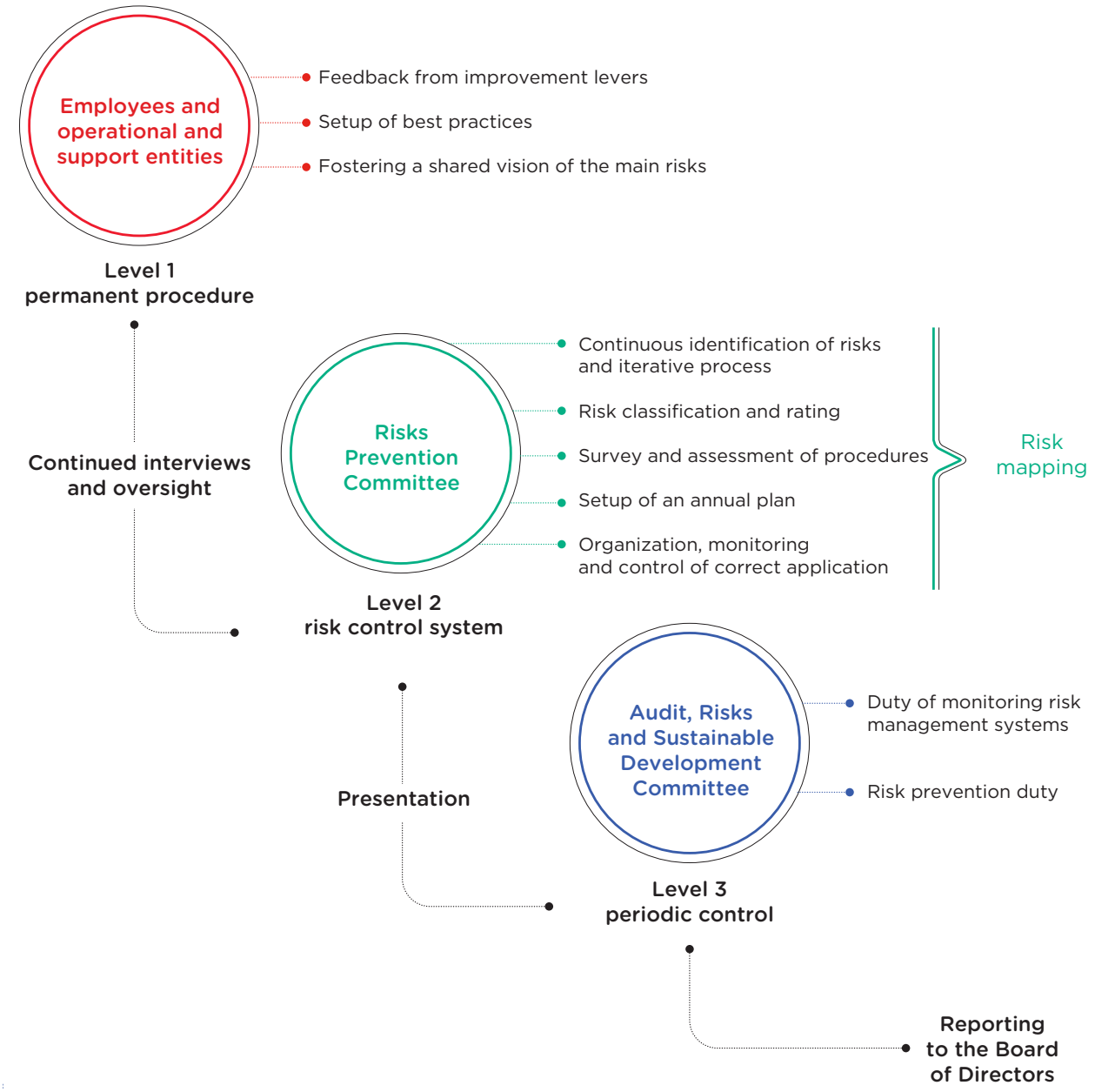
The Committee meets once a month and reports to the Audit, Risks and Sustainable Development Committee. The Management Committee is kept informed through regular presentations.

5.1.1.3 Employees

Employees and middle management represent the third line in Mercialys' internal control and risks management system. Mercialys endeavors to include all employees in the risk control system through *ad hoc* presentations, communications to teams, and through the Risk Prevention Committee itself which operates by interviewing heads of departments and/or employees.

They are tasked with making the risk management and internal control systems work by improving them continually. Employees also play a preventive role through frequent dialogue with the Internal Control Manager about possible improvements or identifications of new risks.

SUMMARY OF THE STAKEHOLDERS AND ORGANIZATION OF THE RISK MANAGEMENT SYSTEM



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, risk management and internal control systems cannot provide an absolute guarantee that the Company's objectives will be met. There are inherent limitations in any system, which may result from many internal and external factors.

However, Mercialys strives to minimize these risks. Its risk management and internal control systems are part of 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 by Executive Management in a three-year plan that is fully reviewed and updated every year. This plan is put together under the leadership of Mercialys' Executive Management, which is responsible for checking that the Company's overall structure is in balance, particularly in terms of investments and allocation of financial resources, as well as monitoring implementation of the plan.
- Secondly, rules of conduct and integrity known and respected by all. In this respect, Mercialys has defined a Charter of Ethics and Code of Business Conduct which formally sets out its ethical commitments and resulting rules of conduct to be followed by all its employees daily. The charter is sent annually to all employees, who by signing it, undertake to strictly comply with its principles. All employees are trained each year on specific ethics-related topics. Standards for managerial attitudes and behavior have also been set up and distributed to the Company's entire Management, as guidelines for their daily actions.

5.1.2.2 Operating methods

	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 business activities, carrying out its transactions effectively, and using its resources efficiently. It is also designed to take appropriate account of significant risks that could prevent the Company from achieving its objectives.	Mercialys' risk management system consists of a series of methods, behavioral practices, procedures and actions suited to its characteristics. The aim is to enable managers, if they cannot make these risks disappear, at least to keep them at an acceptable level for the Company.
Objectives	Internal control is specifically designed to ensure: • compliance with legal and regulatory requirements; • application of instructions and guidelines given by Executive Management; • correct implementation of procedures, particularly those contributing to the safeguarding of the assets; • reliability of financial information.	Risk management aims in particular to help to: • create and protect value, assets and the Company's reputation; • secure decision-making and company processes in order to help achieve objectives; • help to ensure that initiatives are in line with the Company's values; • foster a shared vision among employees of the principal risks.

	Internal control	Risk management
Organizational framework	The organization of internal control at Mercialys complies with the principles below: **1/ Responsibility and powers:** Each department head is responsible for organizing its own structure, functions and activities 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 to resolve a situation where a signature cannot be obtained for a specific transaction. Delegations of powers are managed and monitored by the entity's Human Resources Department in conjunction with the Casino Group's Legal Department pursuant to the Service Agreement. **2/ Human resources management policy:** The administration of Mercialys' human resources policy is handled by Mercialys' Human Resources Department, which is supported by the Casino Group's Human Resources Shared Services Centers as part of the aforementioned service agreement. The policy aims to ensure the correct allocation of resources via structured recruitment and career management policies to allow the Company to achieve its current and future objectives. Mercialys also implements training policies covering areas such as management, personal development, Company's business activities, human resources, ethics and compliance. In order to ensure employee motivation, the compensation policy for the Group's business entities is dependent on an analysis of wage positioning relative to the market and based on the principles of internal fairness. The compliance of managerial practices with the standards of management attitudes and managerial behaviors is evaluated each year as part of the annual performance review and has a partial effect on the variable compensation paid. **3/ IT systems:** Mercialys subcontracts its IT operations to the Casino Group, which focuses on the implementation of integrated management software packages and use of professional IT standards and baselines, with the aim of ensuring that the information systems are relevant for the Company's current and future objectives and addressing issues such as physical and software security, preservation of archived information, and operational continuity.	Mercialys' Senior Management and managerial staff are responsible for identifying the specific risks inherent in the Company's activities and analyzing their significance in order to manage them properly. The Risks Prevention Committee meets once a month. Its activities aim to reduce risks identified by management that may prevent the Company from achieving its objectives. As part of the service agreement, Mercialys may, where appropriate, call upon the Casino Group's specialist crisis management unit, which, depending on the circumstances, gathers all internal or external expertise necessary to ensure its smooth functioning, in coordination with the Executive Management and Mercialys' teams. Within the framework of the service agreement between Mercialys and the Casino Group, Mercialys informs the Casino Group Insurance Department of changes likely to impact risk assessment. Under this agreement, the Casino Group's Insurance Department is in charge of taking out and managing insurance policies for Mercialys. Such insurance coverage is either incorporated into the Casino Group's centralized programs or subscribed to through dedicated insurance policies. The Casino Group's Insurance Department also handles the management of claims, as explained in § 5.5, p. 269 and 270. All functions delegated as part of the service agreement between Mercialys and the Casino Group are subject to a control process carried out by Mercialys to verify the quality of the delegated services and accordingly update its risk mapping on a yearly basis.
Internal dissemination of information	Managers are responsible for disseminating relevant information to employees and to functional or operational management. Procedures specific to Mercialys activities are disseminated on a regular basis to the Company employees involved and to those concerned by sub-contracting activities under the service agreement. Enough time is provided for the information to circulate within Mercialys and allow appropriate responses from the concerned stakeholders. Furthermore, the rapid production of reliable information depends on IT systems, organized in order to help the parties concerned perform their activities in an optimal manner.	
Monitoring	Internal control and risk management procedures are monitored under the aegis of the Executive Management via a number of bodies. The Executive Management is regularly informed of any potential failings in the internal control and risk management procedures and of whether such procedures are suitable to the Company's activities, and also monitors the implementation of the necessary corrective measures. Managers play a day-to-day role in the on-going supervision of the effective implementation of the internal control and risk management system. They are responsible for implementing corrective action plans or reporting any major failings to the Executive Management, where necessary. The Company's Chief Financial Officer is responsible for monitoring Mercialys' existing internal control and risk management procedures as well as the internal control procedures applicable to the activities carried out by the Casino Group.	

5.2 Internal control relating to the accounting and financial information published

Internal control relating to accounting and financial information is designed to ensure:

- compliance with published accounting and financial information with applicable rules;
- implementation of the instructions and policies laid down by Senior Management concerning such information;
- the reliability of the information disseminated 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;
- preservation of assets;
- the prevention and detection of fraud or any accounting and financial irregularities, as far as possible.

The scope of accounting and financial internal control described below comprises the parent company Mercialys SA and companies included in its consolidated financial statements.

Under the aforementioned service agreement, the Mercialys Group relies on the Casino Group's Finance Department to prepare its financial statements.

5.2.1 Process for the oversight of accounting and financial organization

5.2.1.1 General organization

Within the framework of the service agreement signed with the Casino Group, and under the control of Mercialys' Financial Department, the teams from Casino's Shares Services Center and its Real Estate Department's Management Control prepare the corporate and consolidated accounting and financial information published by Mercialys.

In order to be able to provide the Mercialys Board of Directors with an opinion on the proposed financial statements, the Mercialys Audit, Risks and Sustainable Development Committee examines the full-year and half-year financial statements and is informed of the conclusions of the Statutory Auditors regarding their work.

5.2.1.2 Application and control of accounting and tax rules

The system in place aims to ensure that the standards applied correspond to regulations in force and are accessible to all persons involved in the preparation of accounting and financial data.

Under the service agreement signed with the Casino Group, the Accounting Department of the Casino Group is tasked with regulation monitoring in order to track and anticipate changes in accounting rules that may impact the Company's accounting standards.

Changes concerning accounting standards are analyzed in terms of their impact on financial statements as well as their presentation with the Statutory Auditors of Mercialys.

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 the support of the Casino Group's Tax Department as provided for in the Service Agreement, and by specialized external consultants. The tax implications of major transactions are analyzed by the Casino Group's Tax Department and, when required, by external consultants. In addition, the monitoring of changes in laws, case law and regulations gives rise to the dissemination of internal memos on tax-related issues.

5.2.2 Processes used for the preparation of the accounting and financial information published

5.2.2.1 Identification of the risks involved in the preparation of the accounting and financial information published

Mercialys' management is responsible for identifying risks affecting the preparation of published accounting and financial information, by overseeing outsourced activities if appropriate. Management applies the principle of separation of duties in the corresponding processes and applies the control procedures commensurate with the level of risk.

5.2.2.2 Control procedures aimed at ensuring the reliability of the financial and accounting information published

A. Processes for the preparation and consolidation of accounting and financial information

The processes for producing accounting information and financial statements are organized in such way as to ensure the quality of published accounting and financial information. In addition, in order to produce information within short lead times, early closing procedures are used so as to preserve the reliability of information.

Account closing procedures have been put in place, wherein the accounting information is 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, with particular attention paid to the production of Mercialys' accounting and financial information.

In accordance with legal requirements, Mercialys has two Statutory Auditors, whose term of office was renewed in 2016. They are responsible for ensuring 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 in the past accounting period and of 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 according to a process initiated and controlled by the Audit, Risks and Sustainable Development Committee, in line with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies and the new European regulation (EU Regulation 537/2014 and Directive 2014/56), transposed into French law by the Order of March 17, 2016 applicable since June 17, 2016.

B. Process for the management of external financial information

Mercialys' financial disclosures comply with the procedures laid down by the AMF and the principle of equal treatment of shareholders. It aims at providing a clear view of the Company's strategy, business model and performance by disseminating accurate, reliable and truthful information to the financial community.

To this effect, Mercialys adheres to the EPRA(1) definition of operational, financial and non-financial performance indicators, in order to implement the best industry practices. See EPRA Best Practices Recommendations Guidelines at http://www.epra.com/application/files/8115/0832/0471/EPRA_BPR _Guidelines.pdf and EPRA Sustainability Best Practices Recommendations Guidelines at http://www.epra.com/application/files/3315/0456/0337/EPRA_sBPR_Guidelines_2017.pdf

Financial information is disclosed to the parties concerned in various ways, including:

- the Registration Document;
- the press releases on the Company's results;
- the financial information meetings and conference calls (presentation of annual and half-year results);
- the press releases on revenue and business activities in the 1st and 3rd quarters;
- the half-year financial report;
- the Annual General Meeting;
- the relations with financial analysts, investors and the financial/general press through a dedicated Investor Relations Officer.

(1) EPRA: European Public Real Estate Association

5.3 Description and management of risks

5.3.1 Identification and classification of risks

On a recurring basis, Mercialys carries out a review of the main risks that could have a material impact on its business activities, financial position or results. Risk management is integrated in the Company's decision-making and operational procedures.

The risk identification work is carried out by the Risks Prevention Committee through interviews with the heads of each Company Department, with employees and with service providers. It is presented and validated in the Audit, Risk and Sustainable Development Committee in order to verify the existence of comprehensive coverage of all risks and monitor risk management procedures. This iterative methodology is likely to identify new risks depending on any operational and regulatory changes as well as changes on the commercial property market.

To ensure the preparation and monitoring of the risk mapping, Mercialys uses a rating system based on impact and probability to classify risks. When measurable, the impact is defined as a percentage of operating results (FFO). Probability is defined as a number of occurrences per year.

The mapping is reviewed annually and can be modified to reflect implementation of action plans or identification of new risks.

5.3.1.1 Risk types and categories

The mapping process identified 67 risks of 3 major types:

- 17 financial risks;
- 27 extra-financial risks;
- 23 operational risks.

These risks are classed into 10 categories:

- equity and financial risks;
- contextual risks;
- compliance risks;
- CSR risks;
- health and safety risks;
- human resources risks;
- ethical risks;
- governance risks;
- business-related risks;
- IT risks.

5.3.1.2 Rating of risks

Mercialys manages and monitors its risks according to their priority. This is defined according to the impact of the risk and the probability of its occurrence.

As previously stated, when measurable, the impact is defined as a percentage of operating results (FFO). It is divided into three levels: low, moderate and high. When the impact is not measurable, members of the Risks Prevention Committee are responsible for defining it on a different criterion (other financial indicator, reputational impact, impact on CSR strategy, etc.).

The probability of occurrence consists of occurrence over a number of years. It is also divided into three levels: improbable, possible, probable.

Risks categorized as priority risks are those showing the following combinations:

- an impact rated as “moderate” with a probability rated as “probable”
- an impact rated as “high” with a probability rated as “possible” or “probable”.

5.3.2 Summary of priority risks

Following the publication in the Official Journal of the European Union on June 30, 2017 of (EU) regulation 2017/1129 of June 14, 2017 amending the Prospectus Directive, Mercialys has decided to anticipate regulatory changes relating to the clarity and simplification of the presentation of such information.

As a result, this year, the Company is continuing to change the structure of the "Risk Factors" chapter to increase accessibility and readability.

As of now, Mercialys has adopted a risk classification based on their relative importance. Below, are only described the 12 risks that have been deemed a priority out of the 67 risks (of all types) identified and managed by the Company's Risk Prevention Company.

Risk type	Risk category	Risk
Financial	Equity and financial	Risk concerning the capitalization rate and portfolio value
	Equity and financial	Risk concerning the interests rates and cost of the debt
	Business-related	Insurance-related risk
	Business-related	Suppliers' payment risk
Extra-financial	Health and safety	Risk related to health and safety
	Business-related	Risk related to portfolio impairment/deterioration
	CSR	Risk linked to climate change
Operational	Business-related	Risk linked to letting
	Equity and financial	Risk of financial counterparties (retailers)
	Business-related	Risk related to rental management
	Business-related	Risk related to Delegated Project Management
	IT	Risk related to the protection of the personal data of clients, suppliers and employees

5.3.2.1 Financial risks

A. Risk concerning the capitalization rate and portfolio value

Description of the risk

The capitalization rate is the key element to calculate the appraisal value of the assets held by Mercialys. It is determined according to the risk-free rate (i.e. the interest rate paid by sovereign borrowers) and the risk premiums associated with the property investment concerned.

The independent appraisers tasked with evaluating the Company's portfolio also base themselves on the rates used in recent real estate transactions on the physical commercial property market.

Assumptions are made twice-yearly on the portfolio appraisers' valuations (in accordance with AMF recommendations). They take account of factors such as changes in rent, vacancies and capital expenditure. Any deterioration of these assumptions would negatively impact the appraisal value.

Likewise, a significant rise 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).

The recording of degraded rates in 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 degradation in the value of the portfolio would have an unfavorable impact on Mercialys' stock price, and potentially on its financial rating and on the financial market players' appraisal of the Company's risk profile, and in fine on the cost of its debt.

Risk management and coverage

The factors that drive up capitalization rates are essentially tied to changes in central banks' monetary policies and to trends in physical real estate investments. Mercialys anticipates the potential impacts of monetary policies (keeping Senior Management regularly updated) and performs simulations of the impact of interest rate changes on the value of its portfolio. It also keeps close track of the real estate transactions taking place on the market. The sensitivity of the value of the portfolio is re-assessed every six months, based on a 0.5% decrease/increase in the capitalization rate and a 10% drop/rise in rents.

The risk of degradation of the appraisal value, through unfavorable underlying assumptions, is thus closely tracked through monitoring methods applied on a regular basis. Moreover, the half-yearly valuation of all assets in Mercialys' portfolio makes it possible to regularly adjust its value, as required.

This risk is managed through the arbitrages that Mercialys carries out on a continuous basis on its portfolio of assets, according to its market vision. The Company's arbitrage strategy is based on the sale of assets that have reached maturity or are potentially becoming commercially vulnerable, and on investments in leading assets in order to consolidate their dominance in their catchment area and strengthen their valuation. In line with this strategy, the Company drastically reduced the size of its portfolio over recent years, going from 93 shopping centers and high-street retail assets at end-2010 to 55 at end-2018.

For more information on the company's portfolio, please refer to chapter 1, § 1.3, p. 56 et seq. and to chapter 3, note 8.1.3, p. 130 et seq. The sensitivity of the value of the portfolio to the change in capitalization rate is stated in chapter 3, p. 132.

Risk trend
Increase

This risk is of major structural importance for Mercialys. The regular sale of 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 current slowdown in the pace of transactions on the physical retail real estate market is having an impact on the Company's ability to rapidly and easily sell its assets. A moderate upswing in capitalization rates was recorded at the end of 2018, resulting in a slightly negative impact on the portfolio's appraisal value.

B. Risk concerning interest rates and the cost of the debt

Description of the risk
In 2018, interest rates remained at record lows. A gradual or sudden rise in interest rates would potentially increase the Company's financing cost, either through the cost of the existing debt, or through possible refinancing operations.

Risk management and coverage
To optimize the cost of its debt, Mercialys manages its interest rate hedging policy in a dynamic way. This policy seeks to:

- maintain an optimal coverage rate and keep the debt structure in line with the Company's bank commitments. The fixed-rate debt amounted to 63% at December 31, 2018 versus the 55% required by the bank covenants. Moreover, with regard to Standard & Poor's financial rating (currently BBB / stable outlook), Mercialys adopts a prudent strategy by preserving significant leeway on its EBITDA / net finance cost ratio (ICR), which was 5.0x at December 31, 2018, versus >2x required by the bank covenant;
- limit the hedging instruments risk. Mercialys has defined a list of instruments it can put in place in view of their associated risk profiles and hedging accounting constraints;
- anticipate the impacts of changes in interest rates. This involves close monitoring and keeping Senior Management 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 the debt .

Furthermore, the interest rate risk management system also provides for:

- limiting 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 daily modeling of the entire Mercialys portfolio in mark-to-market. External modeling tools are applied instantly. As an external value, Forex provides reports on the entire portfolio and on counterparty risk. Tests are carried out quarterly with the fair-value modeling of the debt according to interest rates.

For more information on the company's financial structure and covenants, see chapter 3, note 14, p. 135 et seq. The interest rate sensitivity tests are in chapter 3, note 19.3, p. 144.

Risk trend
Increase

This risk is major for Mercialys. The Company has raised its appraisal, considering in particular that expectations of an upswing in interest rates could impact the cost of its existing debt, as well as that of any refinancing operations that could be conducted. However, a close monitoring and a debt hedging strategy that can adapt to possible changes in interest rate are in place. This risk is actively controlled through Mercialys' financial solidity and the dynamic management of its hedging policy.

C. Insurance-related risk

Description of the risk
The risk linked to insurance coverage is defined as the risk that the Company may not be able to maintain its insurance coverage at an acceptable cost, that it may no longer be fully or partially covered for certain types of risks or that it may be confronted with the risk of default by one of its insurers.

The policy implemented by Mercialys concerning insurance essentially aims to preserve its portfolio and the resulting revenue, as well as cover the risks of third-party liability for the Company and its corporate officers, as well as construction operations.

The main insurance policies taken out for Mercialys by the Casino Group's Insurance Department, under the service agreement between the two companies are detailed on § 5.5, p. 269 and 270.

Risk management and coverage

The risk mapping, implemented by Mercialys, was presented to the Casino Group Insurance Department in order to check the coverage of risks.

Mercialys' shopping centers are routinely audited by the insurers' "fire prevention" engineers, in accordance with annual priorities, depending on the value of the assets (all sites are audited at least once every 5 years). The reports of the insurers' prevention engineers are communicated after each on-site appraisal, along with recommendations which are monitored jointly by Mercialys and the Casino Group's Insurance Department.

Furthermore, the Casino Group Insurance Department is informed by Mercialys of any changes to the Group's structure (acquisition, disposal, extension, redevelopment) and annual statements are prepared and communicated in May of each year.

During Management Committee, Mercialys and the Casino Group Insurance Department review the main insurance programs, draft recommendations and monitor changes.

Regular tender offers, from leading insurers, are organized by the Casino Group Insurance Department to optimize the balance between insurance costs and coverage.

Under the service agreement, Mercialys considers that it benefits from guarantee levels generally subscribed by companies with sizes equivalent to that of the Casino Group, taking advantage of synergies to subscribe, to advantageous conditions, to guarantees that are more specific to the activity of Mercialys.

Risk trend

Stable

The cover provided by the current insurance policies is in line with the cost of reconstruction of the Company's assets. Moreover, the prevention engineers reported no specific coverage anomalies in 2018. Mercialys thus considers this risk as stable.

D. Suppliers' payment risk

Description of the risk

The legal and regulatory provisions adopted since 2014 have reinforced State sanctions and oversight. Indeed, in France, the Consumer law, the law relating to growth, employment and equal opportunities (known as the Macron Act) and the law on transparency and the modernization of economic life (known as the Sapin 2 Act) have strengthened the legal framework against late payments, in particular with an increase of the maximum fine to Euro 2 million per offense committed by legal entities, and the systematic publication of decisions concerning administrative fines.

Mercialys ensures thorough control of this risk in order to fully meet regulatory requirements, and to establish a partnership approach with its suppliers, fostering a relationship of trust and long-lasting professional collaboration.

Risk management and coverage

Mercialys has strengthened its risk control mechanism concerning trade accounts payable *via* procedures disseminated to all the employees and sub-contractors involved, as well as numerous awareness-raising initiatives.

Mercialys has a standardized invoice validation process, a mandatory supplier listing procedure, a commitment monitoring procedure, as well as a budget tracking procedure for its main expense items in order to identify any outstanding invoices not received or not paid.

For more information on Mercialys SA's terms of payment, see chapter 3, § 3.2.6, p. 195.

Risk trend

Decrease

In 2018, Mercialys considerably strengthened its risk control mechanism in this area, in particular via the set-up of new IT tools aimed at ensuring the security of the procedures, and by stepping up the frequency of checks. Compliance with suppliers' terms of payment has been set as an objective and included in the annual variable compensation of all the employees and executives concerned.

Given the measures taken, Mercialys deems that this risk has decreased, but is maintaining high vigilance because of the related implications and impacts, particularly in terms of possible financial fines.

5.3.2.2 Extra-financial risks

A. Risk related to health and safety

Description of the risk

As a property company, Mercialys' risk linked to security or safety is manifested:

- through the operation of its centers (theft, terrorist attack, assault, etc.);
- through construction work at its centers (fall, injury, etc.).

This risk is essentially a reputation risk for the Company, although the risk is also of legal (liability issues) and financial (e.g., victim compensation) nature.

Risk management and coverage

Several types of actions are carried out to manage this risk, both on centers and during works:

- safety procedures are put in place in all centers and are reviewed on a regular basis;
- companies in charge of the centers' safety are audited annually. In the event of results deemed unsatisfactory *by* the Mercialys Property Manager, corrective actions shall be implemented, subject to termination of the contract;
- crisis management procedures are available and are tested on a regular basis;
- retailers are informed of these procedures by the Property Management teams.

For more information on the Mercialys CSR "Customer well-being, health and safety" issue, see chapter 2, § 2.1, p. 67 and 68.

Risk trend

Stable

This risk comes under the Company's fundamental responsibility, i.e. taking all required measures to ensure the highest level of visitor safety on its sites and making their visits enjoyable and convenient. It is thus particularly vigilant in this regard, especially in a climate of international terrorism (with a reinforced "Vigipirate" anti-terrorist plan in France) and protest movements. However, since the situation in France has not significantly changed in this area in 2018, Mercialys deems that this risk is stable.

B. Risk related to portfolio impairment/deterioration

Description of the risk

The risk of deterioration of Mercialys' portfolio may be linked to:

- the activities of some tenants which may damage the quality of soils, underground water, structure of buildings through roof installations, and therefore impair 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.

Risk management and coverage

Mercialys manages this risk in two different ways:

- by asking its Property Manager to take the required measures to ensure that the tenants' business activities comply with regulatory requirements;
- by implementing preventive maintenance measures, particularly on the structure of the buildings.

For more information on the Mercialys CSR "Accessibility and connectivity" issue, see chapter 2, § 2.3, p. 70.

Risk trend

Stable

This risk is covered through the integration of portfolio deterioration risks in the multi-year maintenance plans presented to Mercialys by its Property Manager. No significant change was recorded in 2018.

C. Risk linked to climate change

Description of the risk

Serious weather hazards have been observed, due to climate change. The retail sector and certain activities in particular, such as ready-to-wear are particularly "weather sensitive". Climate fluctuations thus represent a risk for the business of Mercialys' tenants. It can create a financial risk for the Company due to potential delinquencies, or even business closures.

The responsiveness of retailers is crucial for managing and controlling this risk, both in terms of adapting supply and commercial operations to "offset" climatic effects.

Risk management and coverage

Mercialys manages this risk in different ways:

- by monitoring the percentage of textile stores in the Company's leases in order to ensure that the retailer mix is "weather-resistant";
- by keeping watch over the retailers' sales policies and the turnover of their collections ahead of trade negotiations in order to assess the retailers' weather resistance;
- by regularly monitoring the sales performance of its centers in order to introduce corrective measures when required (in particular in the event of changes in retailer revenues and occupancy cost ratios).

For more information on the breakdown of Mercialys rental income by type of retailer and business sector, see chapter 1, § 1.2.4, p. 44.

Risk trend

Stable

By focusing on achieving a balanced retailer mix, the Company ensures that it does not have too many "weather-sensitive" retailers in its portfolio. In fact, a certain number of retailers have modified their supply chains and production methods over recent years to be able to respond to changes more quickly. Mercialys thus considers this risk as stable.

5.3.2.3 Operational risks

A. Risk linked to letting

Description of the risk

Mercialys rents out the surface areas of its shopping centers and medium-sized stores to major national or local retailers.

Concerning letting, the first risk resides in the retailers' potential for attracting customers and their risk of defaulting. Thus, the performance of major retailers, who generate a lot of traffic, or that of the retail chains present on several sites, may represent a risk in the event of an economic downturn or other adverse conditions.

The second risk linked to letting resides in the fact that the commercial real estate sector is characterized by constant change in consumer behaviors and consumption habits. This drives Mercialys to regularly adapt the design of its centers and its retailer mix (i.e. the mix of retail outlets) to meet consumer expectations, and most importantly, to anticipate and provide an appropriate response to the changes in the various consumer segments. The Company also has a personalized and dynamic marketing strategy aimed at supporting footfall in its centers and the revenue generated by tenant retailers.

Lastly, there are specific risks such those relating to inappropriate rents, risk relating to non-letting and non-renewal of leases and the risk of a high vacancy rate.

Risk management and coverage

The risk of dependence on certain international, national or local retail chains, that could affect the performance of one or more assets, and thus in fine Mercialys' results, is covered *via* a counterparty risk management procedure. It includes a process regarding retailer solvency and Mercialys' economic dependence on a particular retailer.

The Company has set up the following procedures:

- a detailed analysis of actual rental figures in relation to the budget, produced monthly by the Financial Department, the Asset Management Department and the Letting Department. The findings are presented to the Management Committee and result in specific action plans;
- during the preparation of the annual asset business plans, an analysis of the per-unit occupancy cost ratio (the ratio between the rent amount including tax, charges including marketing funds and the work reinvoiced to a retailer and its revenues including tax) is conducted. Any change not consistent with the rates usually recorded for a particular activity is subject to a dedicated study of the tenant and retailer context. The conclusions are then drawn and decisions are made on a case-by-case basis by the Letting and Asset Management teams.

In general, Mercialys covers this risk *via*:

- anticipation: consumption and economic trends are tracked on a weekly basis and the findings are disseminated to the members of Senior Management, to enable them to anticipate any trends in the various consumer segments and make any required changes to the target retailer mixes.
- an effective risk control system concerning:
  - Mercialys' setting of rents on an essentially fixed basis (97.3% of Mercialys' lease-based annualized rents were fixed at Dec. 31, 2018),
  - close tracking of the vacancy rate and associated re-letting actions. The quality of the retailers chosen is a truly determining factor. Special attention is paid to their financial soundness and the relevance of their offering in relation to the catchment area's needs.

For more information on the distribution and structure of Mercialys's rental income, see chapter 1, § 1.2.4, p. 44.

Risk trend

Stable

Mercialys deems that this risk is stable, given the resilience of consumption in France, the underlying demand for high-quality commercial premises like those of the Company, and its relatively secure cash flow guaranteed by the duration of its lease portfolio.

Moreover, precise per-asset letting strategies, suited to the needs of each catchment area, have been enhanced. They are presented to the Management Committee and at Project Committee meetings to ensure the commercial sustainability of Mercialys' assets.

B. Risk of financial counterparties (retailers)

Description of the risk

The counterparty risk is represented by the quality of the retail tenants, and thus the ability to collect the rents, charges and work invoiced, with an impact on Mercialys' operating performance, as well as its cash position.

This risk may also be aggravated by the exposure of Mercialys rents to a business sector or tenant. Indeed, an, economic downturn can generate difficulties for tenants to pay their rent, as well as an increase in remaining costs for Mercialys, resulting in a drop in net rental income. The Company thus always ensures that its sector exposure is well balanced, while innovating commercially, relying on notarized leases, etc.

Risk management and coverage

a. Mercialys diversifies its tenant portfolio

Concentration with respect to a tenant or retailer

At December 31, 2018, the Company's top 5, 10 and 30 tenants (excluding Casino Group subsidiaries) represented, 7.7%, 11.8% and 22.6%, respectively of total gross annualized rental income (with a spread that increased compared to 2017). With the exception of H&M and the Casino Group brands, no single tenant represents more than 2% of total rental income. For information, Casino's weight in total rental income came to 28.7% at December 31, 2018 (versus 28.9% at December 31, 2017).

The concentration of tenants with respect to total rental income is monitored semi-annually. Moreover, given the long-standing partnership with the Casino Group and the weight of its rents in total gross rental income, specific monitoring is performed on the Casino retail chain. This analysis covers the Casino Group's financial results, as well as its operations. The improvement of the Casino Group's profitability, the considerable reduction of its debt, and the absence of arrears are all indicators that reflect the retailer's solidity.

Concentration with respect to a sector

Mercialys regularly monitors its exposure to business sectors in order to manage its exposure and determine, *via* the Management Committee, any actions that may need to be implemented.

Through joint monitoring by the Letting Department and the Asset Management Department, market fluctuations are efficiently anticipated.

b. Mercialys reduces the risks of deterioration of rent recovery rate as much as possible as a result of the financial difficulties of tenants

Mercialys carefully selects its tenants by implementing specific selection procedures. Their purpose is mainly to appraise the quality of the retailer's concept, its financial soundness, its digitalization strategy (to cope with competition from e-commerce), alternative offers available, and the overall retailer mix of each shopping center in relation to its catchment area. Furthermore, the financial soundness of the top 10 tenants is monitored on a regular basis.

There are also operational procedures relating to rent monitoring and recovery in order to minimize the risk of loss of receivables.

For more information on Mercialys's rental income concentration, tenant occupancy costs, recovery rates and vacancy rates, see chapter 1, § 1.2.4, p. 43 and 44.

Risk trend

Stable

Mercialys is directly impacted (in a more or less rapid and significant way) by economic conditions and cycles, through the retailers' capacity to remain solvent and maintain, or even increase, their demand for retail space.

In 2018, the consumption trend remained favorable in France, as the country is structurally resilient in terms of consumption and savings. In that context, the risks related to retailer solvency remained stable.

However, in 2018, in an economic environment that weighed down Mercialys' capacity to generate a significant upswing in its rental income, the Company stepped up its monitoring of its current and future retail tenants.

During the year, as a proactive measure, Mercialys strengthened its risk control system, in particular via the launch of data digitalization concerning the rating of retailers and the transactions signed, with a view to anticipating all cycles. The Company also enhanced control measures relating to the risk of dependence on the textile sector.

C. Risk related to rental management

Description of the risk

The administration and rental management of nearly all of Mercialys' shopping centers has been outsourced to Sudeco, a subsidiary of the Casino Group. In 2018, Mercialys renewed two Sudeco management mandates for a term of 5 years, retroactive to January 1, 2018:

- a mandate for the management of rents and arrears, whereby Sudeco is in charge of rent management for the shopping centers, including rent invoicing and collection, the verification of contractual commitments, and the handling of tenant requests and difficulties;
- a technical and administrative management mandate, whereby Sudeco is in charge of the center's service providers, technical facilities, budgets and multi-annual work plans.

The first identified sub-risk inherent in rental management is the risk of the potential replacement of Sudeco as a service provider. The consequence may be potential additional costs, or may have a one-off impact on the quality of recovery of expenses and works by the sites' rental management.

The second sub-risk lies in activities specific to rental management such as comprehensive invoicing and recovery of rents as well the quality of tenant relations, directly impacting the activity of Mercialys.

A third sub-risk lies in the fact that Sudeco also manages communal service charges for shopping centers held in co-ownership or as part of an AFUL (*Association Financière Urbaine Libre*, a private landowners' management association) arrangement with Casino, among investors, owners and operators of certain adjoining hypermarkets. In such a context, Sudeco's management responsibilities may lead to conflicts of interest.

Risk management and coverage

The inherent risk linked to replacement of the service provider Sudeco appears limited. On the one hand, a long mandate, with a six-month notice period in the event of a serious breach, would enable Mercialys to find a new property manager in the event of service interruption. On the other hand, Mercialys would benefit from a large choice of service providers given the structure of the French *Property Management market*.

Concerning the risks linked to the property management activity itself, Mercialys has strengthened its control system:

- Reciprocal controls are carried out by Mercialys and Sudeco, particularly on the subjects of renewal of leases, invoicing and recovery by the Finance Department, the Letting Department, the Asset Management Department and service provider Sudeco. These controls are primarily used to monitor the amount of arrears and actions implemented by the Sudeco recovery unit (coordinated with Mercialys' Financial Department), monitor lease invoices overseen by Sudeco (together with Mercialys' Letting and Financial Departments) and closely monitor the renewals and lettings.
- Moreover, Sudeco performs occasional audits on retail leases and vacant units. Its findings and the related action plans are presented to the Asset Management and Letting Departments. Audits are also performed on the quality of managed units.

Lastly, pursuant to Sudeco's mandate, the system requires that all decisions regarding rental management are taken under the guidance of Mercialys. The controls made by Mercialys are aimed at ensuring the absence of conflict of interest.

For more information on the mandates signed with Sudeco and, more broadly, relations with Casino Group companies, see chapter 6, § 6.2, p. 276 et seq. A breakdown of the composition of net rental income, including rebilling to tenants and amounts payable by Mercialys, is found in chapter 3, note 6, p. 122. Finally, a breakdown of the assets held by Mercialys, with a listing of the Property and Facility managers, is in chapter 1, § 1.3.2.3, p. 61 et seq.

Risk trend
Decrease

This risk was deemed to have decreased in 2018 following the signing with Sudeco of new Technical and Administrative Management and Rental Management mandates for a 5-year period. These mandates include new missions, in particular concerning Mercialys' CSR strategy, regulatory changes (especially the General Data Protection Regulation), the digitalization of rental management processes and the optimization of reports.

Moreover, invoicing and recovery processes are properly in place. As principal, Mercialys conducts regular checks on the missions entrusted to Sudeco, in order to ensure that all rents, charges and work are properly invoiced.

Furthermore, in 2018, Sudeco launched the development of IT tools to improve the quality of reports and the reliability of existing databases.

The rental manager thus has all the required tools for the proper performance of its missions.

D. Risk related to Delegated Project Management

Description of the risk
The role of Delegated Project Management is to validate, in coordination with the principal, the feasibility of the projects, the unfolding of their various phases, their budgets, their administrative and technical authorizations, and their specifications. It is also in charge of initiating calls for tenders, signing contracts, keeping track of technical operations and expenditures, and signing off on projects.

The risk linked to Delegated Project Management covers a technical risk (service provider know-how), an operational risk (compliance with the project development schedule), a financial risk (control of project development costs) and a risk in terms of health and safety (quality of service providers and potential work-site accidents).

Risk management and coverage
As principal, Mercialys works closely with the Delegated Project Management team.

Checks and audits are performed on a regular basis, particularly 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 in the aim of ensuring that all cost overruns were justified (request by the principal, program changes or unanticipated constraint). Since the results of the costing performed by independent economists during the year tally with the Delegated Project Management's figures, Mercialys deems that this risk is properly managed;
- operational and technical monitoring: joint meetings between the Asset Management and Delegated Project Management teams take place regularly to ensure the proper unfolding of the project, in accordance with specifications. The mechanism to control this risk was strengthened this year through a new a Delegated Project Management contract. It has reinforced cross-checks between Mercialys and the Delegated Project Management team. Moreover, ex-post audits are performed on projects delivered the previous year. Their purpose is, in particular, to re-examine the choice of service providers (involvement in the projects and quality of the service provider);
- monitoring of control of the health and safety risk: while Mercialys holds no direct liability in the event of a worksite incident, there is an image-related risk with a financial impact. This risk is managed by Mercialys and by the Delegated Project Management team through the appointment of a Health & Safety Coordinator. The latter is tasked with orchestrating the activities of the different companies from a safety angle. Note that his presence does not discharge the Project Manager from its legal liability. Mercialys ensures that the Director of the shopping center visits the work site on a daily basis. In the event of an incident, the Delegated Project Manager is immediately alerted and the information is transmitted to Mercialys.

For more information on the framework agreement relating to Delegated Project Management between Mercialys and L'Immobilière Groupe Casino, see chapter 6, § 6.2.3, p. 278 and 279.

Risk trend
Stable

Concerning this risk, in 2018, a new non-exclusive framework contract was set up between Mercialys (the Principal) and Sudeco (acting as Delegated Project Manager). Via this contract, Mercialys has satisfactory visibility over the cost of the projects in relation to the budget throughout the work phases. The property development risk may also be fully borne by the Delegated Project Management if a proper development contract is signed.

E. Risk related to the protection of the personal data of clients, suppliers and employees

Description of the risk
Mercialys employees are required to handle several types of IT data. These concern other employees (human resources, internal communication), data on visitors to centers via the development of digital tools (apps for centers, Challenge Fidélité loyalty program, etc.) and data on retailers via the development of the "La Galerie des Services" service platform and the use of a CRM tool.

This risk therefore exists in different forms:

- financial risk linked to the loss of IT data;
- regulatory risk linked to the protection of personal data, in a context of stricter personal data protection laws after the EU regulation has been enforced in 2018;
- reputational risk linked to data hacking.

Risk management and coverage
Several actions are carried out to manage this risk:

- a Mercialys employee has been appointed Data Protection Officer (DPO);
- upon their arrival at Mercialys, each new employee is handed an IT Charter on the best practices for the use of IT resources;
- specific training courses on the protection and use of personal data are provided to the Management and to all employees concerned (in particular the Marketing teams);

- a data backup and archiving policy is implemented to ensure full, regular backup of information in order to maintain business continuity in the event of a problem. A specific procedure recalls the use of the network, and document archiving is duplicated in order to address any contingency;
- data hosting is subject to strict security rules. In particular, data hosting outside the European Union is prohibited;
- procedures are implemented to ensure respect of personal data protection in the context of their recovery and use.

Risk trend
Decrease

In 2018, the new General Data Protection Regulation (GDPR) came into force in Europe. Mercialys has taken the required measures to comply with this new regulation. Given all the measures implemented, including the introduction of a specific system to control the GDPR risk, Mercialys deems that this risk has decreased.

5.4 Relations with the Casino Group

5.4.1 Risks related to agreements entered into with the Casino Group

As a result of changes in its shareholding structure, Mercialys has adapted its corporate governance in accordance with the commitments made when announcing its new strategic plan on February 9, 2012. A partnership agreement was signed with the Casino Group on July 2, 2012. Mercialys' strategy changed from a single standardized model based on the expansion of shopping malls to a much larger model, one that provides more differentiation and is specific to each site. In order to be fully implemented it must be thought out upstream and incorporated within the project design. Then, in 2014, Mercialys and Casino saw fit to extend their partnership agreement until December 31, 2017. On January 31, 2017, while maintaining the overall balance of 2012 and 2014, Mercialys and Casino decided to further amend the agreement, bringing in some adjustments, and extending it until December 2020.

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 new Partnership Agreement under the same financial terms.

However, the non-renewal of this agreement could limit growth opportunities in a market where possibilities to create or acquire new shopping centers are relatively limited at present. Any significant change in the Casino Group's strategy or the impossibility of implementing such operations could also affect Mercialys' development prospects.

Moreover, on March 11, 2015, Mercialys signed a new Service Agreement with the Casino Group, replacing the agreement of September 8, 2005. This Service Agreement defines the terms for the supply of the teams required for Mercialys operations (administrative management, particularly concerning legal matters, human resources, accounting and financial assistance, IT services and services in connection with the property business). These services relate to Mercialys' support functions. Concerning property activities, they also provide the Company with the expertise and technical resources of the Casino Group's property development teams, in particular for any development or restructuring operations conducted by Mercialys on its own behalf. In December 2018, some of the services provided for under this Agreement were terminated (concerning real estate legal support, assistance with property development, and fund management). This termination will take effect at the end of a 12-month notice. The non-renewal of this agreement at its term could generate costs for its replacement and the training of alternative service providers, or for the creation of the services in-house, thereby generating additional costs or delays due to difficulties in the set-up of these services. This could have an unfavorable effect on the Company's business and results.

Moreover, at the end of 2018, the Consulting Agreement between Mercialys, L'Immobilière Groupe Casino and Plouescadis was terminated. A new fixed-term agreement 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.

In addition, via a 2nd rider to the amendment to the Current Account Advance Agreement signed on January 18, 2019, Mercialys and Casino decided to extend this agreement by one year, i.e. until December 2020. Within this framework, Mercialys could be subject to early repayment of any advances still outstanding if Casino ceases to be a board member of Mercialys and no longer holds a direct or indirect stake of at least 5%.

The various contracts and agreements between Mercialys and the Casino Group (or its subsidiaries) are detailed in chapter 6, p. 275 et seq.

5.4.2 Main shareholder risk

The loss of control by the Casino Group, the majority shareholder, of the majority of voting rights at shareholders meetings was recognized at the Annual general meeting on June 21, 2013. Nevertheless, in the event of a very low rate of participation of the other shareholders, it was deemed that the Casino Group would have been able to make major decisions on its own, in particular concerning the appointment of the members of the Board of Directors, the approval of the annual financial statements, and the payment of dividend. However, following the disposal of 15% of Mercialys share capital by the Casino Group, as announced on July 26, 2018, this risk is deemed to no longer exist.

5.5 Insurance and legal risks

5.5.1 Insurance and risk coverage

5.5.1.1 General description of insurance policies

Under the Service Agreement between Mercialys and Casino, Mercialys is named as additional insured under the insurance programs set up by the Casino Group Insurance Department.

This assistance primarily concerns:

- analysis and quantification of insurable risks, including technical risk prevention and protection;
- negotiating and taking out the required insurance cover from solvent insurers, in the Casino Group's insurance programs;
- arbitrage between the transfer of risk financing to the insurance market and self-insurance;
- administrative management of insurance policies and oversight of claims management.

The technical risk prevention and protection policy set up by Mercialys is linked to the Casino Group policy, with the support of the technical departments of the Group's insurers. Shopping centers undergo regular appraisals, depending on the sum insured and appraisal frequency. The reports of the insurers' loss prevention engineers are accompanied by recommendations that are monitored jointly by Mercialys, Casino Group Insurance Department, and the insurers' loss prevention engineers.

5.5.1.2 Main insurance cover in place

Mercialys takes advantage of the synergies and discounted premiums available from pooling insurance coverage, while enjoying the same protection as other similar-sized companies in the sector. This insurance is subject to variations and/or adjustments to take account of the claims rate, insurance market constraints or changes in Mercialys' risks.

Mercialys is in particular covered for property damage, professional liability, building liability, and directors' and corporate officers' liability.

At the time of writing, no major and/or significant claim liable to affect current terms of insurance and the cost of insurance premiums and/or the continuation of self-insurance had been made.

5.5.1.3 Self-insurance

Self-insurance is a strategic risk management and funding decision. It is designed to streamline and control insurance costs by smoothing fluctuations in the insurance market.

Self-insurance is used to finance small, infrequent claims.

5.5.1.4 Insurance cover

For major "intensive" claims, the financing of these risks is transferred to the insurance market. The nature and limits of coverage are determined with the help of external consultants and insurance brokers, based on the market practices of insurers, risk analysis models, and the associated financial implications.

A. Property damage and/or operating loss insurance

The policies negotiated on the insurance market mainly cover property damage and/or operating losses due to fire, explosion, malicious act, collapse, natural event, natural disaster, political violence or tenant liability.

Principal insured risks and amounts (in millions of euros)	
Fire, explosion, lightning (direct damage and consequential operating losses – 24 to 48-month compensation period in loss of rents)	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/compliance expenses	50
Loss of rents	50

B. Third-party liability

This mainly covers personal injury, property damage and/or financial losses caused to third parties through negligence, errors or omissions in a service 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.

Mercialys' insurance coverage limits are identical, on the whole, to those available to the Casino Group.

C. Building insurance

This covers the risks to which Mercialys could be exposed as project manager, in compliance with the regulations and legal requirements for insurance.

The coverage limits are consistent with the practices and insurance obligations for the building industry.

5.5.1.5 Claims management

Claims management is entrusted to the Casino Group Insurance Department, with the support of Mercialys' management and operational staff. The Casino Group Insurance Department oversees the processing and settlement of insurance claims, liaising with insurers, claims adjusters and advisors.

5.5.2 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 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.

5.5.2.1 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 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 the tenants' revenues therefore avoids the regulatory rules for setting or adjusting rents. 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.

5.5.2.2 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.

5.5.2.3 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 of January 1, 2010, 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.

5.5.2.4 Legal and 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 the 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 a challenge by a tenant in respect of work rebilled between in respect of 2017. The case is currently pending, and a subpoena was received in March 2018. Nevertheless, the risk seems insignificant, given that the amount to which the dispute relates makes up less than 1.5% of net earnings attributable to owners of the parent for 2018.

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.

5.6 Extra-financial performance statement and measures concerning climate change

5.6.1 Compliance with European Directive on extra-financial reporting and Extra-financial performance statement

For triggering threshold reasons, Mercialys does not have to make an Extra-financial performance statement, which replaces the Grenelle 2 scheme in force until now and with which the Company has strictly complied since 2012.

As part of its ongoing process to increase transparency, this year Mercialys has reorganized its chapter on Corporate Social Responsibility (chapter 2, p. 65 et seq.) according to the best practices to comply with regulatory requirements of the European Directive on extra-financial reporting, and submitted this information to an auditor, as attested by the opinion of the Independent Verifier Organization, p. 98 and 99.

Chapter 2 presents all CSR strategy issues implemented by Mercialys and the way in which they comprehensively cover its 27 extra-financial risks. As a result, the extra-financial risks addressed in chapter 2 far exceed the scope of the three priority extra-financial risks presented in this chapter, on p.264, which are considered by the Company's Risks Prevention Committee as belonging to the 12 major risks among the 67 identified within the Company, regardless their type (financial, extra-financial or operational).

In accordance with the Directive on extra-financial reporting, the objectives of each issue presented in chapter 2 are specifically described and a limited number of relevant figures were selected to measure the effectiveness of the action plans implemented and changes in residual risks over the years.

Alternative indicators are also proposed in the annexes to that chapter, on p. 85 to 93, to ensure continuity and legibility with the requirements of Article 225 of the Grenelle 2 Law and to comply with the practices recommended by industry bodies such as the EPRA and CNCC and meet the expectations of sustainability rating agencies and other stakeholders.

Items relating to CSR governance, the ecosystem and Mercialys business model, that are also required in the Extra-financial performance statement, appear in the Integrated report section, p. 2 to 31.

Finally, it should be noted that Mercialys will continue to audit its extra-financial information as it did in the past, which it is not required to do since the entry into force of the Directive.

5.6.2 Measures relating to climate change

Regarding climate change in particular, Mercialys is very conscious of the financial risk that this may represent for business operations, in particular via higher insurance premiums, financial impact of claims associated with exceptional natural events that are more frequent and more intensive, and costs of adaptation measures.

The Company is thus involved in a project to reduce its emissions, which is compatible with limiting the increase in global temperature to 2°C. Mercialys is striving to reduce its scope 1 and 2 greenhouse gas emissions by 80% by slashing its power consumption in particular and limiting refrigerant leaks from its air-conditioning units.

The Company is committed to submitting in 2019 its 2°C project for validation by the Science Based Target initiative (SBTi).The SBTi is a non-profit independent organization that checks the compliance of carbon targets fixed by companies with the target set by the 195 member states of the United National Framework Convention on Climate Change (UNFCCC) to limit the increase in global temperature to 2°C by 2050 compared to 1990.

For more information on Mercialys' carbon strategy, see the section on "Energy and greenhouse gases", chapter 2, § 2.4, p. 71 and 72.

5.7 Corruption risk control system

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 for 2018, France ranks 21st out of 180. However, the property sector contains potentially corrupt situations and the Company may be concerned by this risk across all of its functions. Therefore, Mercialys implements control procedures, together with regular information, awareness-raising and training measures for its employees, in order to preserve the integrity of its financial statements and its reputation with all stakeholders. The Company applies a strict policy to control this risk, even though it is not subject to the Sapin 2 Act on this topic given the trigger thresholds applicable in this respect.

As such, the fight against corruption represents a major focus point for Mercialys and is built on the pillars below:

- first, measuring the risk through risk mapping which is analyzed and updated on a regular basis by the Risks Prevention Committee chaired by the Chief Executive Officer of Mercialys, and which reports to the Audit, Risks and Sustainable Development Committee. At-risk functions and the implemented procedures are identified through this mapping, via interviews with the different managers.
- secondly, internal control procedures at operational and financial level. These procedures include in particular (i) the limitation of the power to make commitments on behalf of the Company, (ii) the multi-department validation process for expenditure and transactions with tenants, and (iii) the capacity to make payments on behalf of Mercialys, which is restricted to four persons within executive management (no cash payment may be made nor accepted by employees).

Furthermore, the Company provides its employees with information concerning ethical conduct and the required anti-corruption practices *via* its Charter of Ethics and Code of Business Conduct, and information on the sanctions applicable in the event of a breach. In this respect, 84% of employees were trained in 2018 (compared to 85% in 2017).

Lastly, for the prevention of risks relating to ethics and compliance, Mercialys has an Ethics and Compliance Officer and a dedicated risk mapping system. This system aims to reduce the Company's risk of non-compliance with "hard law" (laws and regulations) as well as "soft law" (international commitments), and to ensure compliance with the values set and upheld by the Company. This risk may translate into legal sanctions and impact in terms of reputation. For the monitoring of risk mapping, the Ethics and Compliance Officer bases himself on the Company's Charter of Ethics and Code of Business Conduct, as well as on regular exchanges with all Mercialys departments and its service providers. The Ethics and Compliance Officer also leads training sessions for employees. Lastly, the Ethics and Compliance Officer ensures that Mercialys complies with the law on the protection of whistleblowers, effective since January 1, 2018. Any employee can easily contact him as part of a whistleblowing process in accordance with applicable legislation.


4
Projects completed
in 2018
Euro 4.9 M
Additional rents
on an annual basis
Euro 568 M
Project portfolio over
the 2019-2025 period

6

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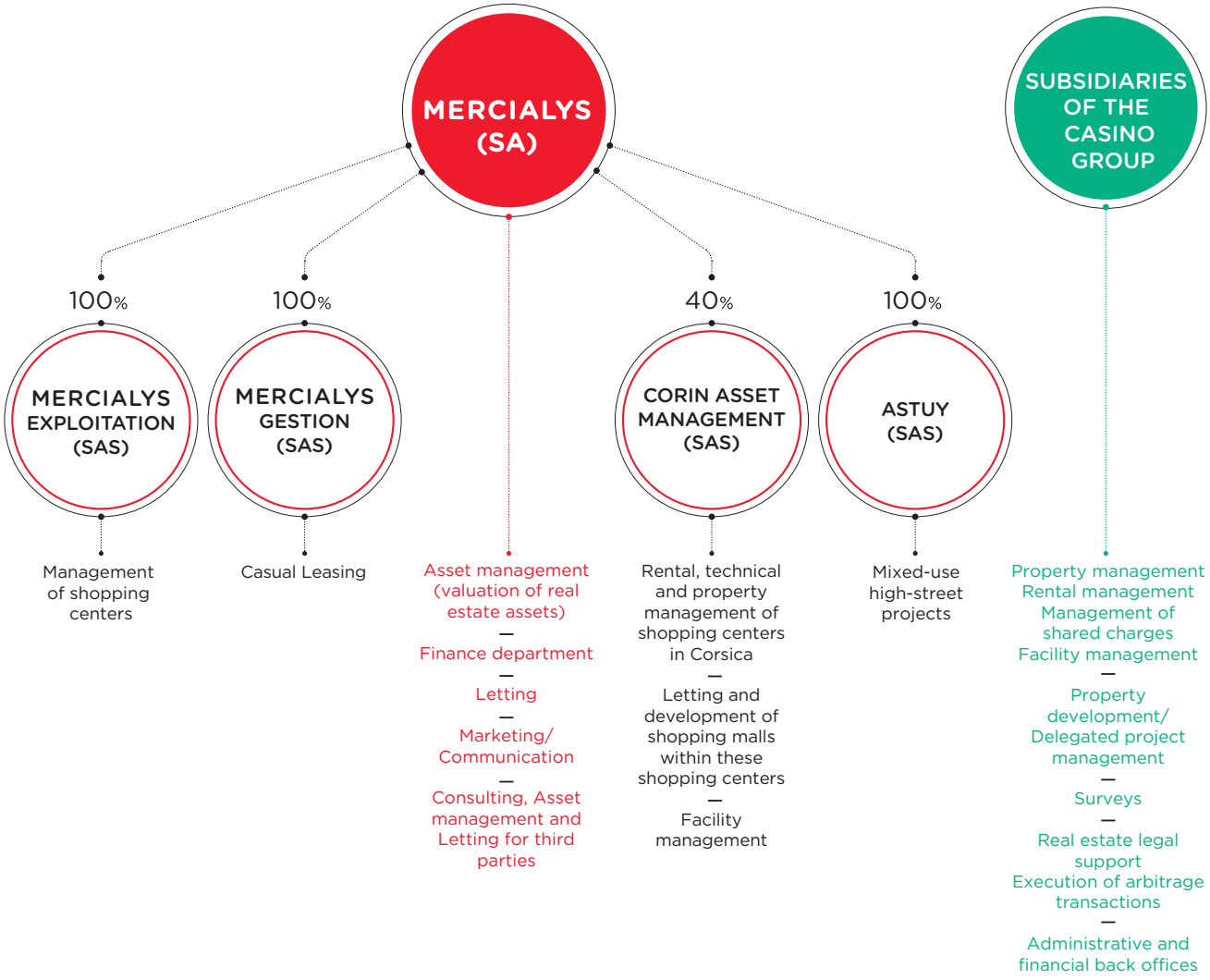
6.1 Operational organization

Mercialys' operational organization is briefly described in chapter 4, p. 197 et seq. and chapter 5, p. 253 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 also entered into various agreements with other Casino Group entities regarding:

- priority access to commercial real estate development and acquisition projects conducted by the Casino Group (excluding food stores) within the scope of the Company's business activity (see § 6.2.2, p. 277 and 278);
- property rental management, technical management and administration of its assets, facility management and delegated project management (see § 6.2.3, p. 278 and 279);
- administrative and financial services (see § 6.2.4, p. 280);
- consulting on shopping center enhancement projects (see § 6.2.8, p. 282).

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).

The following agreements have been subject to approval by Mercialys' Board of Directors:

- the Partnership Agreement (see § 6.2.2, p. 277 and 278);
- the Cash Advance Agreement (see § 6.2.5, p. 281);
- the brand license agreements (see § 6.2.6 and 6.2.7 p. 281 and 282);
- the Consulting Agreement of March 23, 2015 with L'Immobilière Groupe Casino and Plouescadis (see § 6.2.8, p. 282).
- the reimbursement agreement with Casino, Guichard-Perrachon (see Section 6.2.9, p. 282).

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 2018 under these leases amounted to Euro 51.2 million. They amounted to Euro 53.6 million in 2017.

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 shopping centers located on Reunion Island, in Marseille La Valentine, Bordeaux-Pessac and Fréjus, Mercialys has signed long-term leases with the companies operating the power plants. The leases agreed in 2009 have a term of 20 years from commissioning of the plant, subject to an annual fee of Euro 2 per sq.m equipped.

The amount of discounted rents was paid in advance to Mercialys, which re-invested them in the capital of GreenYellow, a subsidiary of Casino, Guichard-Perrachon, specializing in the production and sale of solar energy, as well as optimizing energy efficiency. In 2014, Mercialys disposed of its interest in GreenYellow to Casino. The leases signed since 2010 have a 23-year term in return for a flat fee payable annually on July 1 each year.

Casino Restauration, a wholly-owned subsidiary of the Casino Group, operates 10 catering facilities (including four cafeterias covering a total of 4,440 sq.m), in premises leased out by Mercialys. The leases for the cafeterias were based on a standard model.

Rents invoiced in fiscal year 2018 under the terms of leases granted by Mercialys to Casino Restauration amounted to Euro 1.3 million, compared to Euro 1.1 million in 2017.

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", and are the subject of an order.

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 commercial 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;
- multi-level reciprocal and staggered commitments to support the development of 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 2018 were as follows:

	Shopping centers		Retail parks		
Type of property	Mainland France	Corsica and Overseas departments & territories	Mainland France	Corsica and Overseas departments & territories	City center
> 20,000 sq.m	5.4%	6.0%	6.0%	6.3%	5.2%
from 5,000 to 20,000 sq.m	5.9%	6.3%	6.3%	6.7%	5.5%
< 5,000 sq.m	6.3%	6.7%	6.7%	7.3%	6.0%

After taking into account changes in the average appraised yield for Mercialys' portfolio compared to June 30, 2018, the capitalization rates applicable for the first half of 2019 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	5.5%	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%

On the date of the sale, the price is adjusted to take account of 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 projected rents, 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.

For properties that are vacant when they open to the public, their price will be calculated taking account of said vacancy, based on projected 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 for the costs payable by Casino for the delivery and completion of audit procedures relating to the sale of developments.

In 2018, no project was acquired by the Company under the Partnership Agreement.

6.2.3 Property management and Delegated project management

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, technical management and real estate administration of practically all of its Corsican sites managed by Corin Asset Management (see § 6.3.2.3, p. 288).

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 specific 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 mandates may be renewed annually for a period of one year. These mandates may not be renewed more than five times. The changes introduced by the renewals mainly consist of general modifications (updates and compliance), or mandate-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, its Charter of Ethics and its Code of Business 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 schedules.

When signing these new mandates, 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 mandate, 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 both on a dialog between the asset management and letting teams and Executive 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 set-up 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 mandate, and framework agreement for delegated project management.

All of the mandates, whether they relate to rental management or technical and administrative management, have the common characteristics described hereunder.

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 for in the event of early termination of the technical and administrative management mandate or rental management mandate. 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 2018 totaled Euro 6,333 thousand compared to Euro 6,122 thousand at December 31, 2017 (see chapter 3, note 24.3, p. 152).

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 management services under site-specific mandates.

Under these mandates, 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 Services agreement with Casino

Mercialys entered into a Services 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 remuneration base.

A new service agreement (the "New services agreement") was thus entered into with the Casino Group on March 11, 2015, replacing the Services agreement of December 8, 2005.

The new Services agreement with Casino runs until December 31, 2019. It will subsequently be renewed by tacit agreement for a period of twelve (12) months. When signing the New services 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 services 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 services agreement, Mercialys receives 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: rental management of the Company's assets, service charge administration, outsourced project management, assistance provided on a case-by-case basis by Casino's real estate development unit via conventional real estate development contracts for Mercialys' asset restructuring projects, assistance provided by the Casino Group's Studies and Expansion unit;
- in information technology: hardware and software assistance, maintenance and upgrading of tools, applications and infrastructures, 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 PCs and laptops which is outsourced). It will be revised each year by mutual consent between the parties, on the basis of costs budgeted by Casino, at the latest by the 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 agreement, rental management, management of service charges and occupancy agreements, is provided for under specific agreements.

For services agreed on a case-by-case basis, such as outsourced project management or real estate development agreements, or assistance from the Casino Group's Studies and Expansion unit, the 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 indemnity, subject to the provision of twelve months' notice by registered letter with acknowledgment of receipt.

For 2018, the services invoiced amounted to Euro 2,080 thousand excluding tax, compared to Euro 2,142 thousand excluding tax in 2017 (see chapter 3, note 24.5, p. 153). The drop is due 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 will take effect at the end of a 12-month notice, December 31, 2019, while the other services remain unchanged.

6.2.5 Current account advance agreement with Casino

On July 25, 2012, Mercialys and Casino, Guichard-Perrachon signed an agreement for advances on current account with a maturity of three years, enabling Mercialys to benefit from a confirmed advance from Casino of up to 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 updated refinancing costs (Margin A);
- a second tranche for 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 act of said Agreement, signed on February 14, 2017, Mercialys and Casino Finance decided to extend this agreement until December 2019, so that this advance will continue to be included in the liquidity ratio calculated by Standard & Poor's and participate in Mercialys' BBB/ stable outlook rating, as well as adapt the terms and conditions as follows, given Casino's cost of financial resources:

- the tranche capped at Euro 10 million will bear 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 was increased to 95 basis points, given that Casino's RCF drawdown costs increased.

In connection with the procedure for agreements between related parties, 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 act of the said Agreement between Mercialys and Casino Finance for the purpose of extending the agreement until December 2020 so that the current account advance continues to contribute to the liquidity system taken into account by rating agency Standard & Poor's. The terms of the agreement are unchanged. Amendment No. 2 to the amending act of the Agreement was signed on January 18, 2019.

For 2018, the amount paid by Mercialys for the undrawn portion of this line amounted to Euro 193 thousand excluding taxes, compared to Euro 192 thousand, excluding taxes, paid in 2017.

6.2.6 Brand license agreement with L'Immobilière Groupe Casino

Under the terms of this agreement, concluded on September 8, 2005, 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 patents office) on October 14, 2002 and registered in Class 35 under number 02 3 188 709, 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 pre-emptive 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 license agreement with Casino, Guichard-Perrachon

On May 24, 2007 Mercialys entered into a brand license 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	Registered number	Classes
BEAULIEU (name)	01/23/2006	01/06/2016	06 3 405 097	16, 35 and 36
BEAULIEU... pour une promenade (color visual)	03/21/2006	01/07/2016	06 3 417 884	5, 16, 35 and 36
NACARAT (name)	01/20/2006	01/22/2016	06 3 404 612	16, 35 and 36
NACARAT (color visual)	01/27/2006	01/22/2016	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 pre-emption right 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 N+1. Actually, billing is based on time spent by Mercialys' asset management teams on the determination and implementation of projects completed by the Casino Group. Given the overall cost of this staff and the actual proportion of the time concerned under the workload plan.

Mercialys received remuneration in the amount of Euro 296 thousand excluding taxes, compared to Euro 280 thousand excluding taxes for 2017.

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 will be renewed automatically for a further 6 (six) months, unless terminated by either of the parties by registered letter with acknowledgement 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.

6.2.9 Agreement for the management of expenses with Casino, Guichard-Perrachon

On December 14, 2018, the Company entered into an agreement with Casino, Guichard-Perrachon, 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.

As part of this process, which has already resulted in the sale, by Casino, Guichard-Perrachon, of 15% of the Mercialys share capital in the form of an equity swap completed on July 26, 2018, Casino, Guichard-Perrachon undertakes to cover the specific costs incurred by Mercialys pursuant to this transaction, namely:

- external expenses, including in particular legal fees, upon presentation of supporting documents and up to a maxi-mum of Euro 200,000 excl. VAT;
- the total exceptional compensation, including associated employer contributions that may, if so decided by the Annual General Meeting, be granted and paid by Mercialys to its top management (i.e. the two executive corporate officers and the Chief Financial Officer) in recognition, on the one hand, for the time devoted by top management to this process and, on the other hand, with a view to motivating and retaining the executives in question, up to a maximum amount equal to three months' fixed compensation in respect of 2018, i.e. the sum of Euro 236,250 net of employer contributions and a total estimated amount of Euro 303,200 including employer contributions.

The signing of this agreement was authorized under the regulated agreements procedure of Article L.225-38 of the French Commercial Code by the Board of Directors of the Company at its meeting of December 12, 2018 on a recommendation from the Appointments and Compensation Committee dated December 11, 2018.

This agreement was also authorized under the regulated agreements procedure of Article L.225-38 of the French Commercial Code by the Board of Directors of Casino, Guichard-Perrachon at its meeting of December 13, 2018.

6.2.10 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 Free 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 an aerial or introduce pay parking. Failing absolute majority of the vote. If there is no decision by absolute majority, another General Meeting may be convened at which decisions will 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

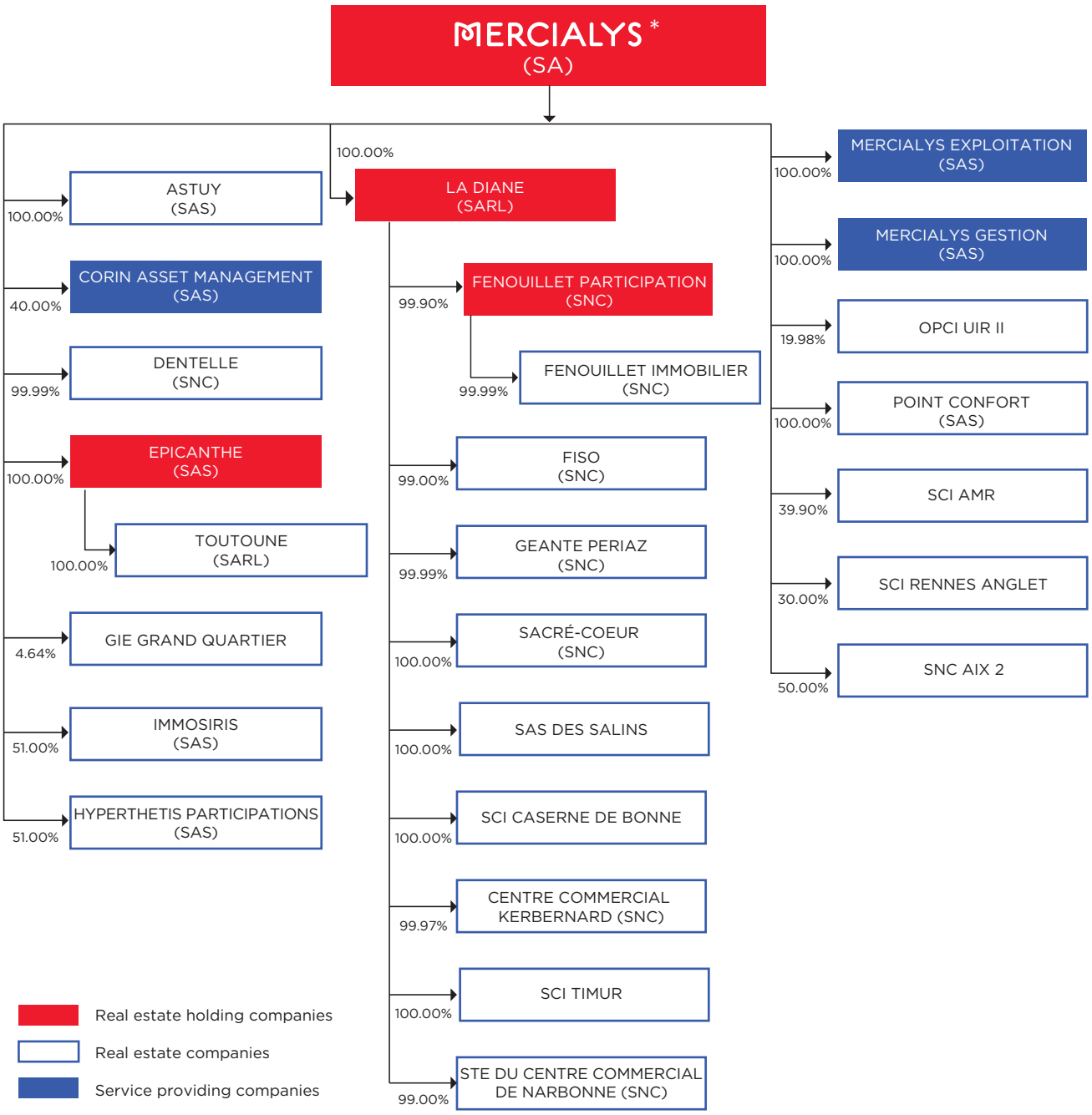
The chart below shows the structure of the Mercialys Group.

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).

In 2018, SNC Agout (dissolution certificate dated May 29, 2018), SNC Alcudia Albertville (dissolution certificate dated May 29, 2018), and SCI MS Investissement (dissolution certificate dated November 15, 2018) — none of which had conducted any business the previous year — were all dissolved through a merger of assets without liquidation to the benefit of Mercialys SA.

A table showing the subsidiaries and shareholdings can be found in chapter 3, note 24, p. 182 and 183. In addition to revenues generated and the net income for the year, the table also shows, for each company, the shareholders' equity, the net asset value of the shares, and the dividends received.

MERCIALYS GROUP ORGANIZATION CHART AT DECEMBER 31, 2018



** Direct and indirect ownership.*
The percentages shown correspond to the Mercialys Group's level of capital ownership

6.3.1 Subsidiaries

6.3.1.1 Service providing 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 11.9 million for the year ended December 31, 2018, compared to Euro 11.9 million in 2017. Net income for 2018 totaled Euro 123 thousand compared to Euro 183 thousand at December 31, 2017.

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 million for the year ended December 31, 2018, compared to Euro 4 million at December 31, 2017. The result for fiscal year 2018 is a loss of Euro 186 thousand compared to a profit of Euro 76 thousand at December 31, 2017.

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 SHON (net floor area) retail park was built and opened in 2013 in the immediate proximity to the Géant Casino hypermarket.

The company reported revenue, excluding taxes, of Euro 380 thousand for the year ended December 31, 2018, compared to Euro 375 thousand at December 31, 2017. Net income totaled Euro 185 thousand compared to Euro 214 thousand at December 31, 2017.

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 2.1 million for the year ended December 31, 2018, compared to Euro 3 million in 2017. Net income totaled Euro 1.2 million, compared to Euro 94 thousand at December 31, 2017.

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 year ended December 31, 2018, compared to Euro 1.4 million in 2017. Net income for the year totaled Euro 558 thousand compared to Euro 1.1 million at December 31, 2017.

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 14.6 million for the year ended December 31, 2018, compared to Euro 14.3 million at December 31, 2017. Net income totaled Euro 7.8 million, compared to Euro 11.1 million at December 31, 2017.

An agreement was signed between the partners of Hyperthétis 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.

Casino has a call option on the Company's shares and on the Company's 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 of SPF 2 Hyperthe shares and on this 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 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 who 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.

Hyperthétis Participations and Mercialys have entered into a services agreement, with a trademark licensing agreement.

E. Immosiris, SAS

This company is 51% owned by Mercialys and 49% by OPCI REAF, managed by BNP Paribas REIM France, and owns the shopping center in Clermont-Ferrand, as well as the hypermarket adjoining the shopping center.

The company reported revenue, excluding taxes, of Euro 7.5 million for the year ended December 31, 2018, compared to Euro 7.1 million at December 31, 2017. Net income totaled Euro 6.3 million, compared to Euro 5.8 million at December 31, 2017.

An agreement was signed between the partners 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 (REAF). This option may be exercised only in the event of a change of manager or change of control in REAF, or in the event of the entry by a competitor into the capital of REAF 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 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 who 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 right of first refusal 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 at the same time.

F. Point Confort, SAS

This subsidiary is the owner of a 1,500 sq.m extension of 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 478 thousand for the year ended December 31, 2018, compared to Euro 458 thousand in 2017. Net income totaled Euro 311 thousand compared to Euro 347 thousand at December 31, 2017.

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 commercial properties 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 year ended December 31, 2018, compared to Euro 1.5 million in 2017. Net income for the year totaled Euro 925 thousand compared to Euro 1.3 million at December 31, 2017.

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 Decathlon, 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 dwellings, an apartment 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 5.4 million for the year ended December 31, 2018, compared to Euro 5.4 million in 2017. Net income totaled Euro 2.1 million, compared to Euro 1.5 million at December 31, 2017.

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 5.7 million for the year ended December 31, 2018, compared to Euro 5.7 million in 2017. Net income totaled Euro 3.8 million, compared to Euro 6.9 million at December 31, 2017.

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 1.1 million for the year ended December 31, 2018, compared to Euro 1 million in 2017. Net income totaled Euro 884 thousand compared to Euro 794 thousand at December 31, 2017.

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 4.1 million for the year ended December 31, 2018, compared to Euro 4 million in 2017. Net income totaled Euro 3 million, compared to Euro 3.6 million at December 31, 2017.

L. Astuy, SAS

Astuy was incorporated on August 3, 2016. The company's purpose is to take over real estate development projects, especially based around Monoprix high-street assets.

The company recorded a net loss of Euro 3.8 thousand at December 31, 2018, compared to a net loss of Euro 3.1 thousand at December 31, 2017.

M. Fenouillet Immobilier, SNC and Fenouillet Participation, SNC

Fenouillet Immobilier owns the extension of 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 at December 31, 2018 of Euro 5.5 million compared to Euro 5.3 million at December 31, 2017. Net income at December 31, 2018 totaled Euro 935 thousand, compared to Euro 1.2 million in 2017.

Fenouillet Participation ended 2018 with a profit of Euro 152 thousand compared to a loss of Euro 14 thousand at December 31, 2017.

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 of the Cap Sacré-Cœur shopping center, located in the municipality of Le Port, in La Réunion. This 9,200 sq.m extension housing 45 new stores was inaugurated on November 6, 2018.

The company reported revenue, excluding taxes, of Euro 1,125 thousand for the year ended December 31, 2018, compared to Euro 906 thousand at December 31, 2017. The profit for the year totaled Euro 900 thousand, compared to a loss of Euro 79 thousand at December 31, 2017.

O. Toutoune, SARL

This company owns an 8-hectare plot in Reunion Island. No revenue was recorded at December 31, 2018, nor at December 31, 2017. The company recorded a net loss of Euro 24 thousand at December 31, 2018, compared to a net loss of Euro 20 thousand at December 31, 2017.

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 Cotée* (Listed Real Estate Investment Trust).

The company recorded no revenue during the fiscal year ended December 31, 2018, nor in the previous year. Net income totaled Euro 16.3 million, compared to Euro 6.3 million at December 31, 2017.

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 eight hectare plot in Saint-André in Reunion Island.

The company reported a loss of Euro 14 thousand for the year ended December 31, 2018, compared to Euro 19 thousand at December 31, 2017.

6.3.2 Equity interests

6.3.2.1 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 2.1 million for the year ended December 31, 2018, compared to Euro 2.1 million in 2017. Net income totaled Euro 754 thousand compared to Euro 610 thousand at December 31, 2017.

6.3.2.2 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 partners 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 scheduled to be 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. 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 9.7 million (recognized rents) for the year ended December 31, 2018, compared to Euro 10.3 million in 2017. The company recorded a profit of Euro 3 million for the period, compared to a profit of Euro 1.5 million at December 31, 2017.

6.3.2.3 Corin Asset Management

Corin Asset Management is jointly owned by Mercialys and Corin, which owns 60% of the share capital.

It provides rental, technical and real-estate management services for the five Corsican shopping centers of which Mercialys acquired 60% of the indivisible property rights in December 2006 and January 2007. It is also responsible for letting and developing the shopping malls within these centers and manages the co-ownership contract between Corin and Mercialys.

Corin Asset Management's bylaws provide for a non-transferable shares clause. This period ended on September 19, 2015.

There is a preemptive right 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 administrative management contract, and a contract concerning asset management and letting.

The company reported revenue, excluding taxes, of Euro 1.2 million for the year ended December 31, 2018, compared to Euro 1 million in 2017. Net income totaled Euro 128 thousand compared to Euro 92 thousand at December 31, 2017.

6.3.2.4 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 mall 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 exists between Mercialys and UIR II.

For the year ended December 31, 2017, the fund reported revenue, excluding taxes, of (real estate income recognized) Euro 5.4 million in 2017. Net income totaled Euro 1.4 million at December 31, 2017.

6.3.2.5 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 3.3 million for the year ended December 31, 2018, compared to Euro 6.5 million in 2017. The company recorded a loss of Euro 4.5 million for the period, compared to a profit of Euro 2.2 million at December 31, 2017.

On July 31, 2018, a new partnership agreement was signed between Mercialys and L'Immobilière Groupe Casino in the presence of SCI Rennes Anglet in the 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 preemptive right.

The agreement provides the partner Immobilière Groupe Casino with a right of first refusal over the other assets located on the site of the property complexes.


Euro 1.12
2018 proposed dividend per share
Euro 0.50
2018 interim dividend per share
9.4 %
Yield on year-end share price

7

Stock market information and share capital

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7.1 Stock market information

7.1.1 Mercialys' share performance

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 included in the SBF 120 and EPRA indices.

The Company has also issued five bonds:

Issue date	Maturity date	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.

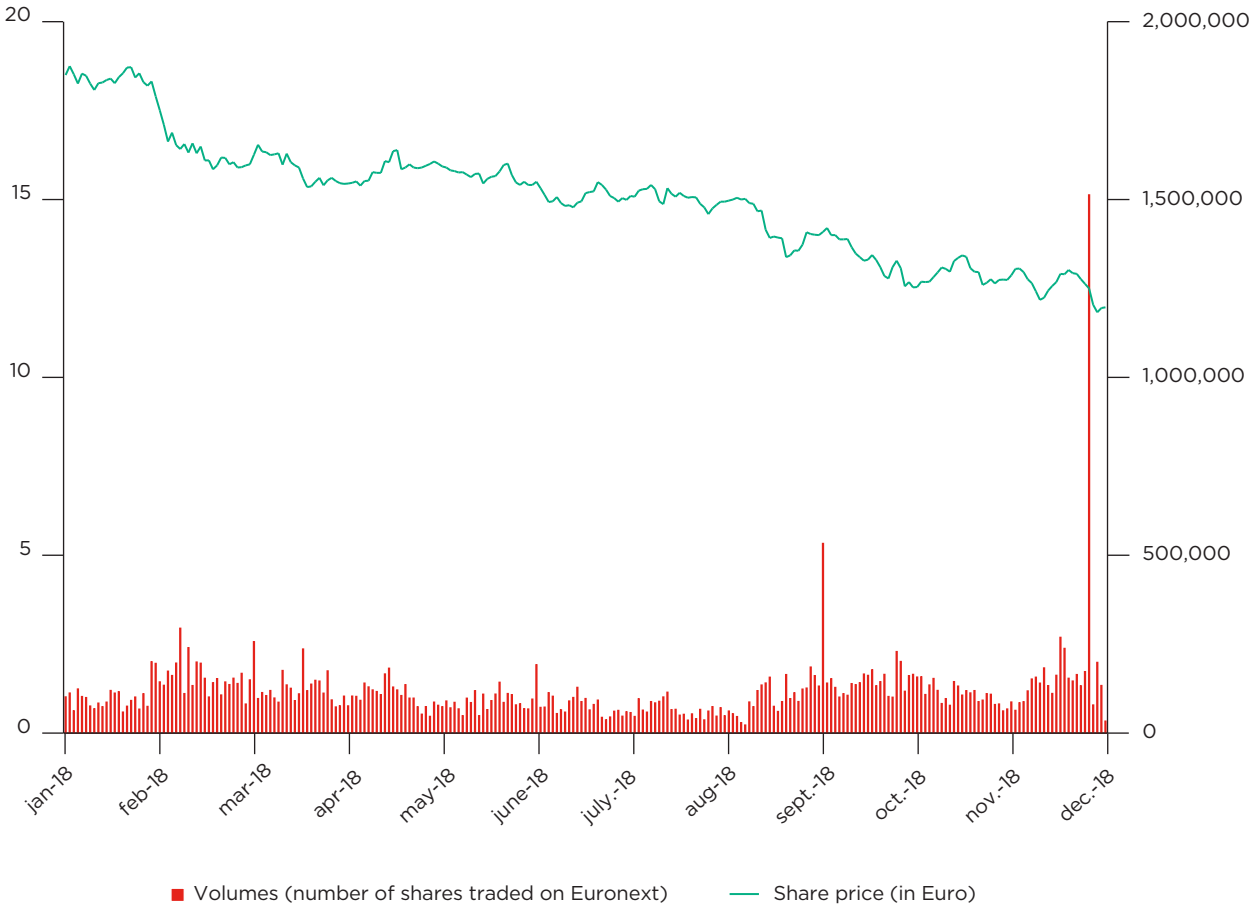
Mercialys is rated BBB/stable outlook by Standard & Poor's.

Volumes traded and prices over the past 18 months [1]

	Share price (in euros)		Number of shares traded (in thousands)	Value of shares traded (in thousands of euros)
	High	Low		
2017				
August	17,305	16,505	1,932	32,630
September	17,200	16,655	2,117	35,809
October	17,600	16,540	3,245	55,188
November	17,625	16,700	2,721	46,845
December	18,445	17,500	1,891	33,816
2018				
January	18,750	18,080	2,120	39,042
February	18,390	15,520	3,272	54,060
March	16,590	15,310	2,841	45,336
April	16,560	15,300	2,329	36,639
May	16,120	15,380	1,800	28,458
June	16,080	14,630	2,001	30,714
July	15,590	14,710	1,583	24,022
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

(1) Source: Euronext Paris.

Share price in 2018



Stock market performance over the last 5 years

	2014	2015	2016	2017	2018
Share price (in euros)[1]					
High	19.26	24.56	21.94	19.70	18.75
Low	14.80	17.98	17.43	16.51	11.74
December 31 (closing price)	18.44	18.64	19.25	18.45	11.97
MARKET CAPITALIZATION AT DECEMBER 31 (IN MILLIONS OF EUROS)	**1,696**	**1,715**	**1,771**	**1,698**	**1,102**

(1) Source: Euronext Paris.

7.1.2 Share buyback program

7.1.2.1 Current share buyback program

The Annual General Meeting of April 26, 2018 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, of Articles 241-1 to 241-5 of the General regulation of the *Autorité des marchés financiers* (AMF), and the European regulation applicable to market abuse (and specifically European regulations no. 596/2014 of April 16, 2014 and no. 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 contract compliant with a code of conduct 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 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 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 within the limit specified by Article L. 225-209, paragraph 6 of the French Commercial Code;
- 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 AMF and 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 Euro 25 (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 the Annual General Meeting of April 26, 2018, 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 offer for shares, securities or transferable securities issued by Mercialys, the Company may only use this authorization to satisfy its commitments regarding the delivery of securities, particularly in the context of bonus share award plans or strategic transactions committed to and announced before the launch of the public offer.

7.1.2.2 Transactions carried out in 2018 and until January 31, 2019

A. Liquidity contract

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 contract with Oddo Corporate Finance on February 20, 2006. This contract complies with the AMAFI (French financial markets association) Code of conduct approved by the AMF on October 1, 2008. The Company allocated Euro 1.6 million to a liquidity account to implement this liquidity contract.

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 contract from Euro 11,4 million to Euro 8 million.

During 2018, a total of 2,363,088 Mercialys shares were purchased at an average price of Euro 15.382, and 2,144,692 Mercialys shares were sold at an average price of Euro 15.311. At December 31, 2018, the liquidity account contained: 345,930 shares and Euro 2,389,821.

Between January 1, 2019 and January 31, 2019, a total of 53,605 shares were purchased at an average price of Euro 12,805 and 101,919 shares were sold at an average price of Euro 12,840. At January 31, 2019, the liquidity account contained 297,616 shares and Euro 3,012,011.

B. Other transactions

No shares were canceled during the 24-month period from February 1, 2017 to January 31, 2019.

Between January 1, 2019 and January 31, 2019 the Company did not carry out any transactions on its own shares, apart from 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 and December 31, 2018 and between January 1 and January 31, 2019, and indicates the number of shares held by the Company:

	Number of shares	% of capital
Number of shares held as at December 31, 2017	**171,961**	**0.19**
Number of shares purchased under the liquidity contract	2,363,088	
Number of shares sold under the liquidity contract	(2,144,692)	
Number of shares canceled	0	
Number of bonus shares	(8,933)	
Number of shares held as at December 31, 2018	**381,424**	**0.41**
Number of shares purchased under the liquidity contract	53,605	
Number of shares sold under the liquidity contract	(101,919)	
Number of shares held as at January 31, 2019	**333,110**	**0.36**

The Company's position at December 31, 2018 and January 31, 2019 was as follows:

	Dec 31, 2018	Jan 31, 2019
Number of treasury shares in portfolio	381,424	333,110
Percentage of share capital held directly or indirectly as treasury shares	0.41%	0.36%
Number of shares canceled during the last 24 months	0	0
Book value of the portfolio (in millions of euros)	5.0	4.3
Market value of the portfolio (in millions of euros)[(1)]	4.6	4.5

(1) Value in millions of euros based on the December 31, 2018 closing price of Euro 11.97 and the January 31, 2019 closing price of Euro 13.40

Mercialys has no open positions in derivative products. The 333,110 treasury shares held on January 31, 2019 were allocated as follows:

- 297,616 shares for use in connection with the liquidity contract;
- 35,494 shares for use in all the Company stock option plans, savings schemes or in the allocation of bonus shares to 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 Annual General Meeting of April 25, 2019, 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 241-5 of the General Regulation of the AMF, and the European regulations applicable to market abuse (specifically European regulations no. 596/2014 of April 16, 2014 and no. 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 contract compliant with a code of conduct 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 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 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 share capital reduction in the manner specified by law;
- to conduct any further market practice authorized by the AMF and 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 should not exceed Euro 20,00 (excluding purchase costs) per share with a par value of Euro 1,00 (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 8,871,806 shares on the basis of the capital at January 31, 2019, net of 333,110 treasury shares, for a maximum sum of Euro 177,4 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 will be valid for a period of 18 months. It would terminate and supersede the authorization previously granted by the fourteenth resolution of the Ordinary General Meeting of April 26, 2018.

In the event of a public tender offer relating to the shares, securities or transferable securities issued by the Company, the Company may only use this authorization to satisfy its commitments regarding the delivery of securities, particularly in connection with bonus share award plans or strategic transactions undertaken and announced before the launch of the public offer.

The Combined Ordinary and Extraordinary General Meeting of April 27, 2017 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 26, 2019. The renewal of this authorization will be proposed to the Annual General Meeting of April 25, 2019.

7.1.3 Dividend policy

On November 24, 2005, the Company elected to be taxed under the regime applicable to *Sociétés d'investissements 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 exempt income generated from property leasing and sub-leasing transactions. Similarly, SIICs must distribute at least 60% of the exempt income generated from the sale of any property and interests in property companies. Dividends from subsidiaries that are subject to corporate income tax and are covered by this tax regime must be fully redistributed.

On July 25, 2018, the Board of Directors decided to pay an interim dividend of Euro 0.50 per share on 2018 earnings. This interim dividend was paid out on October 23, 2018.

At December 31, 2018, the net income generated by Mercialys, the parent company, amounted to Euro 74.1 million, including Euro 72.2 million of tax-exempt income and Euro 1.9 million of taxable income.

The Board of Directors will propose to the Annual General Meeting of April 25, 2019 the payment of a 2018 dividend of Euro 1.12 per share (which includes the interim dividend of Euro 0.50 per share already paid in October 2018), an increase of +2.8% compared to 2017. The dividend thus represents an overall amount of Euro 103.1 million on the basis of the number of shares outstanding at December 31, 2018, without taking into account the cancellation of dividends on treasury shares at the date of payment. The proposed dividend offers a return of 5.3% on the EPRA NNNAV of Euro 21.14 per share at the end of 2018.

The proposed dividend corresponds to 90% of 2018 FFO, in accordance with the objective announced by Mercialys: a dividend within a range of 85% to 95% of 2018 FFO and up by at least 2% from 2017. It corresponds to (i) the distribution obligation under the SIIC status concerning exempt profits from leasing or subletting of properties, *i.e.* Euro 0.93 per share, (ii) 60% distribution of exempt profits for fiscal year 2018 from the sale of properties and interests in property companies, *i.e.* Euro 0.06 per share, and finally (iii) the remainder of 60% of exempt profits for fiscal year 2017 from the sale of properties and interests in property companies, *i.e.* Euro 0.13 per share.

Because an interim dividend of Euro 0.50 per share has already been paid, a final dividend of Euro 0.62 per share will be paid on May 2, 2019 (ex-dividend date April 29, 2019), subject to the approval of the Annual General Meeting of April 25, 2019.

For the interim dividend of Euro 0.50 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, 2013, 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 financial years:

Financial year ended	Dividend per share	Dividend eligible for 40%[1]	Dividend not eligible for 40%[1]
December 31, 2013	Euro 1.16	None	Euro 1.16
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

(1) Pursuant to Article 158-3, paragraph 2, of the French General Tax Code for individuals.

Dividends not claimed within five years of their distribution 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 an organized and efficient financial communication, in order to reflect its strong determination for transparency concerning its business activity and its earnings, and to raise awareness about its business.

The team in charge of the 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 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:

148, rue de l'Université – 75007 Paris (until March 30, 2019)

16-18, rue du Quatre-Septembre – 75002 Paris (starting April 1, 2019)

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.

Below, the list of information published or made public by Mercialys in 2018:

Nature of the information	Publication date
Activity and results	
Press release on 2017 annual results	Feb 14, 2018
Online publication of the 2017 annual results presentation	Feb 14, 2018
Press release on 2018 first-quarter activity	Apr 23, 2018
Press release on 2018 half-year results	Jul 25, 2018
Online publication of the 2018 half-year results presentation	Jul 26, 2018
Press release on the activity at end-September 2018	Oct 17, 2018
Combined Annual General Meeting of April 26, 2018	
Publication of the meeting notice in the BALO	Mar 19, 2018
Online publication of the "Notice of Meeting 2018" brochure	Mar 20, 2018
Online publication of the proxy and mail voting application form	Mar 20, 2018
Online publication of the number of voting rights and outstanding shares as of March 19, 2018	Mar 20, 2018
Press release on the procedure for the provision of preparatory documents	Mar 29, 2018
Publication of the meeting summon in the BALO	Apr 09, 2018
Publication of the meeting summon in the Petites Affiches	Apr 09, 2018
Online publication of the AGM presentation	Apr 26, 2018
Online publication of the meeting report and votes	May 02, 2018
Company	
Press release on the success of the Euro 300 million bond issue	Feb 20, 2018
Press release on Breeam In-Use certification of 21 assets	Feb 22, 2018
Press release on digital innovations since 2016	Jun 14, 2018
Press release on the Challenge Fidélité, Mercialys' fully online loyalty program	Jun 20, 2018
Press release on concrete initiatives for sustainable development in shopping centers	Jul 02, 2018
Press release on changes in the Mercialys shareholding structure	Jul 26, 2018
Press release on the 2018 EPRA Awards results	Sep 06, 2018
Press release on the 2018 GRESB results	Sep 10, 2018
Press release on the extension of the Cap Sacré-Cœur shopping center on Reunion Island	Oct 01, 2018
Press release on the 2018 Grands Prix de la Transparence results	Oct 03, 2018
Press release on the inauguration of the Cap Sacré-Cœur shopping center on Reunion Island	Nov 06, 2018
Press release on the 2018 ISS Oekom results	Nov 22, 2018
Press release on changes on the Mercialys Board of Directors	Dec 12, 2018
Shares	
Press release on the number of outstanding shares and voting rights as of December 31, 2017	Jan 08, 2018
Press release on the summary of means available in the liquidity contract as of December 31, 2017	Jan 10, 2018
Press release on the number of outstanding shares and voting rights as of January 31, 2018	Feb 06, 2018
Press release on the number of outstanding shares and voting rights as of February 28, 2018	Mar 12, 2018
Press release on the number of outstanding shares and voting rights as of March 31, 2018	Apr 13, 2018
Press release on the number of outstanding shares and voting rights as of April 30, 2018	May 23, 2018
Press release on the number of outstanding shares and voting rights as of May 31, 2018	Jun 25, 2018
Press release on the summary of means available in the liquidity contract as of June 30, 2018	Jul 03, 2018
Press release on the number of outstanding shares and voting rights as of June 30, 2018	Jul 10, 2018
Press release on the number of outstanding shares and voting rights as of July 31, 2018	Aug 03, 2018
Press release on the number of oustanding shares and voting rights as of August 31, 2018	Sep 11, 2018
Press release on the number of outstanding shares and voting rights as of September 30, 2018	Oct 08, 2018
Press release on the number of outstanding shares and voting rights as of October 31, 2018	Nov 14, 2018
Press release on the number of outstanding shares and voting rights as of November 30, 2018	Dec 14, 2018

Nature of the information	Publication date
Other regulated information	
Online publication of the presentation for bond investors	Feb 19, 2018
Press release on the remuneration of executives	Mar 16, 2018
Press release on the availability of the 2017 registration document	Mar 19, 2018
Registration and online publication of the 2017 registration document	Mar 19, 2018
Online publication of the CSR chapter of the 2017 registration document	Mar 19, 2018
Online publication of the compensation and benefits of directors and corporate officers chapter of the 2017 registration document	Mar 19, 2018
Online publication of the fees paid to the statutory auditors for 2017	Mar 19, 2018
Online publication of the report on internal control and corporate governance	Mar 19, 2018
Online publication of the list of information published or made public by Mercialys in 2017	Mar 19, 2018
Online publication of the 2017 integrated report	Mar 19, 2018
Press release on the availability of the 2018 half-year financial report	Jul 25, 2018
Online publication of the 2018 half-year financial report	Jul 25, 2018
Press release on changes in the Mercialys shareholding structure	Jul 26, 2018

7.1.5 2019 financial Calendar

The Mercialys financial calendar is as follows:

- First quarter activity: **April 23, 2019** after market closing – Embargo period[1] from April 8 before market opening until April 23, 2019 after market closing;
- Annual General Meeting: **April 25, 2019**;
- Half-year earnings: **July 24, 2019** after market closing – Embargo period[1] from July 9 before market opening until July 24, 2019 after market closing;
- Financial information meeting: **July 25, 2019**;
- Activity at end-September: **October 16, 2019** after market closing – Embargo period from[1] October 1 before market opening until October 16, 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 and changes in share capital over the last five years

At December 31, 2018, 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 Euro 1. During 2018, no changes were made to the share capital.

The share capital remained unchanged at January 31, 2019.

Changes in/History of share capital over the last five years

	Number of shares created	Increase/decrease in share capital (in euros)		Share capital (in euros)	Number of shares in issue	Nominal value per share (in euros)
		Nominal	Premium[1]			
2014	-	-	-	92,049,169	92,049,169	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

(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 Meetings of April 27, 2017 and April 26, 2018:

	Operation	Maximum amount	Term	Expiry
a)	Capital increase with PSR maintained[1] through the issuing of shares, or securities giving access to share capital, or debt securities.	Euro 32 million[2][3]	26 months	June 26, 2019
b)	Capital increase with cancellation of PSR[1] through the issuing of shares, or securities giving access to share capital or debt securities, via public offering.	Euro 9.2 million[2][3]	26 months	June 26, 2019
c)	Capital increase with cancellation of PSR[1] through the issuing of 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 26, 2019
d)	Capital increase through the incorporation of reserves, profits, premiums or other amounts that may be capitalized.	Euro 32 million[3]	26 months	June 26, 2019
e)	Capital increase through the issuing of shares, or securities giving access to share capital in exchange for contributions in kind granted to the Company and comprising shares, or securities giving access to share capital, with cancellation of PSR[1].	10% of the share capital[3]	26 months	June 26, 2019
f)	Issuing of shares or securities giving access to share capital in the event of a public offering for the shares of another listed company with cancellation of PSR[1]	Euro 9.2 million[2][3]	26 months	June 26, 2019
g)	g) Capital increase reserved for employees subscribed to a savings plan of the Company or any of its affiliates with cancellation of PSR[1].	2% of the total number of shares in the Company's share capital to the date of authorisation (*i.e.* 1,840,983 shares)	26 months	June 26, 2019
j)	Bonus share awards to the Company's salaried employees and to the Company's corporate officers, and to the salaried employees of its affiliates.	0.5% of the total number of shares to the date of authorisation (*i.e.* 460,245 shares) including 0.15% for the corporate officers (i.e. 138,073 shares)	26 months	June 25, 2020

(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 exchange value of this amount in any other currency, or in any unit of account 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 composite monetary unit. 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 in accordance with the law.

None of the authorizations granted was used during 2018 with the exception of those relating to the allocation of bonus shares (see § 7.2.5.3, p. 305). In 2018, the Board of Directors allocated 83,199 bonus shares.

It is proposed that the Annual General Meeting of April 25, 2019 renew all of the authorizations due to expire including the one relating to the free bonus share awards.

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 27, 2017, *i.e.* until June 26, 2019. The renewal of this authorization will also be proposed to the Annual General Meeting of April 25, 2019.

7.2.3 OwnFership 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."

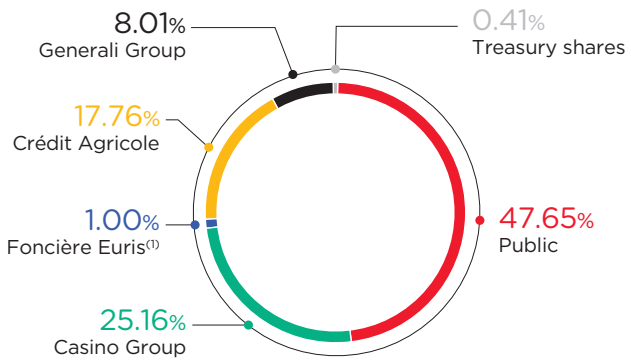
In addition, the Extraordinary General Meeting of May 5, 2015 reinstated the principle of "one share, one vote." Pursuant to the option provided for by Article L. 225-123, paragraph 3, of the French Commercial Code, double voting rights are not attributed to fully paid-up shares for which proof is provided 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."

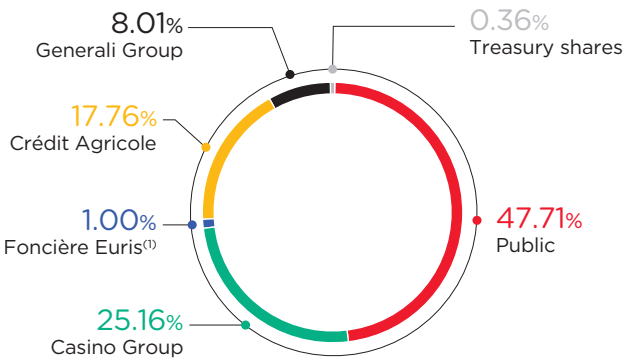
At December 31, 2018, the number of voting rights at the Annual General Meeting totaled 91,667,745 associated with 92,049,169 shares entitled to vote. The number of voting rights is different from the number of shares comprising the share capital because the Company holds a certain number of its own shares (treasury shares).

At January 31, 2019, the number of voting rights at the Annual General Meeting totaled 91,716,059 associated with 92,049,169 shares entitled to vote. 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).

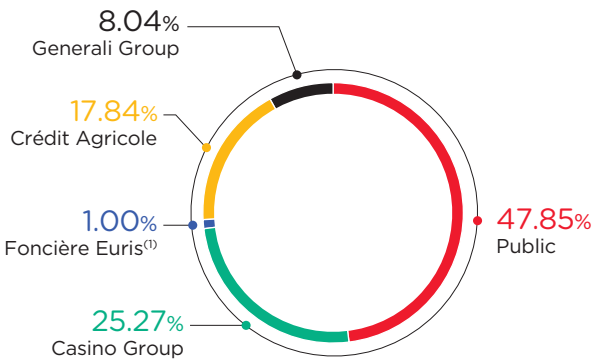
BREAKDOWN OF SHARE CAPITAL AT DECEMBER 31, 2018



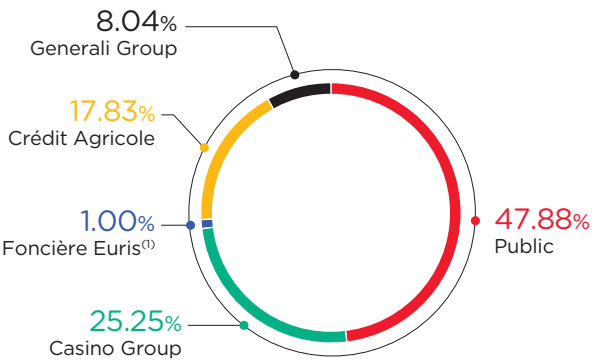
BREAKDOWN OF SHARE CAPITAL AT JANUARY 31, 2019



BREAKDOWN OF VOTING RIGHTS AT DECEMBER 31, 2018



BREAKDOWN OF VOTING RIGHTS AT JANUARY 31, 2019



(1) Foncière Euris also holds an option of 0.99% through a financial derivative instrument with physical settlement. In addition, with Rallye it is economically exposed on 4.5% with cash settlement only.

The breakdown of share capital and voting rights at closing in the last three years, and at January 31, 2019 is presented below.

At the end of a sale agreement signed on July 26, 2018, La Forézienne de Participations (subsidiary of Casino, Guichard-Perrachon) transferred to Crédit Agricole Corporate and Investment Bank (Cacib) 13,807,375 Mercialys shares, representing 15% of the capital and voting rights.

The sale was accompanied by a financial agreement on Mercialys shares (total return swap) agreed the same day by Casino, Guichard-Perrachon with Cacib. This financial agreement, concerns 13,807,375 Mercialys shares and can be settled from July 27, 2018 until December 28, 2020, in cash exclusively. It gives 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.

History of share capital distribution

	Dec 31, 2016		Dec 31, 2017		Dec 31, 2018		Dec 31, 2019	
	Number	%	Number	%	Number	%	Number	%
Majority shareholders	**37,887,748**	**41.16**	**37,887,748**	**41.16**	**24,080,373**	**26.16**	**24,080,373**	**26.16**
o/w Casino Group	36,969,014	40.16	36,969,014	40.16	23,161,639	25.16	23,161,639	25.16
o/w other shareholders[1]	918,734	1.00	918,734	1.00	918,734	1.00	918,734	1.00
Crédit Agricole[2]	**-**	**-**	**-**	**-**	**16,349,829**	**17.76**	**16,349,829**	**17.76**
Generali Group[3]	**7,373,745**	**8.01**	**7,373,745**	**8.01**	**7,373,745**	**8.01**	**7,373,745**	**8.01**
Treasury shares[4]	**128,373**	**0.14**	**171,961**	**0.19**	**381,424**	**0.41**	**333,110**	**0.36**
Public	**46,659,303**	**50.69**	**46,615,715**	**50.64**	**43,863,798**	**47.65**	**43,912,112**	**47.71**
o/w bearer shares	46,274,337	50.27	46,181,018	50.17	43,420,535	47.17	43,467,523	47.22
o/w registered shares	384,966	0.42	434,697	0.47	434,263	0.48	444,589	0.48
TOTAL	**92,049,169**	**100**	**92,049,169**	**100**	**92,049,169**	**100**	**92,049,169**	**100**

History of voting rights distribution[5]

	Dec 31, 2016		Dec 31, 2017		Dec 31, 2018		Dec 31, 2019	
	Number	%	Number	%	Number	%	Number	%
Majority shareholders	**37,887,748**	**41.22**	**37,887,748**	**41.24**	**24,080,373**	**26.27**	**24,080,373**	**26.26**
o/w Casino Group	36,969,014	40.22	36,969,014	40.24	23,161,639	25.27	23,161,639	25.25
o/w other shareholders[1]	918,734	1.00	918,734	1.00	918,734	1.00	918,734	1.00
Crédit Agricole[2]	**-**	**-**	**-**	**-**	**16,349,829**	**17.84**	**16,349,829**	**17.83**
General Group[3]	**7,373,745**	**8.02**	**7,373,745**	**8.03**	**7,373,745**	**8.04**	**7,373,745**	**8.04**
Treasury shares[4]	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**
Public	**46,659,303**	**50.76**	**46,615,715**	**50.73**	**43,863,798**	**47.85**	**43,912,112**	**47.88**
o/w bearer shares	46,274,337	50.34	46,181,018	50.26	43,420,535	47.37	43 ,467,523	47.39
o/w registered shares	384,966	0.42	434,697	0.47	443,263	0.48	444,589	0.48
TOTAL	**91,920,796**	**100**	**91,877,208**	**100**	**91,667,745**	**100**	**91,716,059**	**100**

(1) Controlling shareholders of Casino, Guichard-Perrachon, including Foncière Euris. Foncière Euris entered into equity swap contracts for 918,000 shares with an option of physical delivery of the shares expiring on March 13, 2019 (AMF declaration 214C0424 of March 20, 2014 – AMF declaration 217C0618 of March 8, 2017) and 2,300,000 shares settled exclusively in cash.

Rallye SA (controlled by Foncière Euris) has also entered into cash-settled equity swap contracts for 1,843,405 shares.

(2) On the basis of the most recent declaration of crossing of thresholds made to the AMF on September 28, 2018 by Crédit Agricole SA (AMF Declaration 218C1600 of October 1, 2018) by which Crédit Agricole SA declared that it held 16,349,829 shares representing 17.76% of the capital and voting rights indirectly through the companies it controls, namely Crédit Agricole Corporate and Investment Bank, which holds 16,043,225 shares representing 17.43% of the capital and voting rights, and Caceis Bank, which holds 306,604 shares representing 0.33% of the capital and voting rights. All declarations of thresholds made to the AMF by Crédit Agricole SA are listed in § 7.2.3.1, B, p. 304, here after.

(3) Bearer shares. Information disclosed by the Company.

(4) Shares acquired under the share buyback program and liquidity contract (see § 7.1.2, p. 294).

(5) 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 every month, is calculated based on the total number of voting rights and shares comprising the share capital in accordance with Article 223-11 of the General regulation of the AMF, i.e. based on all voting shares including non-voting shares (treasury shares). The difference between voting rights at Annual General Meetings and theoretical voting rights is immaterial, 0.41% at December 31, 2018 and 0,36% at January 31, 2019.

At December 31, 2018, the Casino Group held directly and indirectly 25.16% of the share capital and 25.27% of the voting rights, primarily via La Forézienne de Participations (subsidiary of Casino, Guichard-Perrachon) which held directly 24.16% of the Company's share capital and 24.26% of the voting rights.

At January 31, 2019, the Casino Group held directly and indirectly 25.16% of the share capital and 25.25% of the voting rights, primarily via La Forézienne de Participations (subsidiary of Casino, Guichard-Perrachon) which held directly 24.16% of the Company's share capital and 24.24% 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, 2019.

7.2.3.1 Thresholds crossing

A. Statutory thresholds crossing

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 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 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 detailed 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. 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."

B. Legal thresholds crossing

During the period from January 1, 2018 to January 31, 2019, the following thresholds crossings were declared to the AMF.

- Jean-Charles Naouri declared on July 26, 2018 (AMF 218C1387) that:
  - La Forézienne de Participations, which he controls, had individually fallen below the thresholds of one-third, 30% and 25% of the capital and voting rights, holding 22,235,085 Mercialys shares representing 24.16% of the capital and voting rights;
  - Casino, Guichard-Perrachon, which he controls, had individually risen above the thresholds of 5%, 10% and 15% of the capital, holding directly by assimilation under the provisions of Article L. 233-9, I, 4 bis of the French Commercial Code 13,833,827 Mercialys shares representing 15.03% of the capital;
  - the concert party comprising Jean-Charles Naouri and the companies he directly or indirectly controls had directly and indirectly fallen below the thresholds of one-third and 30% of the voting rights of Mercialys, holding 24,997,865 voting rights (including the theoretical voting rights attached to the TRS entered into by Foncière Euris covering 918,000 Mercialys shares, with option for physical delivery), representing 27.16% of the existing voting rights.

These thresholds were crossed as the result of (i) the sale on July 26, 2018 by La Forézienne de Participations (a subsidiary of Casino, Guichard-Perrachon) of 13,807,375 shares to Cacib and (ii) the conclusion by Casino, Guichard-Perrachon, on the same day, of the aforementioned TRS with the same financial institution (see § 7.2.3, p. 302).

- On July 26, 2018, Crédit Agricole SA declared that it had indirectly risen above, through Cacib, which it controls, the thresholds of 5%, 10% and 15% of the capital and voting rights as a result of the acquisition of Mercialys shares off the market to cover the financial contract bearing on Mercialys equity (TRS) concluded with Casino, Guichard-Perrachon, and indirectly holding 16,616,490 Mercialys shares representing 18.05% of the capital and voting rights (AMF218C1386).

- Crédit Agricole SA declared that it had, indirectly, through Cacib and Caceis Bank, which it controls (AMF 218C1600):
  - on September 24, 2018, as a result of an increase in the number of Mercialys shares borrowed by Caceis Bank, risen above the thresholds of 20% of the capital and voting rights, indirectly holding 18,806,849 Mercialys shares representing 20.43% of the capital and voting rights;
  - on 25 September 2018, as a result of a reduction in the number of Mercialys shares borrowed by Caceis Bank, fallen below the thresholds of 20% of the capital and voting rights, indirectly holding 16,349,829 Mercialys shares representing 17.76% of the capital and voting rights.

The declarations were made on the basis of information provided by the Company pursuant to Article L. 233-8 of the French Commercial Code and Article 223-16 of the AMF General Regulations, 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 AMF General Regulations, based on all voting shares including non-voting shares (treasury shares).

7.2.3.2 Shareholder agreements

To the Company's knowledge, there were no shareholder agreements in effect as at January 31, 2019.

To the Company's knowledge, more broadly, there is no agreement the existence of which may lead to a change of ownership.

7.2.3.3 Shares held by the management and executive bodies

At December 31, 2018, the shares held directly by members of Mercialys' management or executive bodies represented 32.21% of the share capital and 32.34% of the voting rights at Annual General Meetings.

At January 31, 2019, the shares held directly by Mercialys' management or executive bodies represented 32.21% of the share capital and 32.33% of the voting rights at Annual General Meetings.

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 2018:

Date	Persons concerned	Financial instrument	Type of transaction	Volume	Unit price (in euros)
April 27, 2018	Éric Le Gentil, Chairman and Chief executive officer	Shares	Acquisition	6,400	16,440
July 26, 2018	La Forézienne de Participations, Director	Shares	Disposal	13,807,375	15,410
July 26, 2018	Casino Guichard-Perrachon, Director	Derivative instrument related to shares	Signing of an equity swap on Mercialys shares	13,807,375	15,410

7.2.3.5 Employee share ownership

As at December 31, 2018, the Company's employees held 80,656 shares representing 0.09% of share capital and of voting rights, of which:

- 72,500 shares under the Company savings plan and various mutual funds;
- 8,156 shares in registered form derived from the bonus share awards authorized by an Extraordinary General Meeting subsequent to August 6, 2015 (Macron Law).

7.2.3.6 Pledged shares

To the best of the Company's knowledge, there were pledges on 5,790 Mercialys registered shares at December 31, 2018.

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 outstanding in 2018.

7.2.5.2 Stock warrants

No stock warrants on the Company's shares was outstanding in 2018.

7.2.5.3 Bonus share awards

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, 2018 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
04/20/2016	04/20/2016	04/20/2019(1)	04/20/2021	17,139	3,726	13,413
04/20/2016	04/20/2016	04/20/2019(2)	04/20/2021	11,525	1,838	9,687
04/20/2016	03/20/2017	03/20/2019(3)	03/21/2019	14,478	3,810	10,668
04/20/2016	03/20/2017	03/20/2020(4)	03/21/2022	12,283	0	12,283
04/27/2017	04/27/2017	04/27/2020(5)	04/28/2022	41,750	0	41,750
04/27/2017	04/27/2017	04/27/2020(5)	04/28/2022	14,562	4,283	10,279
04/27/2017	12/21/2017	03/21/2019(3)	12/22/2019	2,624	0	2,624
04/26/2018	04/26/2018	04/26/2021(6)	04/27/2023	46,959	0	46,959
04/26/2018	04/26/2018	04/26/2021(6)	04/27/2023	26,496	0	26,496
04/26/2018	04/26/2018	04/26/2020(3)	04/27/2020	9,744	1,653	8,091
TOTAL				**197,560**	**15,310**	**182,250**

(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 performance criteria, each one applying to 50% of the initial award: the absolute performance of the Mercialys share price, including dividends, corresponding to 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), corresponding to 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.

(4) 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 (average TSR), corresponding to the total shareholder return, over three years (2017, 2018 and 2019) of 8%.

(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 two performance criteria: the absolute performance of the Mercialys share price, including dividends, corresponding to the total shareholder return (absolute TSR), assessed annually 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.

(6) 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 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 Euro Zone 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 ephemeral trade, 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.

The bonus share award plans implemented on April 20, 2016 resulted in the vesting of shares on April 20, 2018 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 rights	Number of shares awarded in 2018
04/20/2016	04/20/2016	04/20/2018(1)	04/20/2020	17,139	13,566	3,573
04/20/2016	04/20/2016	04/20/2018(2)	04/20/2020	9,031	3,671	5,360
TOTAL				**26,170**	**17,237**	**8,933**

(1) Bonus shares only vest if the beneficiary was still with the Company at the vesting date of the shares, and subject to fulfillment of two performance criteria, each one applying to 50% of the initial award: the absolute performance of the Mercialys share price, including dividends, corresponding to 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 two consecutive years (2016 and 2017) and enabling the shares to be acquired in halves.

(2) Bonus shares only vest if the beneficiary was 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 two years (2016 and 2017) of 3% or more, and average performance of the Mercialys share price including dividends (average TSR), corresponding to the total shareholder return, over two years (2016 and 2017) of 8% or more.



92,049,169
Total number of shares

—

48 %
Free float

—

SBF 120
Member since 2019

8

Annual General Meeting

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8.1 Draft resolutions

8.1.1 Agenda

Resolutions within the competence of the Ordinary Shareholders' Meeting:

- Approval of the corporate financial statements for the fiscal year ended December 31, 2018 (1st Resolution);
- Approval of the consolidated financial statements for the fiscal year ended December 31, 2018 (2nd Resolution);
- Appropriation of income – Setting the dividend (3rd Resolution);
- Approval of the fixed, variable and exceptional components of the compensation package and the benefits in kind paid or awarded in respect of 2018 to the Chairman and Chief Executive Officer (4th Resolution);
- Approval of the fixed, variable and exceptional components of the compensation package and the benefits in kind paid or awarded in respect of 2018 to the Chief Operating Officer (5th Resolution);
- Regulated agreement: approval of Amendment No. 2 to the document amending the current account advance agreement entered into with Casino Finance (6th Resolution);
- Regulated agreement: approval of the agreement setting out the responsibility of Casino, Guichard-Perrachon to cover specific costs incurred by Mercialys pursuant to the sale by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys (7th Resolution);
- Amendment of the 2018 compensation policy applicable to the Chairman and Chief Executive Officer and to the Chief Operating Officer: award of exceptional compensation in respect of fiscal year 2018 (8th and 9th Resolutions);
- Approval of the exceptional compensation awarded in respect of fiscal year 2018 to the Chairman and Chief Executive Officer and to the Chief Operating Officer (10th and 11th Resolutions);
- Approval of the 2019 compensation policy for the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer (12th to 14th Resolutions);
- Approval of the regulated commitment stipulated in Article L.225-42-1 of the French Commercial Code in favor of Éric Le Gentil, Chairman of the Board of Directors, Vincent Ravat, Chief Executive Officer and Elizabeth Blaise, Deputy Chief Executive Officer, of an allowance in return for a non-compete commitment (15th to 17th Resolutions);
- Ratification of the appointment of Stéphanie Bensimon as director (18th Resolution);
- Renewal, for a term of three years, of the directorships of Eric Le Gentil, Elisabeth Cunin, Pascale Roque and Stéphanie Bensimon (19th to 22th Resolutions);
- Approval of the transfer of the Company's head office (23th Resolution);
- Authorization for the Company to purchase its own shares (24th Resolution).

Resolutions within the competence of the Extraordinary Shareholders' Meeting:

- Delegation of authority granted to the Board of Directors to issue Company shares or securities granting entitlement to the allocation of new or existing Company shares or existing shares of any other company in which it directly or indirectly owns a stake, with preferential subscription rights (25th Resolution)
- Delegation of authority granted to the Board of Directors to issue Company shares or securities granting entitlement to the allocation of new or existing Company shares or existing shares of any other company in which it directly or indirectly owns a stake, without preferential subscription rights, by way of a public offering (26th Resolution)
- Delegation of authority granted to the Board of Directors to increase the share capital by issuing Company shares or securities giving access to the allocation of new or existing Company shares or existing shares of any other company in which it directly or indirectly owns a stake, without preferential subscription rights, by way of a private placement as set out in Article L. 411-2-II of the French Monetary and Financial Code (27th Resolution)
- Authorization granted to the Board of Directors, in the event of issues without preferential subscription rights by way of public offerings or private placements, to set the issue price in accordance with the terms and conditions determined by the Annual General Meeting (28th Resolution)
- Delegation of authority granted to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without preferential subscription rights (29th Resolution)
- Delegation of authority granted to the Board of Directors to increase the share capital by incorporation of reserves, profits, premiums or other capitalizable amounts (30th Resolution)
- Delegation of authority granted to the Board of Directors to issue, without preferential subscription rights, shares or securities giving access to the share capital in the event of a public tender offer initiated by the Company (31st Resolution)
- Delegation of power granted to the Board of Directors, up to a maximum of 10% of the share capital of the Company, to issue shares or securities giving access to the share capital, in exchange for contributions in kind of shares or securities giving access to the share capital (32nd Resolution)
- Overall limitations on financial authorizations granted to the Board of Directors (33rd Resolution)
- Delegation of authority granted to the Board of Directors to increase the share capital or dispose of treasury shares without preferential subscription rights, for the benefit of members of a company savings plan (34th Resolution)
- Authorization granted to the Board of Directors to allocate bonus Company shares to employees and executive corporate officers (35th Resolution)
- Authorisation granted to the Board of Directors to reduce the share capital through the cancellation of Company's treasury shares (36th Resolution)
- Powers for completion of formalities (37th Resolution)

8.1.2 Resolutions presented to the Ordinary General Meeting

Resolutions 1 and 2 – Approval of the financial statements for the year

PRESENTATION

In connection with the first and second resolutions, the shareholders are invited to approve the Company's corporate financial statements and then its consolidated financial statements as at December 31, 2018, as well as the transactions reflected in these accounts.

The financial statements for the 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, § 3.1.3. p. 157 et seq. and § 3.2.3. p. 184 et seq.).

FIRST RESOLUTION

Approval of the corporate financial statements for the fiscal year ended December 31, 2018

The Ordinary General Meeting, after reviewing the Board of Directors' report and the Statutory Auditors' report, approves the financial statements for the fiscal year ended December 31, 2018, as presented to it, together with all the transactions they reflect or are mentioned in these reports. The accounts for this fiscal year end with profit of Euro 74,074,298.77.

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 26, 2018, of the dividends allocated for the 2017 fiscal year to the shares held by the Company on the dividend payment date and totaling Euro 294,172.42.

SECOND RESOLUTION

Approval of the consolidated financial statements for the fiscal year ended December 31, 2018

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, 2018, as presented to it, together with all of the transactions reflected or mentioned in these reports. The consolidated financial statements for the fiscal year in question report a consolidated net profit of Euro 80,851 thousand.

Resolution 3 – Appropriation of income – Setting the dividend

PRESENTATION

With the third resolution, the Board of Directors requests your approval for the distribution of a dividend of Euro 1.12 per share. The proposed dividend corresponds to 90% of the 2018 FFO, in accordance with the objective announced by Mercialys (within a range of 85% to 95% of the 2018 FFO and at least 2% higher than 2017), up 2.8% compared to 2017.

Taking into account the interim dividend of Euro 0.50 per share paid on October 23, 2018, the final dividend amounts to Euro 0.62 per share.

The ex-dividend date for the final dividend is April 29, 2019. The payment date will be May 2, 2019.

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, 2018, as follows:

Profit for the year		Euro 74,074,298.77
Retained earnings	(+)	Euro 299,966,407.92
Distributable income	**(=)**	**Euro 374,040,706.69**
Dividend	(-)	Euro 103,095,069.28
Appropriation to "Retained earnings"	(=)	Euro 270,945,637.41

Each share will receive a dividend of Euro 1.12.

The Annual General Meeting hereby notes that:

- the amount of the dividend it has determined (Euro 1.12) includes the interim dividend of Euro 0.50 per share paid on October 23, 2018;
- consequently, the final dividend stands at Euro 0.62 per share and will be paid on May 2, 2019.

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 General Meeting notes that the dividends distributed in respect of the last three years were as follows:

Fiscal year	Dividend per share	Distributed dividend eligible for the 40% allowance	Distributed dividend not eligible for the 40% allowance
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**
December 31, 2015			
Interim dividend (paid in 2016)	*Euro 0.76*	*None*	*Euro 0.76*
Final dividend (paid in 2015)	*Euro 0.57*	*None*	*Euro 0.57*
TOTAL	**EURO 1.33**	**NONE**	**EURO 1.33**

Resolution 4 – Approval of the fixed, variable and exceptional components of the compensation package and the benefits in kind paid or awarded in respect of 2018 to the Chairman and Chief Executive Officer

PRESENTATION

While the AFEP-MEDEF Code provided for an advisory vote of the shareholders on the compensation due or awarded to the Chairman and Chief Executive Officer for the previous fiscal year, the Law of December 9, 2016 relating to transparency, the fight against corruption and the modernization of economic life (known as the "Sapin Law II") introduced a vote binding on the shareholders (Article L. 225-100 II of the French Commercial Code).

With the fourth resolution, pursuant to Article L. 225-100 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 or awarded in respect of the 2018 fiscal year to Éric Le Gentil, Chairman and Chief Executive Officer, by virtue of his mandate, 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, § 4.2.2.1, B p. 236 et seq.).

The fixed compensation of Éric Le Gentil has been the same since March 1, 2015.

We recall that in order to firmly place Corporate Social Responsibility (CSR) at the core of the Group's strategic priorities, the arrangements for the 2018 variable compensation have been amended to include a quantifiable CSR objective and to reduce the percentage of managerial objectives from which the assessment of a social and societal criterion has been removed.

The annual variable compensation is now therefore based on two types of objective:

- quantitative objectives, weighted at 80% (versus 70% in 2017) of which 1 CSR objective at 10%; and
- and managerial objectives, weighted at 20% (vs 30% in 2017).

Furthermore, in order to reduce the difference in level to meet market practices, the target variable compensation of the Chairman and Chief Executive Officer has been amended and now corresponds to 70% of his fixed annual compensation (vs 50% in 2017) and can be increased to 140% if the objectives are exceeded (versus 100% in 2017).

In respect of the 2018 fiscal year, the variable compensation for the Chairman-Chief Executive Officer amounts to Euro 504,630.

As required by Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the payment of the variable portion of the Chairman and Chief Executive Officer's compensation for 2018 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 Chairman and Chief Executive Officer's compensation for the 2018 fiscal year were submitted, pursuant to Article L. 225-37-2 of the French Commercial Code, to the Annual General Meeting held on April 26, 2018, which approved them (by a majority of 94.62%). The variable compensation components, of which payment is subject to approval from the Annual General Meeting, are in this case determined in accordance with the law (see appendix 1, p. 341 and 342).

FOURTH RESOLUTION

Approval of the fixed, variable and exceptional components of the compensation package and the benefits in kind paid or awarded in respect of 2018 to the Chairman and Chief Executive Officer

The Ordinary General Meeting, pursuant to Articles L. 225-37-2 and 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 or awarded in respect of fiscal year 2018 to the Chairman and Chief Executive Officer, in connection with his mandate, as presented in said report.

Resolution 5 – Approval of the fixed, variable and exceptional components of the compensation package and the benefits in kind paid or awarded in 2018 to the Chief Operating Officer

PRESENTATION

While the AFEP-MEDEF Code provided for an advisory vote of the shareholders on the compensation due or awarded to the Chief Operating Officer for the previous fiscal year, the Law of December 9, 2016 relating to transparency, the fight against corruption and the modernization of economic life (known as the "Sapin Law II") introduced a vote binding on the shareholders (Article L. 225-100 II of the French Commercial Code).

With the fifth resolution, pursuant to Article L. 225-100, II, 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 or awarded in respect of the 2018 fiscal year to Vincent Ravat, Chief Operating Officer, by virtue of his mandate, 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, § 4.2.2.3, B p. 243 et seq.).

The fixed compensation of Vincent Ravat remains unchanged since March 1, 2017. Two thirds of this compensation is paid by Mercialys and one third by Mercialys Gestion, a wholly-owned subsidiary of Mercialys within which Vincent Ravat holds the position of Director in charge of operations, lettings, and marketing

We recall that in order to firmly place Corporate Social Responsibility (CSR) at the core of the Group's strategic priorities, the arrangements for the 2018 variable compensation have been amended to include a quantifiable CSR objective and to reduce the percentage of managerial objectives for which the social and societal criterion was removed.

The annual variable compensation is now therefore based on two types of objective:

- quantitative objectives, weighted at 80% (versus 70% in 2017) of which 1 CSR objective at 10%; and
- and managerial objectives, weighted at 20% (vs 30% in 2017).

In respect of the 2018 fiscal year, the annual variable compensation for the Chief Operating Officer amounts to Euro 187,440, two-thirds of which must be paid by Mercialys (Euro 124,960) and one third by Mercialys Gestion (Euro 62,480).

Pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the payment of the variable portion of the Chief Operating Officer's compensation for 2018 is conditional on the approval of the present resolution by the Annual General Meeting.

The principles and criteria used for determining, allocating and awarding the components of the Chief Operating Officer's compensation for the 2018 fiscal year were submitted, pursuant to Article L.225-37-2 of the French Commercial Code, to the Annual General Meeting held on April 26, 2018, which approved them (by a majority of 95.85%). The variable compensation components, of which payment is subject to approval from the Annual General Meeting, are in this case determined in accordance with the law (see appendix 2, p. 343 and 344).

FIFTH RESOLUTION

Approval of the fixed, variable and exceptional components of the compensation package and the benefits in kind paid or awarded in respect of 2018 to the Chief Operating Officer

The Annual General Meeting, pursuant to Articles L. 225-37-2 and 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 or awarded in respect of fiscal year 2018 to the Chief Operating Officer, in connection with his mandate, as presented in the said report.

Resolution 6 – Regulated agreements and commitments with Casino Finance

PRESENTATION

With the sixth resolution, the Board of Directors requests your approval of Amendment n°2, dated January 18, 2019, 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, and (ii) Amendment n°1 to the amending document dated February 14, 2017 approved by the Annual General Meeting of April 27, 2017.

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, as explained below.

These current account advances are part of Mercialys' liquidity arrangements. At the end of 2018, Mercialys had Euro 410 million in unused confirmed credit lines. This agreement therefore, as part of a balanced financial structure, contributes to the BBB / outlook stable rating given by Standard & Poor's.

The Agreement is composed as follows:

- a first tranche capped at Euro 10 million, available on the same day, bearing interest at 1-month Euribor (with a 0% floor) plus a margin of 40 basis points, revisable annually on the basis of Casino's updated refinancing costs (Margin A);
- a second tranche for 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 95 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.

Amendment n°2 to the amending document dated January 18, 2019 extends the Agreement until December 2020, such that the advances made will continue to be included in the liquidity ratio calculated by Standard & Poor's, without the need for any further changes to the Agreement.

The signing of this amendment was authorized by the Board of Directors of the Company at its meeting of December 12, 2018.

SIXTH RESOLUTION

Regulated agreement: approval of Amendment n°2 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°2 to the document amending the current account advance agreement entered into with Casino Finance on January 18, 2019.

Resolution 7 – Regulated agreement with Casino, Guichard-Perrachon

PRESENTATION

With the seventh Resolution, the Board of Directors requests your approval of the agreement, setting out the responsibility of Casino, Guichard-Perrachon to cover specific costs incurred by Mercialys pursuant to the sale by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys, entered into on December 14, 2018.

As part of this process, which has already resulted in the sale, by Casino, Guichard-Perrachon, of 15% of the Mercialys share capital in the form of an equity swap completed on July 26, 2018, Casino, Guichard-Perrachon undertakes to cover the specific costs incurred by Mercialys pursuant to this transaction, namely:

- external expenses, including in particular legal fees, upon presentation of supporting documents and up to a maximum of Euro 200,000 excl. VAT;
- the total exceptional compensation, including associated employer contributions that may, if so decided by the Annual General Meeting, be granted and paid by Mercialys to its top management (i.e. the two executive corporate officers and the Chief Financial Officer) in recognition, on the one hand, for the time devoted by top management to this process and, on the other hand, with a view to motivating and retaining the executives in question, up to a maximum amount equal to three months' fixed compensation in respect of 2018, i.e. the total sum of Euro 236,250 net of employer contributions and a total estimated amount of Euro 303,200 including employer contributions.

In view of Mercialys' financial situation, the effectiveness of the work provided for such an important project and the fact that Casino Guichard-Perrachon is paying the exceptional compensation envisaged, these items do not require any specific observations in the light of Mercialys' corporate interest.

The signing of this agreement was authorized by the Board of Directors of the Company at its meeting of December 12, 2018 on a recommendation from the Appointments and Compensation Committee dated December 11, 2018.

This agreement was also authorized by the Board of Directors of Casino, Guichard-Perrachon at its meeting of December 13, 2018.

SEVENTH RESOLUTION

Regulated agreement: approval of the agreement setting out the responsibility of Casino, Guichard-Perrachon to cover specific costs incurred by Mercialys pursuant to the sale by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys

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 the agreement setting out the responsibility of Casino, Guichard-Perrachon to cover specific costs incurred by Mercialys pursuant to the sale by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys, concluded on December 14, 2018.

Resolutions 8 and 9 – Amendment to the 2018 compensation policy for the Chairman and Chief Executive Officer and the Chief Operating Officer: awarding of exceptional compensation

PRESENTATION

With the eighth and ninth resolutions, the Board of Directors proposes, on a recommendation from the Appointments and Compensation Committee, that you amend the 2018 compensation policy as it was approved at the Ordinary General Meeting of April 26, 2018, to incorporate the principle of exceptional compensation payable to the Chairman and Chief Executive Officer and the Chief Operating Officer.

The sale by Casino, Guichard-Perrachon of all or part of its equity interest in Mercialys constituted a special circumstance for the Company which required the major involvement of the Chairman and Chief Executive Officer and the Chief Operating Officer during the 2018 fiscal year. In its meeting on December 12, 2018, the Board of Directors decided to award exceptional compensation, subject to an amendment by the Annual General Meeting to the 2018 compensation policy, as covered by the eighth and ninth resolutions, and the approval of the payment of this compensation, covered by the tenth and eleventh resolutions.

This exceptional compensation would be equal to the sum of three months' annual fixed compensation for 2018 for the Chairman and Chief Executive Officer and the Chief Operating Officer. This fixed amount was determined by Mercialys after considering, on the one hand, the time devoted by corporate officers to supporting the implementation of the transaction under the best conditions and, on the other hand, its intention to motivate and retain the executives concerned. This sum corresponds to 25% of the annual fixed compensation of the Chairman and Chief Executive Officer and 25% of the annual fixed compensation of the Chief Operating Officer and falls within the range of 10% to 15% of their target compensation package.

This amount will be paid in its entirety (including employer contributions) by Casino, Guichard-Perrachon, in accordance with the Agreement dated December 14, 2018, subject to the approval of the seventh resolution.

EIGHTH RESOLUTION

Amendment to the 2018 compensation policy for the Chairman and Chief Executive Officer: awarding of exceptional compensation in respect of the 2018 fiscal year

The Annual General Meeting, pursuant to the provisions of Article L.225-37-2 of the French Commercial Code, after reviewing the Board of Directors' report on Corporate Governance, attached to the management report, approves the amendment to the 2018 compensation policy and in particular the principles and criteria used for determining, allocating and awarding exceptional compensation to the Chairman and Chief Executive Officer, by virtue of his mandate, as detailed in said report.

NINTH RESOLUTION

Amendment to the 2018 compensation policy for the Chief Operating Officer: awarding of exceptional compensation in respect of the 2018 fiscal year

The Annual General Meeting, in accordance with the provisions of Article L.225-37-2 of the French Commercial Code, after reviewing the Board of Directors' report on Corporate Governance, attached to the management report, approves the amendment to the 2018 compensation policy and in particular the principles and criteria used for determining, allocating and awarding exceptional compensation to the Chief Operating Officer, by virtue of his mandate, as detailed in said report.

Resolutions 10 and 11 – Approval of the exceptional remuneration awarded in respect of the 2018 fiscal year to the Chairman and Chief Executive Officer and the Chief Operating Officer

PRESENTATION

Under the tenth and eleventh resolutions, pursuant to Article L.225-100, II of the French Commercial Code, subject to the approval of the eighth and ninth resolutions, you are asked to approve the exceptional components of compensation awarded to the Chairman and Chief Executive Officer and the Chief Operating Officer in respect of the 2018 fiscal year, so as to enable the payment thereof, in the following amounts:

- Euro 112,500 to the Chairman and Chief Executive Officer (amount net of employer contributions);
- Euro 75,000 to the Chief Operating Officer (amount net of employer contributions).

We recall that this compensation will in fine be paid in its entirety (including employer contributions) by Casino, Guichard-Perrachon, in accordance with the Agreement dated December 14, 2018, subject to the approval of the seventh resolution.

TENTH RESOLUTION

Approval of the exceptional compensation awarded in respect of the 2018 fiscal year to the Chairman and Chief Executive Officer

The Ordinary General Meeting, pursuant to Articles L.225-37-2 and L.225-100 of the French Commercial Code, after reviewing the Board of Directors' report on Corporate Governance, attached to the management report, subject to the approval of the eighth resolution above, approves the payment to the Chairman and Chief Executive Officer of exceptional compensation of Euro 112,500 (net of employer contributions) in respect of the 2018 fiscal year.

ELEVENTH RESOLUTION

Approval of the exceptional compensation awarded in respect of the 2018 fiscal year to the Chief Operating Officer

The Annual General Meeting, pursuant to Articles L.225-37-2 and L.225-100 of the French Commercial Code, after reviewing the Board of Directors' report on Corporate Governance, attached to the management report, subject to the approval of the ninth resolution above, approves the payment to Mr. Vincent Ravat of exceptional compensation of Euro 75,000 (net of employer contributions) in respect of the 2018 fiscal year.

Resolution 12 – Approval of the principles and criteria for determining, distributing and awarding the compensation components of the Chairman of the Board of Directors for fiscal year 2019

PRESENTATION

Pursuant to 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 the benefits of any kind, attributable to the Chairman of the Board of Directors for their corporate positions, must be submitted at least annually for the approval of the Annual General Meeting.

With the twelfth resolution, you are asked to approve the principles and components that make up the compensation of Éric Le Gentil, in his role as Chairman of the Board of Directors, approved by the Board of Directors on February 13, 2019 on a recommendation from the Appointments and Compensation Committee.

In his position as Chairman of the Board of Directors, and particularly the specific assignment entrusted to him, it was decided to pay him a fixed compensation of Euro 225,000, i.e. 50% of his former compensation in the position of Chairman and Chief Executive Officer. He will continue to receive directors' fees in his position as a director of the Company.

Mr. Éric Le Gentil will not receive any variable compensation in cash or in securities.

Furthermore, it is indicated that the combination of the fixed compensation of the Chairman of the Board of Directors as presented above and the target remuneration of the Chief Executive Officer as presented in the 13th resolution is equal to the overall target compensation of the previous Chairman and Chief Executive Officer.

All the components relating to the the 2019 compensation of Mr Eric Le Gentil are presented in the part on the company's governance (see chapter 4, § 4.2.2.2, p. 241).

TWELFTH RESOLUTION

Approval of the principles and criteria for determining, distributing and awarding the compensation components of the Chairman of the Board of Directors in respect of fiscal year 2019

The Annual General Meeting, pursuant to the provisions of Article L.225-37-2 of the French Commercial Code, after reviewing the Board of Directors' report on Corporate Governance, attached to the management report, approves the compensation policy for the Chairman of the Board of Directors, by virtue of his mandate, as they are detailed in said report.

Resolutions 13 and 14 – Approval of the principles and criteria for determining, distributing and awarding the compensation components of the Chief Executive Officer and Deputy Chief Executive Officer for fiscal year 2019

PRESENTATION

Pursuant to 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 the benefits of any kind, attributable to the Chief Executive Officer and the Deputy Chief Executive Officer for their corporate positions, must be submitted at least annually for the approval of the Annual General Meeting.

Under the 13th resolution, you are hereby requested to approve the principles and components of the compensation of Mr. Vincent Ravat, Chief Executive Officer, determined by the Board of Directors' meeting of February 13, 2019 on the recommendation of the Appointments and Compensation Committee.

With regard to his new position as Chief Executive Officer, it was decided to increase his remuneration to Euro 360,000 (compared with Euro 300,000 as Chief Operating Officer). His employment contract with Mercialys Gestion shall be terminated after this General Meeting.

All the components relating to the 2019 compensation of Vincent Ravat are presented in the part on the company's governance (see chapter 4, § 4.2.2.4, II, p. 247 et seq.).

Under the 14th resolution, you are hereby requested to approve the principles and components of the compensation of Elizabeth Blaise, Depty Chief Executive Officer, determined by the Board of Directors' meeting of March 5, 2019 on the recommendation of the Appointments and Compensation Committee.

With regard to her new position as Deputy Chief Executive Officer, it was decided to increase her remuneration to Euro 230,000 paid by Mercialys, half on the basis of her corporate function and half on the basis of her position as Chief Financial Officer. All the components relating to the 2019 compensation of Elizabeth Blaise are presented in the part on the company's governance (see chapter 4, § 4.2.2.4, III, p. 249 et seq.).

THIRTEENTH RESOLUTION

Approval of the principles and criteria for determining, distributing and awarding the compensation components of the Chief Executive Officer in respect of fiscal year 2019

The Annual General Meeting, pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, after reviewing the Board of Directors' Report on Corporate Governance, attached to the Management Report, approves the compensation policy for the Chief Executive Officer, by virtue of his mandate, as they are detailed in said report.

FOURTEENTH RESOLUTION

Approval of the principles and criteria for determining, distributing and awarding the compensation components of the Deputy Chief Executive Officer for fiscal year 2019

The Ordinary Annual General Meeting, pursuant to the provisions of Article L.225-37-2 of the French Commercial Code, after reviewing the Board of Directors' Report on Corporate Governance, attached to the Management Report, approves the policy for compensating the Deputy Chief Executive Officer, by virtue of her mandate, as they are detailed and presented in said report.

Resolutions 15 to 17 – Approval of the regulated commitment stipulated in Article L.225-42-1 of the French Commercial Code in favor of Eric Le Gentil, Chairman of the Board of Directors, Vincent Ravat, Chief Executive Officer and Elizabeth Blaise, Deputy Chief Executive Officer, of an allowance in return for a non-compete commitment

PRESENTATION

At the time of the appointment of Eric Le Gentil, as Chairman of the Board of Directors, the Board decided to create a new non-competition clause which terminates the preceding one. Accordingly, if his position were terminated, the Chairman of the Board of Directors would be bound by a non-complete and a non-solicitation obligation that would apply for a period not to exceed the time of employment in the company, up to a maximum of one year, unless the Company waives the application period. In exchange for this undertaking, he would be paid a monthly sum equivalent to one-twelfth of 50% of his annual fixed compensation. This allowance will not be paid if Eric Le Gentil exercises his entitlement to retire. In any case, no allowance may be paid to him beyond the age of 65. This allowance shall be paid in installments during its term. Under the 15th resolution, you are asked to approve this commitment.

At the time of the appointment of Vincent Ravat, as Chief Executive Officer, the Board of Directors decided to create a new non-competition clause which terminate the preceding one as Chief Operating Officer. Accordingly, if his position were terminated, the Chief Executive Officer would be bound by a non-complete and a non-solicitation obligation that would apply for a period not to exceed the time of employment in the company, up to a maximum of one year, unless the Company waives the application period. In exchange, he would be paid a monthly sum equivalent to one-twelfth of 50% of his annual fixed compensation. This allowance shall be paid in installments during its term. Under the 16th resolution, you are asked to approve this commitment.

A non-competition clause was also set up in favor of Elizabeth Blaise on the basis of her new position as Deputy Chef Executive Officer. Accordingly, if her position were terminated, the Deputy Chief Executive Officer would be bound by a non-complete and a non-solicitation obligation that would apply for a period not to exceed the time of employment in the company, up to a maximum of one year, unless the Company waives the application period. In exchange for this undertaking, she would be paid a monthly sum equivalent to one-twelfth of 50% of her annual fixed compensation. This allowance shall be paid in installments during its term. Under the 17th resolution, you are asked to approve this commitment.

FIFTEENTH RESOLUTION

Approval of the regulated commitment stipulated in Article L.225-42-1 of the French Commercial Code made by the Company in favor of Eric Le Gentil, Chairman of the Board of Directors

The Ordinary General Meeting, pursuant to the provisions of Article L.225-42-1 of the French Commercial Code, after the reading of the report by the Board of Directors and the special report by the Statutory Auditors concerning the commitments stipulated in Articles L.225-38 et seg. of the French Commercial Code, ruling on this special report, approves the commitment on the allowances in return for a clause prohibiting Éric Le Gentil from exercising a competing activity after termination of his position as Chairman of the Board of Directors of the Company, unless waived by the Company.

SIXTEENTH RESOLUTION

Approval of the regulated commitment stipulated in Article L.225-42-1 of the French Commercial Code made by the Company in favor of Vincent Ravat, Chief Executive Officer

The Ordinary General Meeting, pursuant to the provisions of Article L.225-42-1 of the French Commercial Code, after the reading of the report by the Board of Directors and the special report by the Statutory Auditors concerning the commitments stipulated in Articles L.225-38 et seg. of the French Commercial Code, ruling on this special report, approves the commitment on the allowances in return for a clause prohibiting Vincent Ravat from exercising a competing activity after termination of his position as Chief Executive Officer of the Company, unless waived by the Company.

SEVENTEENTH RESOLUTION

Approval of the regulated commitment stipulated in Article L.225-42-1 of the French Commercial Code made by the Company in favor of Elizabeth Blaise, Deputy Chief Executive Officer

The Ordinary General Meeting, pursuant to the provisions of Article L.225-42-1 of the French Commercial Code, after the reading of the report by the Board of Directors and the special report by the Statutory Auditors concerning the commitments stipulated in Articles L.225-38 et seg. of the French Commercial Code, ruling on this special report, approves the commitment on the allowances in return for a clause prohibiting Elizabeth Blaise from exercising a competing activity after termination of her position as Deputy Chief Executive Officer of the Company, unless waived by the Company.

Resolution 18 – Ratification of the appointment of Mrs. Stéphanie Bensimon

PRESENTATION

With the eighteenth resolution, you are asked to ratify the appointment of Stéphanie Bensimon, temporarily appointed by the Board Meeting of June 7, 2018 to replace Marie-Christine Levet, for the remaining term of her directorship.

Stéphanie Bensimon is an independent director, in accordance with the recommendations of the AFEP-MEDEF Code.

EIGHTEENTH RESOLUTION

Ratification of the appointment of Mrs. Stéphanie Bensimon as director

The Annual General Meeting, after reviewing the Board of Directors' report, ratifies the temporary appointment by the Board of Directors, at its meeting of June 7, 2018, of Stéphanie Bensimon as director, to replace Marie-Christine Levet for the remaining term of her directorship, *i.e.* until the Annual General Meeting that will be called in 2019 to approve the financial statements for the fiscal year ended December 31, 2018.

Resolution 19 – Renewal of the directorship of Mr. Eric Le Gentil

PRESENTATION

The Board of Directors is currently composed of 11 Directors. Under the nineteenth resolution, you are asked, on a recommendation from the Appointments and Compensation Committee, to renew the directorship of Mr. Eric Le Gentil for a three-year term.

If this resolution is approved, in accordance with the press release issued on February 13, 2019 following the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer, the Board of Directors will be called upon to renew Mr. Éric Le Gentil's term of office as Chairman of the Board of Directors and to renew the terms of office of Mr. Vincent Ravat as Chief Executive Officer and Mrs. Elizabeth Blaise as Deputy Chief Executive Officer so as to renew this new governance for three years.

NINETEENTH RESOLUTION

Renewal of the directorship of Mr Éric Le Gentil

The Ordinary General Meeting, after reviewing the Board of Directors' report and noting that the directorship of Mr Éric Le Gentil will expire at the end of this meeting, decides to renew the directorship of Mr Éric Le Gentil for a three-year term, *i.e.* until the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ended December 31, 2021.

Resolutions 20 to 22 - Renewal of the directorship of 3 directors

PRESENTATION

With the twentieth to twenty-second resolutions, you are asked, on a recommendation from the Appointments and Compensation Committee, to renew, for a three-year term, the directorships of Mrs. Élisabeth Cunin, Mrs. Pascale Roque and Mrs. Stéphanie Bensimon , subject to approval of the eighteenth resolution (see presentation in chapter 4. § 4.1.1.1,B, p. 205, 207 and 211).

If you approve these proposals, 54.5% of the Board members will be women and 63.6% will be independent directors.

TWENTIETH RESOLUTION

Renewal of the directorship of Mrs Élisabeth Cunin

The Ordinary General Meeting, after reviewing the Board of Directors' report and noting that the directorship of Mrs Élisabeth Cunin will expire at the end of this meeting, decides to renew the directorship of Mrs Élisabeth Cunin for a three-year term, *i.e.* until the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ended December 31, 2021.

TWENTY-FIRST RESOLUTION

Renewal of the directorship of Mrs Pascale Roque

The Annual General Meeting, after reviewing the Board of Directors' report and noting that the directorship of Mrs Pascale Roque will expire at the end of this meeting, decides to renew the directorship of Mrs Pascale Roque for a three-year term, *i.e.* until the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ended December 31, 2021.

TWENTY-SECOND RESOLUTION

Renewal of the directorship of Mrs Stéphanie Bensimon

The Annual General Meeting, subject to the approval of the eighteenth resolution, after reviewing the Board of Directors' report and noting that the directorship of Mrs. Stéphanie Bensimon will expire at the end of this meeting, decides to renew the directorship of Mrs. Stéphanie Bensimon, for a three-year term, *i.e.* until the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ended December 31, 2021.

Resolution 23 – Approval of the transfer of the Company's head office

PRESENTATION

With the twenty-third resolution, the Board of Directors asks you to approve the transfer of the Company's head office from 148 rue de l'Université, Paris (7th arr.) to 16/18 rue du Quatre Septembre, Paris (2nd arr.) as of April 1, 2019, as decided at its meeting of February 13, 2019.

In accordance with the provisions of Article 4, paragraph 3 of the Company's articles of association, the Board of Directors has amended the articles of association accordingly.

TWENTY-THIRD RESOLUTION

Approval of the transfer of the Company's head office

The Annual General Meeting approves the transfer of the head office as decided by the Board of Directors at its meeting of February 13, 2019, from 148 rue de l'Université, Paris (75007) to 16-18 rue du Quatre-Septembre, Paris (75002), as of April 1, 2019.

Resolution 24 – Purchase by the Company of its own shares

PRESENTATION

The twenty-fourth resolution renews 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 20 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 (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

For example, on the basis of the capital at January 31, 2019, after deducting the 333,110 shares held in treasury, the maximum theoretical amount which the Company could devote to share purchases would be Euro 177.4 million, corresponding to 8,871,806 shares.

Pursuant to the authorization granted by the Annual General Meeting of April 26, 2018 and based on the information at January 31, 2019, the Company bought 1,402,915 shares, and sold 1,365,199 shares.

At January 31, 2019, the Company held 333,110 shares (0.36% of share capital), including 35,494 shares allocated for the purpose of covering any stock option plans, savings plans or bonus share plans, and 297,616 shares under the liquidity agreement.

Details of the objectives of the share buyback program are provided below in the twenty-fourth resolution, and in the description of the share buyback program in chapter 7, § 7.2.1, p. 294.

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 tender offer.

TWENTY-FOURTH RESOLUTION

Authorization for the Company to purchase its own shares

The Annual General Meeting, after reviewing 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, of Articles L.241-1 to 241-7 of the General Regulation of the *Autorité des Marchés Financiers* (AMF), and the European regulation applicable to market abuse (and specifically European Regulations no. 596/2014 of April 16, 2014 and no. 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 contract compliant with a code of conduct 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 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 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 share capital reduction in the manner specified by law;
- to conduct any further market practice authorized by the AMF 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 20 (twenty) (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 8,871,806 shares on the basis of the capital at January 31, 2019, net of 333,110 treasury shares, for a maximum sum of Euro 177.4 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 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 fourteenth resolution of the Annual General Meeting of April 26, 2018.

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 AMF and carry out any other formalities, and, in general, to take all necessary measures.

8.1.3 Resolutions presented to the Extraordinary General Meeting

Resolutions 25 to 27: Capital increase with and without preferential subscription rights for shareholders

PRESENTATION

The Annual General Meeting of April 27, 2017 granted to your Board of Directors, for a period of 26 months, the authority to issue shares or securities giving access to the share capital of the Company, or of any company in which it directly or indirectly owns a stake, with preferential subscription rights (17th Resolution) and without preferential subscription rights for shareholders by way of a public offering (18th Resolution) and by way of a private placement (19th Resolution) (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

Your Board of Directors has not made use of these authorizations and you are asked to renew them.

With the twenty-fifth resolution, you are asked to grant to the Board of Directors, for a new period of 26 months, the authority to decide to issue, with preferential subscription rights for shareholders, shares or securities giving immediate or future access to the share capital of the Company or of any company that it owns, directly or indirectly, it being specified that the nominal value of securities to be issued pursuant to this authorization must not exceed:

- Euro 32 million (less than 35% of the share capital as at December 31, 2018), if relating to shares representing a portion of the share capital (unchanged amount), and
- Euro 200 million, if relating to debt securities (unchanged amount).

Each of these amounts would constitute an overall ceiling pursuant to the thirty-third resolution which restricts the total nominal value of issues of shares, with and without preferential subscription rights, or of debt securities, that may be carried out pursuant to the twenty-fifth to the thirty-second resolutions, to Euro 32 million and Euro 200 million respectively.

With the twenty-sixth and twenty-seventh resolutions, you are asked to delegate to the Board of a Directors, for a new period of 26 months, the authority to issue shares or securities, without preferential subscription rights for shareholders, either by way of a public offering with the option to grant to shareholders a priority subscription period (twenty-sixth Resolution), or by way of a private placement as described in Article L.411-2-II of the French Monetary and Financial Code (twenty-seventh Resolution), it being specified that the nominal value of securities to be issued pursuant to these delegations must not exceed:

- Euro 9.2 million (less than 10% of the share capital as at December 31, 2018) if relating to shares representing a portion of the share capital (unchanged amount), this sum constituting in accordance with the thirty-third resolution an overall sub-ceiling for capital increases without preferential subscription rights (excluding issues for the benefit of members of a Company Savings Plan), and
- Euro 200 million if relating to debt securities (overall ceiling pursuant to the thirty-third resolution).

It is proposed that these authorizations are suspended during any public tender offer period, unless approved in advance by the Annual General Meeting.

The option to issue without preferential subscription rights would enable the Board to react more quickly to market opportunities in line with changes in the financial markets and the Group's strategy. The French Monetary and Financial Code thus offers companies the ability to carry out capital increases through a private placement to qualified investors or a restricted group of investors, provided these investors are acting on their own behalf.

For issues carried out without preferential subscription rights, the issue price of securities will be set such that the Company receives, for every share issued by the Company, an amount at least equal to the minimum amount provided for by regulations applicable on the day of the issue, currently an amount equal to the weighted average of the share price on the Euronext Paris regulated market over the three trading days preceding the setting of this price less, where appropriate, a maximum discount of 5%.

For issues carried out with preferential subscription rights pursuant to the twenty-fifth resolution, the amount received or receivable by the Company for every Company share issued must be at least equal to the par value of the share.

The issue price of all securities granting entitlement to shares may be determined in accordance with market practices and conditions.

The share allocation rights attached to any securities issued pursuant to this resolution may be exercised on set dates, at any time, or during one or more periods to be set by the Board, beginning on or after the issue of the first security and finishing, in the event of redemption, conversion or exchange of a debt security, no later than three months following the maturity of the debt, or in other cases, no later than seven years after the issue of the security granting entitlement to shares.

TWENTY-FIFTH RESOLUTION

Delegation of authority granted to the Board of Directors to issue Company shares or securities granting entitlement to the allocation of new or existing Company shares or existing shares of any other company in which it directly or indirectly owns a stake, with preferential subscription rights

The Extraordinary General Meeting, after reviewing the reports by the Board of Directors and the Statutory Auditors and noting that the share capital has been fully paid up pursuant to Articles L.225-127, L.225-129, L.225-129-2, L.228-91, L.228-92, L.228-93, L.228-94 *et seq.* of the French Commercial Code:

- delegates to the Board of Directors, with the power to subdelegate in accordance with the provisions of the law, its authority to decide to issue, once or more than once, at times and for such amounts that it shall determine, both in France and abroad, with preferential subscription rights, Company shares or any other securities giving access, by any means, immediately or in the future, to the Company's share capital, by the allocation, at the Company's discretion, of either new or existing Company shares, or a combination of the two, or even of existing shares of another company in which it directly or indirectly owns a stake. Subscription may be made either in cash or by the offsetting of debt;
- decides that the securities thus issued and granting entitlement to the allocation of new or existing Company shares or of existing shares of another company in which it directly or indirectly owns a stake, may consist of debt securities or be linked to the issue of such securities, or even allow the issue thereof as intermediate securities. They may notably take the form of subordinated or unsubordinated securities, with or without a fixed term, and may be denominated in euros or its equivalent in other currencies or units of account established by reference to multiple currencies.

Issues of new Company stock warrants may be carried out by subscription offer or by bonus awards to holders of existing shares, it being understood that the Board of Directors may decide that the allocation rights on fractional shares will not be tradable and that the corresponding securities will be sold. The proceeds from the sale will be allocated to the holders of such rights no later than thirty days following the date of registration in their account of the full number of securities to which they are entitled.

The total nominal value of Company shares that may be issued immediately and/or in the future pursuant to this authorization must not exceed Euro thirty-two (32) million, plus, where applicable, the nominal value of additional shares to be issued to protect, in accordance with legal and regulatory provisions and, where applicable, contractual provisions providing for other adjustments, the rights of the holders of securities giving future access to Company shares.

The total nominal value of debt securities that may be issued pursuant to this authorization must not exceed Euro two hundred (200) million or the equivalent of this amount in any other currency or unit of account established by reference to multiple currencies.

In the event of an offer to subscribe, the Board of Directors may, in accordance with the law, if it deems it useful, introduce a reducible right to subscribe for additional shares by virtue of which the shares or other securities giving access to the share capital that have not been subscribed on an irreducible basis, shall be awarded to the shareholders that have subscribed for a number of shares higher than the number of shares for which they could have subscribed on an irreducible basis, proportional to the subscription rights that they hold and, in all cases, up to the maximum requested by them.

If the subscriptions on an irreducible basis and, where applicable, a reducible basis, do not absorb the entire issue, the Board of Directors may choose to apply, in accordance with the provisions of the law and in the order of its choosing, any of the following options:

- to limit the issue to the sum of subscriptions received provided these total at least three quarters of the value of the agreed issue,
- to freely allocate all or part of the unsubscribed shares or securities,
- to offer to the public, on the French or international market, all or part of the unsubscribed shares or securities.

This authorization shall automatically give rise, for the benefit of holders of securities that may be issued giving access to the share capital of the Company, to the waiver by shareholders of their preferential subscription right to the Company's shares to which such securities may grant entitlement.

Within the limits set by the Annual General Meeting, and in accordance with the law, the Board of Directors has all powers, including the power to subdelegate, to decide to implement this authorization, decide the conditions, nature and characteristics of any issues, including notably the issue price, with or without premium, of the shares and other securities to be issued and the date, even if retroactive, on which the new shares will bear rights, the conditions for the buyback or exchange (where applicable) of these securities for the purpose of canceling such securities or not, set the payment terms for the shares or securities giving immediate or future access to the share capital, record the completion of any resulting capital increases, deduct the issue costs from the premium, amend the articles of association and, where appropriate, apply for the issued shares and securities to be admitted to trading on a regulated market.

In particular, the Board of Directors may:

- set, in the event of the immediate issue of debt securities, the amount, duration and currency of the issue, whether or not it should be subordinated, the fixed, floating, zero-coupon, indexed and/or other interest rates, the payment date, interest capitalization terms, the terms and conditions for redemption and fixed or variable redemption price, with or without premium, the amortization terms of the loan(s) in accordance with market conditions, as well as the conditions under which the securities will grant entitlement to Company shares, and any other issue terms and conditions (including whether to grant them guarantees or sureties);
- modify, during the life of the securities concerned, the terms and conditions of the securities issued or to be issued in compliance with applicable formalities;
- take all steps to protect the holders of rights and securities granting future entitlement to new Company shares in compliance with legal and regulatory provisions, and, where applicable, contractual provisions that provide for any other adjustments;

- suspend the exercise of rights attached to these securities for a specified period in compliance with legal and regulatory provisions;
- enter into any agreements, notably with any credit institutions, take any measures and carry out any formalities to ensure the successful completion of any issue approved pursuant to this authorization;
- charge, where applicable, the costs of any capital increases to the sum of premiums associated with these increases and, if it deems it appropriate, deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each issue.

This authorization is granted for a period of twenty-six months from the date of this Meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 17th resolution.

TWENTY-SIXTH RESOLUTION

Delegation of authority granted to the Board of Directors to issue Company shares or securities granting entitlement to the allocation of new or existing Company shares or shares of any other company in which it owns a direct or indirect stake, without preferential subscription rights, by way of a public offering

After reviewing the reports of the Board of Directors and the Statutory Auditors, and in accordance with the provisions of the French Commercial Code, and in particular those of Articles L.225-129 to L.225-129-6, L.225-135, L.225-136, L.225-148, L.228-91 *et seq.* of the French Commercial Code, the Extraordinary General Meeting:

- delegates to the Board of Directors, with the power to subdelegate in accordance with the provisions of the law, its authority to decide, once or more than once, at times and for such amounts that it shall determine, both in France and abroad, to issue, by way of a public offering, Company shares or any other securities giving access, by any means, immediately or in the future, to the Company's share capital, by the allocation, at the Company's discretion, of either new or existing Company shares, or a combination of the two, or even of existing shares of another company in which it directly or indirectly owns a stake. Subscription may be made either in cash or by the offsetting of debt;
- decides that the securities thus issued and granting entitlement to the allocation of new or existing Company shares or of existing shares of another company in which it directly or indirectly owns a stake, may consist of debt securities or be linked to the issue of such securities, or even allow the issue thereof as intermediate securities. They may notably take the form of subordinated or unsubordinated securities, with or without a fixed term, and may be denominated in euros or any other legal currency or unit of account established by reference to multiple currencies.

The total nominal value of Company shares that may be issued immediately and/or in the future pursuant to this authorization must not exceed Euro nine million two hundred thousand (Euro 9,200,000), plus, where applicable, the nominal value of additional shares to be issued to protect, in accordance with legal and regulatory provisions and, where applicable, contractual provisions providing for other adjustments, the rights of the holders of securities giving future access to Company shares.

The total nominal value of debt securities that may be issued pursuant to this authorization must not exceed Euro two hundred (200) million or the equivalent of this amount in any other currency or unit of account established by reference to multiple currencies.

The Annual General Meeting decides to cancel the preferential subscription right of shareholders to the shares issued pursuant to this authorization. However, the Annual General Meeting delegates to the Board of Directors the power to introduce, if it deems it useful for all or part of an issue, an irreducible and/or reducible priority subscription period for the shareholders, and to set the terms and conditions for the exercise thereof in accordance with applicable legal and regulatory provisions.

The Annual General Meeting decides that if the shareholder and public subscriptions do not absorb a securities issue in its entirety, the Board of Directors may choose to apply, in the order of its choosing, any of the following options:

- to limit the issue to the sum of subscriptions received provided these total at least three quarters of the value of the agreed issue;
- to freely allocate all or part of the unsubscribed shares or securities;
- to offer to the public, on the French or international market, all or part of the unsubscribed shares or securities.

The Annual General Meeting delegates to the Board of Directors, for any public exchange offer decided by the Company for its own shares, the power to offer securities issued as part of this issue for exchange as described in Article L.228-91 of the French Commercial Code.

This authorization shall automatically give rise, for the benefit of holders of securities that may be issued giving access to the share capital of the Company, to the waiver by shareholders of their preferential subscription right to the Company's shares to which such securities may grant entitlement.

The share issue price set by the Board of Directors shall be at least equal to the minimum amount provided for by regulations applicable on the day of the issue, currently the weighted average of the share price on the Euronext Paris regulated market over the three trading days preceding the setting of this price less, where appropriate, a maximum discount of 5% and, where applicable, after adjustment of this average in the event of a difference in dividend ex-dates.

The issue price of securities giving access to the share capital and the number of shares to which these securities shall grant entitlement, to be set by the Board of Directors, shall correspond to the sum immediately receivable by the Company plus, where appropriate, that likely to be received at a later date by the Company or, for every share issued as a consequence of the issue of these securities, at least equal to the issue price as defined in the paragraph above.

Within the limits set by the Annual General Meeting, and in accordance with the law, the Board of Directors has all powers, including the power to subdelegate, to decide to implement this authorization, decide the conditions, nature and characteristics of any issues, including notably the issue price, with or without premium, of the shares and other securities to be issued, set the payment terms for the shares or securities giving immediate or future access to the share capital, the conditions for the buyback or exchange of these securities for the purpose of canceling such securities or not, record the completion of any resulting capital increases, deduct the issue costs from the premium, amend the articles of association and, where appropriate, apply for the issued shares and securities to be admitted to trading on a regulated market.

In particular, the Board of Directors may:

- set, in the event of the immediate issue of debt securities, the amount, duration and currency of the issue, whether or not it should be subordinated, the fixed, floating, zero-coupon, indexed and/or other interest rates, the payment date, interest capitalization terms, the terms and conditions for redemption and fixed or variable redemption price, with or without premium, the amortization terms of the loan(s) in accordance with market conditions, as well as the conditions under which the securities will grant entitlement to Company shares, and any other issue terms and conditions (including whether to grant them guarantees or sureties);
- modify, during the life of the securities concerned, the terms and conditions of the securities issued or to be issued in compliance with applicable formalities;
- take all steps to protect the holders of rights and securities granting future entitlement to new Company shares in compliance with legal and regulatory provisions, and, where applicable, contractual provisions that provide for any other adjustments;
- suspend the exercise of rights attached to these securities for a specified period in compliance with legal and regulatory provisions;
- enter into any agreements, notably with any credit institutions, take any measures and carry out any formalities to ensure the successful completion of any issue approved pursuant to this authorization;
- charge, where applicable, the costs of any capital increases to the sum of premiums associated with these increases and, if it deems it appropriate, deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each issue.

This authorization is granted for a period of twenty-six months from the date of this Meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 18th resolution.

The Board of Directors may not, without prior authorization from the Annual General Meeting, make use of this delegation after the filing by a third party of a proposed public tender offer relating to the Company's securities, until after the end of the offer period.

TWENTY-SEVENTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by issuing Company shares or securities giving access to the allocation of new or existing Company shares or existing shares of any other company in which it directly or indirectly owns a stake, without preferential subscription rights, by way of a private placement as described in Article L.411-2-II of the French Monetary and Financial Code

After reviewing the reports of the Board of Directors and the Statutory Auditors, and in accordance with Articles L.225-129 to L.225-129-6, L.225-135, L.225-136, L.228-91 *et seq.* of the French Commercial Code, the Extraordinary General Meeting:

- delegates to the Board of Directors, with the power to subdelegate in accordance with the provisions of the law, its authority to decide, once or more than once, at times and for such amounts that it shall determine, both in France and abroad, to issue, by the methods described in paragraph II of Article L.411-2 of the French Monetary and Financial Code, Company shares or any other securities giving access, by any means, immediately or in the future, to the Company's share capital, by the allocation, at the Company's discretion, of either new or existing Company shares, or a combination of the two, or even of existing shares of another company in which it directly or indirectly owns a stake. Subscription may be made either in cash or by the offsetting of debt;
- decides that the securities thus issued and granting entitlement to the allocation of new or existing Company shares or of existing shares of another company in which it directly or indirectly owns a stake, may consist of debt securities or be linked to the issue of such securities, or even allow the issue thereof as intermediate securities. They may notably take the form of subordinated or unsubordinated securities, with or without a fixed term, and may be denominated in euros or its equivalent in other currencies or composite monetary units.

The total nominal value of Company shares that may be issued immediately and/or in the future pursuant to this authorization must not exceed Euro nine million two hundred thousand (Euro 9,200,000), plus, where applicable, the nominal value of additional shares to be issued to protect, in accordance with legal and regulatory provisions and, where applicable, contractual provisions providing for other adjustments, the rights of the holders of securities giving future access to Company shares.

The total nominal value of debt securities that may be issued pursuant to this authorization must not exceed Euro two hundred (200) million or the equivalent of this amount in any other currency or unit of account established by reference to multiple currencies.

The Annual General Meeting decides to cancel the preferential rights of shareholders to subscribe for the shares and securities giving access to the share capital to be issued for the benefit of the people listed in paragraph II of Article L.411-2 of the French Monetary and Financial Code.

This authorization shall automatically give rise, for the benefit of holders of securities that may be issued giving access to the share capital of the Company, to the waiver by shareholders of their preferential subscription right to the Company's shares to which such securities may grant entitlement.

The Annual General Meeting decides that if the subscriptions do not absorb a securities issue in its entirety, the Board of Directors may limit the issue to the sum of subscriptions received provided these total at least three quarters of the value of the agreed issue.

The share issue price set by the Board of Directors shall be at least equal to the minimum amount provided for by regulations applicable on the day of the issue, currently the weighted average of the share price on the Euronext Paris regulated market over the three trading days preceding the setting of this price less, where appropriate, a maximum discount of 5% and, where applicable, after adjustment of this average in the event of a difference in dividend ex-dates.

The issue price of securities giving access to the share capital and the number of shares to which these securities shall grant entitlement, to be set by the Board of Directors, shall correspond to the sum immediately receivable by the Company plus, where appropriate, that likely to be received at a later date by the Company or, for every share issued as a consequence of the issue of these securities, at least equal to the issue price as defined in the paragraph above.

Within the limits set by the Annual General Meeting, and in accordance with the law, the Board of Directors has all powers, including the power to subdelegate, to implement this authorization, decide the conditions, nature and characteristics of any issues, including notably the issue price, with or without premium, of the shares and other securities to be issued, set the payment terms for the shares or securities giving immediate or future access to the share capital, the conditions for the buyback or exchange (where applicable) of these securities for the purpose of canceling such securities or not, record the completion of any resulting capital increases, deduct the issue costs from the premium, amend the articles of association and, where appropriate, apply for the issued shares and securities to be admitted to trading on a regulated market.

In particular, the Board of Directors may:

- set, in the event of the immediate issue of debt securities, the amount, duration and currency of the issue, whether or not it should be subordinated, the fixed, floating, zero-coupon, indexed and/or other interest rates, the payment date, interest capitalization terms, the terms and conditions for redemption and fixed or variable redemption price, with or without premium, the amortization terms of the loan(s) in accordance with market conditions, as well as the conditions under which the securities will grant entitlement to Company shares, and any other issue terms and conditions (including whether to grant them guarantees or sureties);
- modify, during the life of the securities concerned, the terms and conditions of the securities issued or to be issued in compliance with applicable formalities;
- take all steps to protect the holders of rights and securities granting future entitlement to new Company shares in compliance with legal and regulatory provisions, and, where applicable, contractual provisions that provide for any other adjustments;
- suspend the exercise of rights attached to these securities for a specified period in compliance with legal and regulatory provisions;
- enter into any agreements, notably with any credit institutions, take any measures and carry out any formalities to ensure the successful completion of any issue approved pursuant to this authorization;
- charge, where applicable, the costs of any capital increases to the sum of premiums associated with these increases and, if it deems it appropriate, deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each issue.

This authorization is granted for a period of twenty-six months from the date of this Meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 19th resolution.

The Board of Directors may not, without prior authorization from the Annual General Meeting, make use of this delegation after the filing by a third party of a proposed public tender offer relating to the Company's securities, until after the end of the offer period.

Resolution 28: Exceptional setting of the issue price within the context of a capital increase without preferential subscription rights for shareholders

PRESENTATION

With the twenty-eighth resolution, you are asked to renew the authorization granted to your Board of Directors, within the context of issues without preferential subscription rights by way of public offering (twenty-sixth resolution) or private placements (twenty-seventh resolution), to set, if it deems it appropriate, the issue price on the basis of the weighted average of the share price over the ten trading days preceding the setting of this price less, where appropriate, a maximum discount of 5%, in compliance with the provisions of the law. (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

It is proposed that this authorization is suspended during any public tender offer period, unless approved in advance by the Annual General Meeting.

The thirty-third Resolution restricts the total value of the share issues, with and without preferential subscription rights, and debt security issues that may be carried out pursuant to the twenty-fifth to the thirty-second resolutions.

TWENTY-EIGHTH RESOLUTION

Authorization granted to the Board of Directors, in the event of issues without preferential subscription rights by way of public offering or private placement, to set the issue price in accordance with the terms and conditions determined by the Annual General Meeting

The Extraordinary General Meeting, after reviewing the reports of the Board of Directors and the Statutory Auditors, authorizes the Board of Directors, with the power to subdelegate in accordance with the provisions of the law, pursuant to Article L.225-16 of the French Commercial Code, for any issue carried out pursuant to the twenty-sixth and twenty-seventh resolutions hereof, to set, by way of exception to the provisions of Article L.225-136-1 of the French Commercial Code, the issue price in accordance with the following:

- the issue price will be equal to the weighted average of the share price over the ten trading days preceding the setting of this price less, where appropriate, a maximum discount of 5%;
- the issue price of securities giving access to the share capital, taking account of the number of shares to which these securities shall grant entitlement, shall correspond to the sum immediately receivable by the Company plus, where appropriate, that likely to be received at a later date by the Company or, for every share issued as a consequence of the issue of these securities, at least equal to the issue price as defined in the paragraph above.

The maximum nominal value of any capital increase resulting from the implementation of this resolution must not exceed 10% of the share capital per year. This limit shall be assessed on the date on which the Board of Directors sets the issue price.

This authorization is granted for a period of twenty-six months from the date of this meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 20th resolution.

The Board of Directors may not, without prior authorization from the Annual General Meeting, make use of this delegation after the filing by a third party of a proposed public tender offer relating to the Company's securities, until after the end of the offer period.

Resolution 29: Option to increase the number of issues in the event of excess demand during capital increases with or without preferential subscription rights for shareholders

PRESENTATION

The purpose of the twenty-ninth resolution is to renew the authorization granted to your Board of Directors within the context of capital increases performed with or without preferential subscription rights (twenty-fifth, twenty-sixth, twenty-seventh, twenty-eighth resolutions), to increase the initial amount of the issue(s), in the event of excess demand, in accordance with current regulations. (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

As such, your Board of Directors would have the ability, within 30 days of the end of the subscription period, to increase the number of shares or securities issued, at the same price as that used for the initial issue, up to a maximum of 15% of the initial issue and up to the ceiling set out in the twenty-fifth, twenty-sixth, twenty-seventh, twenty-eighth resolutions where applicable, and the overall ceiling stated in the thirty-third resolution. It is proposed that this authorization is suspended during any public tender offer period, unless approved in advance by the Annual General Meeting.

TWENTY-NINTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the number of securities to be issued as part of a capital increase with or without preferential subscription rights

The Extraordinary General Meeting, after reading the reports of the Board of Directors and the Statutory Auditors, delegates to the Board of Directors, with the power to subdelegate in accordance with the provisions of the law, in accordance with the provisions of Article L.225-135-1 of the French Commercial Code, its authority, for any issue carried out pursuant to the twenty-fifth to the twenty-eighth resolutions hereof, to issue a number of shares or securities greater than that initially agreed within the time period and up to the limits provided for by regulations applicable on the day of the issue (currently within thirty days of the end of the subscription period and up to 15% of the initial issue and at the same price as that used for the initial issue), within the maximum limit specified in the resolution pursuant to which the issue was decided and the overall ceiling specified in the thirty-third resolution.

This authorization is granted for a period of twenty-six months from the date of this Meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 21st resolution.

The Board of Directors may not, without prior authorization from the Annual General Meeting, make use of this delegation after the filing by a third party of a proposed public tender offer relating to the Company's securities, until after the end of the offer period.

Resolution 30: Capital increase by incorporation of reserves, profits, premiums or other

PRESENTATION

The Annual General Meeting of April 27, 2017 delegated to your Board of Directors, for a period of 26 months, its authority to increase the share capital by incorporation of reserves, profits, premiums or other capitalizable amounts (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345)

Your Board of Directors has not made use of this authorization.

With the thirtieth resolution, you are asked to renew this authorization, for a period of 26 months, up to a maximum nominal value of Euro 32 million (less than 35% of the share capital as at December 31, 2018), (unchanged amount), which constitutes the overall capital increase ceiling for all issues carried out under the twenty-fifth to the thirty-second resolutions as set out in the thirty-third resolution.

It is also proposed that this authorization is suspended during any public offering period, unless approved in advance by the Annual General Meeting.

THIRTIETH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by incorporation of reserves, profits, premiums or other capitalizable amounts

The Annual General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, after reviewing the Board of Directors' report, in accordance with Articles L.225-129 to L.225-130 of the French Commercial Code, delegates to the Board of Directors, with the power to subdelegate in accordance with the provisions of the law, its authority to decide to increase the share capital, once or more than once, at times and by methods that it shall determine, by incorporation in the share capital of reserves, profits, premiums or other capitalizable amounts, by the issue and bonus allocation of new shares or by increasing the par value of existing shares, or a combination of these two methods.

The amount of the capital increase resulting from issues carried out pursuant to this resolution must not exceed the nominal value of Euro thirty-two (32) million, excluding the sum required to protect, in accordance with the law, the rights of the holders of securities granting entitlement to shares.

The Annual General Meeting grants to the Board of Directors all powers, including the power to subdelegate, to implement this resolution, notably for the purposes of:

- approving all the terms and conditions of the authorized transactions and, in particular, setting the amount and nature of the reserves and premiums to be incorporated within the share capital, setting the number of new shares to be issued or the amount by which the par value of existing shares will be increased, approving the date, even retroactively, on which the new shares will bear rights or on which the higher par value shall take effect;
- taking any measures necessary to protect the rights of holders of securities giving access to the share capital on the date of the capital increase;
- approving the conditions for use of the rights on fractional shares and, in particular, to decide whether these rights will be tradable or exchangeable and whether the corresponding shares will be sold. The proceeds from the sale will be allocated to the holders of such rights within the regulatory time limit, currently no later than thirty days following the date of registration in their account of the full number of shares allocated;
- recording the capital increase resulting from the issue of shares, amending the articles of association accordingly, requesting the admission to trading of the shares on a regulated market and undertaking any publication formalities required;
- and, generally speaking, taking any measures and completing any formalities required to ensure the successful completion of each capital increase.

This authorization is granted for a period of twenty-six months from the date of this Meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 22nd resolution.

The Board of Directors may not, without prior authorization from the Annual General Meeting, make use of this delegation after the filing by a third party of a proposed public tender offer relating to the Company's securities, until after the end of the offer period.

Resolution 31: Capital increase as part of a public offering initiated by the Company

PRESENTATION

The Annual General Meeting of April 27, 2017 delegated to your Board of Directors, for a period of 26 months, its authority to issue shares or securities giving access to the share capital of the Company as part of a public offering implemented by your Company on the securities of another listed company (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

Your Board of Directors has not made use of this authorization.

With the thirty-first resolution, you are asked to renew this authorization for a period of 26 months so that the Company may have this option which it may need to use as part of its ongoing growth strategy.

The total nominal value of securities likely to be issued pursuant to this authorization must not exceed:

- Euro 9.2 million (less than 10% of the share capital as at December 31, 2018), if relating to shares representing a portion of the share capital (unchanged amount); or
- Euro 200 million (unchanged amount), if relating to debt securities.

It is also proposed that this authorization is suspended during any public offering period, unless approved in advance by the Annual General Meeting.

The thirty-third resolution restricts the total value of the share issues, with and without preferential subscription rights, and debt security issues that may be carried out pursuant to the twenty-fifth to the thirty-second resolutions.

THIRTY-FIRST RESOLUTION

Delegation of authority granted to the Board of Directors to issue, without preferential subscription rights, shares or securities giving access to the share capital in the event of a public exchange offer initiated by the Company

After reviewing the Board of Directors' report and the Statutory Auditors' report, and ruling in accordance with Articles L.225-129 to L.225-129-6, L.225-148, L.228-91 *et seq.* of the French Commercial Code, the Extraordinary General Meeting: delegates to the Board of Directors, with the power to subdelegate in accordance with the provisions of the law, the authority to decide to issue Company shares and/or any securities giving access by any means, immediately or in the future, to the share capital of the Company, as compensation for securities contributed to a mixed or alternative public exchange offer initiated by the Company in France or abroad on securities of a company whose shares are admitted to trading on any of the regulated markets listed in Article L.225-148 of the French Commercial Code.

The Annual General Meeting decides to cancel, where necessary, the preferential rights of shareholders to subscribe for these shares or securities.

The total nominal value of Company shares that may be issued immediately and/or in the future pursuant to this authorization must not exceed Euro nine million two hundred thousand (Euro 9,200,000), plus, where applicable, the nominal value of additional shares to be issued to protect, in accordance with legal and regulatory provisions and, where applicable, contractual provisions providing for other adjustments, the rights of the holders of securities giving future access to Company shares.

The total nominal value of debt securities that may be issued pursuant to this authorization must not exceed Euro two hundred (200) million or the equivalent of this amount in any other currency or unit of account established by reference to multiple currencies.

This authorization shall automatically give rise, for the benefit of holders of securities that may be issued giving access to the share capital of the Company, to the waiver by shareholders of their preferential subscription right to the Company's shares to which such securities may grant entitlement.

The Board of Directors shall have all powers, including the power to subdelegate, to implement this authorization, and in particular to set the exchange parity and, where applicable, the amount of the compensatory cash payment to be made, to establish the number of securities tendered for exchange, to determine the dates and conditions of the issue including notably the price, the date on which the securities will bear rights, the payment terms, nature and characteristics of the securities to be issued, to suspend or postpone, where applicable, the exercise of rights attached to the securities to be issued in the cases and within the limits laid down by applicable regulations and contractual agreements, as well as, where relevant, to record on the liabilities side of the balance sheet the contribution premium from which any costs and duties incurred as a result of the transaction shall be deducted, to record the completion of any capital increases, amend the articles of association accordingly and carry out any formalities and declarations and apply for any authorizations that may be required to ensure the successful completion of transactions authorized under this delegation and, generally speaking, to do whatever is necessary.

This authorization is granted for a period of twenty-six months from the date of this Meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 23rd resolution.

The Board of Directors may not, without prior authorization from the Annual General Meeting, make use of this delegation after the filing by a third party of a proposed public tender offer relating to the Company's securities, until after the end of the offer period.

Resolution 32: Capital increase to pay compensation for contributions of securities granted to the Company

PRESENTATION

The Annual General Meeting of April 27, 2017 authorized your Board of Directors, for a period of 26 months, to issue shares or securities giving access to the share capital, up to 10% of the share capital, in exchange for contributions in kind granted to the Company of shares or securities giving access to the share capital (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

Your Board of Directors has not made use of this authorization.

With the thirty-second resolution, you are asked to renew this authorization for a period of 26 months, under the same conditions, so that the Company may have this option which it may need to use as part of its ongoing growth strategy.

It is also proposed that this authorization is suspended during any public offering period, unless approved in advance by the Annual General Meeting.

The thirty-third resolution restricts the total value of the share and security issues that may be carried out pursuant to the twenty-fifth to the thirty-second resolutions.

THIRTY-SECOND RESOLUTION

Delegation of power granted to the Board of Directors, up to a maximum of 10% of the share capital of the Company, to issue shares or securities giving access to the share capital, in exchange for contributions in kind of shares or securities giving access to the share capital

After reviewing the reports of the Board of Directors and the Statutory Auditors, and ruling in accordance with the provisions of Articles L.225-129 *et seq.* and L.225-147 of the French Commercial Code, the Extraordinary General Meeting: delegates to the Board of Directors, with the power to subdelegate in accordance with provisions of the law, all powers to decide, up to a maximum of 10% of the share capital of the Company on the day of the decision by the Board of Directors to carry out the issue, and based on the report by the Statutory Auditor(s) mentioned in paragraphs 1 and 2 of Article L.225-147 as stated above, to issue shares or securities giving access by any means, immediately and/or in the future, to the share capital of the Company, in exchange for contributions in kind granted to the Company and comprising shares or securities giving access to the share capital, provided that the provisions of Article L.225-148 of the French Commercial Code do not apply, and to decide, where required, to cancel, for the benefit of the holders of said shares, the subject of these contributions in kind, the preferential right of shareholders to subscribe for the shares to be issued pursuant to this delegation.

This authorization shall automatically give rise, for the benefit of holders of securities that may be issued giving access to the share capital of the Company, to the waiver by shareholders of their preferential subscription right to the Company's shares to which such securities may grant entitlement.

The Board of Directors shall have all powers, including the power to subdelegate, to implement this resolution, approve all terms and conditions of the authorized transactions and in particular to determine, based on the report by the Statutory Auditor(s) mentioned in paragraphs 1 and 2 of Article L.225-147 as stated above, the valuation of the contributions and the granting of special benefits and their values (including to reduce, if agreed by the contributors, the valuation of the contributions or the payment of special benefits), to set the conditions, nature and characteristics of the shares and other securities to be issued, to make, where appropriate, any deductions from the issue premiums and in particular to deduct all costs incurred as a result of the capital increase, record the definitive completion of the capital increases carried out pursuant to this delegation, amend the articles of association accordingly, carry out any formalities and declarations and apply for any authorizations that may be required to ensure the successful completion of these contributions, and generally speaking, to do whatever is necessary.

This authorization is granted for a period of twenty-six months from the date of this Meeting and, where applicable, cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 24th resolution.

The Board of Directors may not, without prior authorization from the Annual General Meeting, make use of this delegation after the filing by a third party of a proposed public tender offer relating to the Company's securities, until after the end of the offer period.

Resolution 33: Overall limitations on financial authorizations

PRESENTATION

The purpose of the thirty-third resolution is to set the overall limit for the issues of shares or debt securities that may be carried out on the basis of the twenty-fifth to the thirty-second resolutions.

The total nominal value of capital increases that may be carried out, immediately and/or in the future, must not exceed Euro 32 million, corresponding to less than 35% of the share capital as at December 31, 2018 (amount unchanged), it being specified that the total value of capital increases that may be carried out, immediately and/or in the future, without preferential subscription rights pursuant to the 26th, 27th, 28th, 29th, 31st and 32nd resolutions must not exceed Euro 9.2 million (equal to less than 10% of the share capital as at December 31, 2018).

The total nominal value of issues of debt securities must not exceed Euro two hundred (200) million.

THIRTY-THIRD RESOLUTION

Overall limitations on financial authorizations granted to the Board of Directors

The Extraordinary General Meeting, after reviewing the Board of Directors' report, and subject to the adoption of the 25th to the 32nd resolutions above, decides that:

- the total nominal value of issues of debt securities that may be carried out pursuant to these resolutions must not exceed Euro two hundred (200) million or its equivalent in other currencies or composite monetary units;
- the total nominal value of capital increases that may be carried out, immediately and/or in the future, pursuant to these resolutions, must not exceed Euro thirty-two (32) million, it being specified that the total value of capital increases that may be carried out, immediately and/or in the future, without preferential subscription rights, pursuant to the 26th, 27th, 28th, 29th, 31st and 32nd resolutions must not exceed Euro nine million two hundred thousand (Euro 9,200,000), excluding the nominal value of additional shares to be issued to protect the rights of holders of securities giving access to the share capital of the Company.

The Annual General Meeting acknowledges that the total nominal value of Euro thirty-two (32) million does not include the nominal value of shares:

- to be issued, where applicable, for the benefit of members of a Company savings plan, as part of issues agreed pursuant to the 34th resolution;
- to be allocated to employees and executive corporate officers as bonus shares issues carried out by way of a capital increase pursuant to the 35th resolution.

Resolution 34: Capital increase reserved for members of a Company Savings Plan

PRESENTATION

The Annual General Meeting of April 27, 2017 authorized your Board of Directors, for a period of 26 months, to increase the share capital or dispose of treasury shares for the benefit of members of a savings plan of the Company or of its affiliates (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

Your Board of Directors has not made use of this authorization.

With the 34th resolution, you are asked to renew this authorization for a period of 26 months.

The total number of shares that may be issued pursuant to this resolution remains unchanged at 2% of the share capital as at the day of this Meeting (excluding adjustments) and does not count toward the overall ceiling for capital increases set out in the 33rd resolution.

You are asked to cancel the preferential right of shareholders to subscribe for the shares and securities giving access to the share capital that may be issued pursuant to this authorization. The share subscription price, in accordance with the provisions of Article L.3332-19 of the French Labor Code, must be equal to or higher than the average share price over the twenty trading days preceding the date of the decision setting the subscription opening period, less a maximum discount of 20%, or 30% if the lock-up period of the plan is ten years or more.

However, if it deems it appropriate, the Board may decide to reduce or remove the discount thus granted so as to adhere to legal, regulatory or fiscal provisions applicable under foreign law, where applicable.

The Board of Directors may also decide to allocate bonus shares or other securities giving access to the share capital of the Company, it being understood that the total benefit resulting from this allocation and, where applicable, the payment of and discount on the subscription price may not exceed legal and/or regulatory limits.

THIRTY-FOURTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital or dispose of treasury shares without preferential subscription rights, for the benefit of members of a company savings plan

The Extraordinary General Meeting, after reviewing the reports by the Board of Directors and the Statutory Auditors and ruling in accordance with the provisions of Articles L.3332-1 *et seq.* of the French Labor Code and Article L.225-138-1 of the French Commercial Code, delegates to the Board of Directors, in accordance with the provisions of the law, with the power to subdelegate, pursuant to Articles L.225-129-2 and L.225-129-6 of the French Commercial Code, its authority to, on its sole initiative, increase the share capital of the Company, once or more than once, through the issue of shares or securities giving access to the share capital of the Company, reserved for members of a company savings plan and the savings plans of its affiliates as set out in Article L.233-16 of the French Commercial Code and Articles L.3332-18 *et seq.* of the French Labor Code.

The total number of shares that may be issued pursuant to this authorization must not exceed 2% of the total number of shares representing the share capital of the Company as at the date of this General Meeting, plus, where applicable, the additional shares to be issued to protect the rights of beneficiaries, in accordance with applicable legal and regulatory provisions, it being specified that this ceiling is independent of the ceiling stated in the twenty-eighth resolution and the overall ceiling stated in the thirty-third resolution.

The share subscription price, set in accordance with the provisions of Article L.3332-19 of the French Labor Code, must not be more than 20% lower, or 30% lower if the lock-up period of the plan is ten years or more, than the average share price over the twenty trading days preceding the date of the decision setting the subscription opening period, nor must it be higher than this average, it being specified that the Annual General Meeting expressly authorizes the Board of Directors, if it deems it appropriate, to reduce or remove the aforementioned discount so as to adhere to legal, regulatory or fiscal provisions applicable under foreign law, where applicable.

The Annual General Meeting also decides that the Board of Directors may decide to allocate bonus shares or other securities giving access to the share capital of the Company, it being understood that the total benefit resulting from this allocation and, where applicable, the payment of and discount on the subscription price may not exceed legal and/or regulatory limits.

The Annual General Meeting expressly decides to cancel, in favor of the beneficiaries of any capital increases carried out pursuant to this authorization, the preferential rights of shareholders to subscribe for the shares or other securities giving access to the share capital that may be issued, and to the Company shares to which the securities issued pursuant to this authorization may grant entitlement; in the event of allocation of bonus shares or other securities giving access to the share capital, said shareholders also waive all rights to said shares or securities including their share of any reserves, profits or premiums that may be incorporated within the share capital.

The Annual General Meeting authorizes the Board of Directors to dispose of the shares acquired by the Company in accordance with the provisions of Article L.225-206 *et seq.* of the French Commercial Code, once or more than once and on its sole initiative, up to a maximum of 2% of the securities issued by the Company to employee members of a savings plan of the Company or its affiliates in accordance with the conditions set out in Article L.233-16 of the French Commercial Code and Article L.3332-18 *et seq.* of the French Labor Code.

The Annual General Meeting authorizes the Board of Directors, in accordance with the conditions set out in Article L.225-135-1 of the French Commercial Code, to issue a number of shares greater than that initially agreed, at the same price as that used for the initial issue, within the limits of the aforementioned ceiling.

The Annual General Meeting gives all powers to the Board of Directors, including the power to delegate or subdelegate in accordance with the provisions of the law, to implement this authorization and carry out this or these issues within the aforementioned limits, on dates, within periods and using methods that it shall determine in compliance with legal and statutory provisions and in particular:

- to determine whether the issues may be carried out directly in favor of the beneficiaries or through collective bodies, and to set the scope of the capital increase reserved for members of a savings plan;
- to determine the amounts, terms and conditions of issues and capital increases, the characteristics of the shares and, where applicable, other securities to be issued, the dates and duration of the subscription period, the terms and conditions and potential time frames granted to subscribers to pay for their shares, and any conditions of seniority that need to be met by subscribers of new shares;
- at its sole initiative, after every capital increase, to deduct the costs of the capital increase from the sum of associated premiums and to deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital;
- to record the value of the capital increases in accordance with the value of the shares actually subscribed and to amend the articles of association as a result of the direct or deferred capital increases;
- and in general, to enter into any agreements, take any measures and carry out any formalities that may be useful to the issue, listing and servicing of the securities issued pursuant to this authorization.

This authorization is granted for a period of twenty-six months from the date of this Meeting and cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 27th resolution.

Resolution 35 – Allocation of bonus Company shares to employees and executive corporate officers of the Company

PRESENTATION

The Annual General Meeting of April 26, 2018, in its fifteenth resolution, authorized your Board of Directors, for a period of 26 months to award bonus shares of the Company to employees and corporate officers of the Company and its affiliates. Corporate officers may thus benefit from this authorization provided they meet performance criteria, in addition to being employed by Mercialys (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

As part of the authorization granted on April 26, 2018, your Board of Directors, having received a favorable opinion from the Appointments and Compensation Committee, approved during the 2018 fiscal year plans to allocate a total number of 83,199 existing shares representing 0.09% of the share capital on the date of authorization. The allocations granted are presented in chapter 7, § 7.2.5.3, p. 305 et seq.

With the thirty-fifth resolution, you are asked, based on a recommendation from the Appointments and Compensation Committee, to keep this option at your disposal and to renew for a period of 26 months, the authorization granted to the Board of Directors for the benefit of Company employees and executive corporate officers. Executive corporate officers may thus benefit from this authorization, provided they meet performance criteria and continue to be employed by the Company or one of its affiliates.

The authorization granted by the Annual General Meeting of April 26, 2018 will expire on June 25, 2020. With the thirty-fifth resolution, you are therefore asked to terminate this authorization and replace it with a new authorization valid for a period of 26 months.

The proposed resolution restricts the total value of bonus shares that may be allocated over 26 months to 0.5% of the share capital on the date of this Annual General Meeting (excluding adjustments), of which 0.15% for the benefit of executive corporate officers. This limit does not count toward the overall ceiling for capital increases set out in the thirty-third resolution.

We recall that all bonus share award plans currently in force exclusively concern existing shares, without dilutive impact on the share capital. The total number of existing shares that may be definitively allocated under allocations granted but not yet vested is set at 0.20% of the share capital at December 31, 2018.

Just as the authorization granted by the General Meeting of April 26, 2018, the authorization states that, according to legal requirements, shares are definitely allocated to their beneficiaries at the end of a vesting period set by the Board of Directors. However, the period must not be less than one year and the shares must be held by their beneficiaries for a period set by the Board of Directors, on the understanding that the aggregate vesting and holding period must not be less than two years. However, insofar as the vesting period for all or part of one or more allocations is at least two years, the Board of Directors would be authorized not to impose a holding period for the shares in question.

Furthermore, if the invalidity of a beneficiary corresponds to classification in categories 2 or 3 provided for in Article L.341-4 of the French Social Security Code, or the foreign equivalent, the Board of Directors would be authorized to arrange for the shares to be definitively allocated to the beneficiary before the end of the outstanding vesting period.

THIRTY-FIFTH RESOLUTION

Authorization granted to the Board of Directors to allocate bonus Company shares to employees and executive corporate officers of the Company and its affiliates; automatic waiver by shareholders of their preferential subscription rights

After reviewing the Board of Directors' report and the Statutory Auditors' report in accordance with Article L.225-197-1 *et seq.* of the French Commercial Code, the Extraordinary General Meeting:

- authorizes the Board of Directors, in accordance with and in the manner stipulated by the provisions of Articles L.225-197-1 to L.225-197-5 of the French Commercial Code, to allocate existing or future bonus shares, on one or more occasions, to employees of the Company or to certain categories of said employees and to executive corporate officers, as well as to employees of companies or economic interest groups affiliated to the Company, as defined under the terms of Article L.225-197-2 of the French Commercial Code;
- resolves that the total number of shares that may be allocated may not exceed 0.5% of the total number of shares representing the Company's share capital on this date, including 0.15% for executive corporate officers, not taking into account the adjustments likely to be applied to protect the rights of the beneficiaries in accordance with the legal and regulatory provisions and any applicable contractual provisions;
- resolves that with regard to the Company's executive corporate officers, the vesting of shares in full shall be subject to fulfilling performance conditions, in addition to being employed by the Company or any company associated with it. These performance conditions shall be set by the Board of Directors in accordance with several criteria, including, as a minimum, the Total Shareholder Return (TSR) compared with that of peer companies. They will be assessed over a minimum period of three consecutive business years.

The Annual General Meeting authorizes the Board of Directors to carry out, alternatively or cumulatively, within the limits determined in the previous paragraph:

- the allocation of shares resulting from the Company's buybacks in accordance with the provisions of Articles L.225-208 and L.225-209 of the French Commercial Code; and/or
- the allocation of shares to be issued through an increase in capital. In this case, the Annual General Meeting authorizes the Board of Directors to increase the share capital by the maximum nominal amount corresponding to the number of shares allocated and takes note that this authorization automatically implies that the beneficiaries of the bonus shares allocated shall waive their preferential subscription rights to the shares to be issued.

The Annual General Meeting resolves that the shares shall be definitely allocated to the beneficiaries at the end of a vesting period set by the Board of Directors. However, the period must not be less than one year and the shares must be held by their beneficiaries for a period set by the Board of Directors, on the understanding that the aggregate vesting and holding period must be no less than two years. However, the Annual General Meeting authorizes the Board of Directors not to impose any holding period for the relevant shares insofar as the vesting period for all or part of one or more allocations is at least two years. For all practical purposes, it should be borne in mind that the Board of Directors will have the right to set different vesting and holding periods according to the regulations in force in beneficiaries' countries of residence. In addition, the Annual General Meeting authorizes the Board of Directors to decide that, in the event that the beneficiary suffers a disability classifiable in the second or third category set forth in Article L.341-4 of the French Social Security Code, or their respective equivalents in other countries, the shares may be definitively delivered to him or her prior to the expiration of any remaining acquisition period.

The Annual General Meeting resolves that the definitive allocation of shares to employees may be subject to one or more performance conditions to be determined by the Board of Directors.

The Annual General Meeting grants full authority to the Board of Directors, which may subdelegate such powers in accordance with the law, subject to the limits set out above:

- to determine the identity of the beneficiaries, or the categories of beneficiaries of share allocations, bearing in mind that shares may not be allocated to employees and corporate officers individually holding more than 10% of the share capital, and that the allocation of bonus shares may not result in any individual beneficiary holding more than 10% of the share capital;
- to distribute the share allocation rights on one or more occasions and at the times it considers appropriate;
- to set the conditions and criteria for share allocation, including but not limited to length of service, maintaining a contract of employment or retaining executive corporate duties during the vesting period, and any other financial condition, or conditions relating to individual or collective performance;
- to determine, in accordance with legal conditions and limits, the final vesting period and, where appropriate, the required holding period;
- to register, where appropriate, the allocated bonus shares in a registered account opened in the name of their holder, stipulating the holding period and their term;
- to cancel the holding period attached to the shares in cases of redundancy, retirement or invalidity corresponding to categories 2 or 3 stipulated in the provisions of Article 341-4 of the French Social Security Code, or in the event of death;
- to set aside, as appropriate, an unavailable reserve, allocated to the rights of the beneficiaries, for an amount equal to the total nominal value of shares likely to be issued through an increase in capital, by deducting the necessary sums from all reserves freely available to the Company;
- to determine the date of taking possession, even retroactively, of the new shares resulting from the allocation of bonus shares;
- make the necessary deductions from this unavailable reserve in order to release the nominal value of the shares to be issued to their beneficiaries;
- in the event of a capital increase, to amend the articles of association accordingly and carry out all necessary formalities;
- carry out, as appropriate, during the vesting period any adjustments to the number of bonus shares allocated in connection to transactions involving the Company's capital in order to protect the rights of beneficiaries; it is specified that any shares allocated by virtue of such adjustments will be deemed to have been allocated on the same day as the shares initially allocated.

In accordance with the provisions of Articles 225-197-4 and 225-197-5 of the French Commercial Code, a special report will be drawn up each year to inform the Ordinary General Meeting of the transactions carried out under this authorization.

This authorization is granted for a period of twenty-six months from the date of this Meeting and cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 26, 2018 under its fifteenth resolution.

Resolution 36: Cancellation by way of capital reduction of shares purchased by the Company

PRESENTATION

The Annual General Meeting of April 27, 2017 authorized your Board of Directors, for a period of 26 months, to reduce the share capital by canceling, up to a maximum of 10% of the share capital as at the date of cancellation (i.e. adjusted to take account of completed transactions affecting the share capital), shares that the Company has acquired pursuant to an authorization given by the Ordinary General Meeting of shareholders, in 24-month periods. (see Table of delegations and authorizations relating to share capital, appendix 3, p. 344 and 345).

The Board of Directors has not made use of this authorization.

With the thirty-sixth resolution, you are asked to renew this authorization for a period of 26 months, under the same conditions.

THIRTY-SIXTH RESOLUTION

Authorisation granted to the Board of Directors to reduce the share capital through the cancellation of all or some of the Company's treasury shares

The Extraordinary General Meeting, after reviewing the reports of the Board of Directors and the Statutory Auditors, authorizes the Board of Directors, in accordance with the provisions of Article L.225-209 of the French Commercial Code, to carry out at any time, once or more than once, a capital reduction by canceling, up to a maximum of 10% of the share capital as at the date of cancellation (*i.e.* adjusted to take account of transactions affecting the share capital since the entry into force of this resolution), shares acquired by the Company pursuant to an authorization given by the Ordinary General Meeting of shareholders, in 24-month periods.

The Annual General Meeting gives all powers to the Board of Directors, including the power to subdelegate in accordance with the provisions of the law, to carry out this or these capital reductions within the limits set out above and notably to record the completion thereof and to deduct the difference between the purchase price of the shares and their par value from any reserves or premiums of its choice, to amend the articles of association accordingly and to carry out any formalities.

This authorization is granted for a period of twenty-six months from the date of this Meeting and cancels the unused portion of the previous authorization of the same nature granted by the Annual General Meeting of April 27, 2017 under its 28th resolution.

Resolutions 37 – Powers for formalities

PRESENTATION

The thirty-seventh resolution is a standard resolution that permits legal publication and formalities to be carried out.

THIRTY-SEVENTH 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 ELEMENTS OF COMPENSATION DUE OR AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, ÉRIC LE GENTIL, IN RESPECT OF THE 2018 FISCAL YEAR

Components of the compensation	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	**Euro 450,000** *(amount paid, excluding paid leave)*	Amount unchanged since March 1, 2015
Annual variable compensation	**Euro 504,630** *(amount payable subject to the approval of the 4th resolution)*	The amount of the variable portion, expressed as a percentage, breaks down as follows: • for FFO growth (excluding the carrying cost of refinancing the 2019 debt): 28% or Eur 126,000; • for organic growth of rental revenues (excluding indexation): 11.69% or Eur 52,600; • for the EBITDA margin: 4.2% or Eur 18,900; • for improvements in CSR classifications: GRESB and EPRA: 12.25% or Eur 55,100; • for the footfall spread at Mercialys centers compared to total CNCC market: 14% or Eur 63,000; • for the current financial vacancy rate: 0% or Eur 0; • for annualized rental income for 2018 openings: 14% or Eur 63,000; • for managerial targets: 28% or Eur 126,000. In total, the amount of the 2018 variable portion is Euro 504,630 or 112.14% of his fixed compensation. The detailed information is set forth in chapter 4, § 4.2.2.1, B, 3, p. 238.
Multi-year variable compensation	**Euro 70,313**	Mr. Eric Le Gentil is 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 is only paid at the end of a period of three years subject to the condition that he is still employed by the Company and subject to two performance conditions, the terms and conditions of which are described in chapter 4, § 4.2.2.1, B, 4, page 238. In this respect, Mr. Eric Le Gentil will receive the sum of Euro 70,313, subject to the approval of the 4th resolution presented to the Annual General Meeting. He is required to reinvest 50% of the remuneration received, after deduction of social contributions and income tax at the maximum marginal rate, and he must keep the corresponding shares for the duration of his term of office. This is the last multi-year variable compensation scheme in existence.
Exceptional compensation	**Euro 112,500**	Subject to the approval of the 8th and 10th resolutions presented to the Annual General Meeting, Mr. Eric Le Gentil could receive the exceptional compensation 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 of the Chairman and Chief Executive Officer during the 2018 financial year.

Components of the compensation	Amounts or accounting valuation submitted to the vote	Presentation
Bonus share allotment	**Bonus share allocation valued at Euro 268,549** *(accounting valuation of the instruments awarded for the previous fiscal year)*	Pursuant to the authorization granted by the Extraordinary General Meeting of April 27, 2017 (26th resolution), the Board of Directors' meeting of April 27, 2017 decided to allot 19,269 shares to Mr Éric Le Gentil, which may be increased to 28,904 shares if the performance criteria are exceeded. In accordance with the authorization granted by the Extraordinary General Meeting of April 26, 2018 (15th resolution), the Board of Directors' meeting of April 26, 2018 decided to allocate 21,673 shares to Mr. Eric Le Gentil, which could be raised to 32,509 in the event of outperformance of the performance criteria. This allotment represents 0.04% of the share capital (and 0.07% of the share capital in the event of outperformance). The performance methods and criteria are described in chapter 4, § 4.2.2.1, A, page 234 et seq and the valuation in § 4.2.2.1, B, 6 page 239.
Directors' fees	**Euro 50,000** *(amount paid)*	As a director, Mr Eric Le Gentil gets director's fees. The gross amount of individual directors' fees has been set at Euro 15,000 per year, comprising a fixed portion of Euro 5,000 a year and a variable portion of Euro 10,000 a year awarded on the basis of attendance at Board meetings. An additional directors' fee of Euro 20,000 gross a year is paid to the Chairman of the Board of Directors. Mr Éric Le Gentil is also a member of the Investment Committee. As such, like the other members of the Committee, he receives an additional directors' fee comprising a fixed portion of Euro 4,000 gross a year and a variable portion of Euro 11,000 gross a year.
Benefits of all kinds	**Euro 14,823** *(accounting valuation)*	The Chairman and Chief Executive Officer participates in the insurance plan in effect in the Company for all employees and benefits from the executive unemployment insurance.
Severance pay	**Not applicable**	No commitment to pay a severance allowance to the Chairman and Chief Executive Officer for the termination of his duties.
Non-compete allowance	**-**	If his position were terminated, the Chairman and Chief Executive Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of employment in the Company, up to a maximum of one year; it being understood that the Company may reduce or waive the application period. In return, the Chairman and Chief Executive Officer will be paid a monthly compensation equivalent to 1/12th of 50% of his annual fixed compensation.
Supplementary pension scheme	**Not applicable**	The Chairman and 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.

APPENDIX 2: INFORMATION ON THE ELEMENTS OF COMPENSATION DUE OR AWARDED TO THE CHIEF OPERATING OFFICER, MR VINCENT RAVAT, IN RESPECT OF THE 2018 FISCAL YEAR

Components of the compensation	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	**Euro 300,000** *(amount paid, excluding paid leave)*	Compensation set up with effect from March 1, 2017, unchanged in 2018.
Annual variable compensation	**Euro 187,440** *(amount payable subject to the approval of the 5th resolution)*	The amount of the variable portion, expressed as a percentage, breaks down as follows: • for FFO growth (excluding the carrying cost of refinancing the 2019 debt): 8% or Eur 24,000; • for organic growth of rental revenues (excluding indexation): 6.68% or Eur 20,000; • for the EBITDA margin: 2.4% or Eur 7,200; • for improvements in CSR classifications: GRESB and EPRA: 7% or Eur 21,000; • for the footfall spread at Mercialys centers compared to total CNCC market: 8% or Eur 24,000; • for the current financial vacancy rate: 0% or Eur 0; • for annualized rental income for 2018 openings: 8% or Eur 24,000; • for the number of qualified customer contacts in the Mercialys database: 8% or Eur 24,000; • for managerial targets: 14.4% or Eur 43,200. In total, the amount of the 2018 variable portion totals Euro 187,440 or 62.48% of his fixed compensation, two thirds of which is paid by Mercialys, *i.e.* Euro 124,960, and one third by Mercialys Gestion, *i.e.* Euro 62,480. This information is provided in further detail in chapter 4, § 4.2.2.2, B, 3, p. 245.
Multi-year variable compensation	**Not applicable**	Mr Vincent Ravat does not receive a multi-year incentive.
Exceptional compensation	**Euro 75,000**	Subject to the approval of the 9th and 11th resolutions presented to the Annual General Meeting, Mr. Vincent Ravat could receive the exceptional compensation 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' capital, since this was a specific process for the Company which required a high level of involvement of the Chief Operating Officer during the 2018 financial year.
Bonus share allotment	**Bonus share allocation valued at Euro 119,360** *(accounting valuation of the instruments awarded for the previous fiscal year)*	Pursuant to the authorization granted by the Extraordinary General Meeting of April 27, 2017 (26th resolution), the Board of Directors' meeting of April 27, 2017 decided to allot 8,564 shares to Mr Vincent Ravat, which may be increased to 12,846 shares if the performance criteria are exceeded. Pursuant to the authorization granted by the Extraordinary General Meeting of April 26, 2018 (15th resolution), the Board of Directors' meeting of April 26, 2018 decided to allot 9,633 shares to Mr. Vincent Ravat, which may be increased to 14,450 shares if the performance criteria are exceeded. This allotment represents 0.02% of the share capital (and 0.03% of the share capital in the event of outperformance). The performance methods and criteria are described in chapter 4, § 4.2.2.3,A, p. 241 et seq. and the valuation in § 4.2.2.3,B, 5, p. 246.
Directors' fees	**Not applicable**	Not awarded.
Benefits of all kinds	**Euro 19,006** *(accounting valuation)*	The Chief Operating Officer participates in the insurance plan in effect in the Company for all employees and benefits from the executive unemployment insurance. He also has a company car.
Severance pay	**Not applicable**	No commitment to pay a severance allowance to the Chief Operating Officer for the termination of his duties.

Components of the compensation	Amounts or accounting valuation submitted to the vote	Presentation
Non-compete allowance	**-**	If his position were terminated, the Chief Operating Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of employment in the Company, up to a maximum of one year; it being understood that the Company may reduce or waive the application period. In exchange, the Chief Operating Officer would be paid a monthly compensation equivalent to 1/12th of 50% of his annual fixed compensation.
Supplementary pension scheme	**Not applicable**	The Chief Operating 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.

APPENDIX 3: DELEGATIONS AND AUTHORIZATIONS RELATING TO THE SHARE CAPITAL

Below is a summary table comparing the delegations and authorizations relating to the share capital granted to the Board of Directors by the Annual General Meetings of April 27, 2017 and April 26, 2018. Their renewal will be proposed to the Annual General Meeting of April 25, 2019:

	Existing authorizations				Authorizations proposed toThe Annual General Meeting of April 25, 2019		
	Date of AGM Resolution	**Maximum amount**	**Term Expiry**	**Use**	**Resolution**	**Maximum amount**	**Term Expiry**
Capital increase with PSRs[1] by issuing shares or securities giving access to share capital or debt securities	Apr 27,2017 N° 17	Euro 32 million[2]	26 months Jun 26, 2019	None	N° 25	Euro 32 million[2]	26 months Jun 24, 2021
Capital increase without PSRs[1] by issuing shares or securities giving access to share capital or debt securities, via public offering	Apr 27,2017 N° 18	Euro 9.2 million[2]	26 months Jun 26, 2019	None	N° 26	Euro 9.2 million[2]	26 months Jun 24, 2021
Capital increase without PSRs[1] by issuing shares or securities giving access to share capital or debt securities by means of a private placement as stated in II of Article 411-2 of the French Monetary and Financial Code	Apr 27,2017 N° 19	Euro 9.2 million[2]	26 months Jun 26, 2019	None	N° 27	Euro 9.2 million[2]	26 months Jun 24, 2021
Fixing of the issue price of capital increases without PSRs[1] (by public offering or by private placement)	Apr 27,2017 N° 20	Weighted average share price over the preceding 10 trading days - Possible discount of 5%	26 months Jun 26, 2019	-	N° 28	Weighted average share price over the preceding 10 trading days - Possible discount of 5%	26 months Jun 24, 2021
Increase of the initial amount of the issues with or without PSRs[1]	Apr 27,2017 N° 21	15% of the initial emission	26 months Jun 26, 2019	-	N° 29	15% of the initial emission	26 months Jun 24, 2021
Capital increase through the incorporation of reserves, profits, premiums or other amounts that may be capitalized	Apr 27,2017 N° 22	Euro 32 million	26 months Jun 26, 2019	None	N° 30	Euro 32 million	26 months Jun 24, 2021

	Existing authorizations				Authorizations proposed toThe Annual General Meeting of April 25, 2019		
	Date of AGM Resolution	Maximum amount	Term Expiry	Use	Resolution	Maximum amount	Term Expiry
Capital increase by issuing shares or securities giving access to share capital in the event of a public offering for the shares of another listed company without PSRs[1]	Apr 27,2017 N° 23	Euro 9.2 million[2]	26 months Jun 26, 2019	None	N° 31	Euro 9.2 million[2]	26 months Jun 24, 2021
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 PSRs[1]	Apr 27,2017 N° 24	10% of share capital at the date of deciding the issuance	26 months Jun 26, 2019	None	N° 32	10% of share capital at the date of deciding the issuance	26 months Jun 24, 2021
Overall limitation on all of the above-mentioned authorizations	Apr 27,2017 N° 25	Euro 32 million[2] with PSRs[1] EUR 9.2 million[2] without PSRs[1]	-	-	N° 33	Euro 32 million[2] with PSRs[1] EUR 9.2 million[2] without PSRs[1]	-
Capital increase reserved for employees subscribed to a savings plan of the Company or any of its affiliates without PSRs[1]	Apr 27,2017 N° 27	2% of the total number of shares as of the day of the authorization (1,840,983 shares)	26 months Jun 26, 2019	None	N° 34	2% of the total number of shares as of the day of the authorization (by way of indication, 1,840,983 shares at 02/13/2019)	26 months Jun 24, 2021
Purchase by the Company of its own shares	Apr 26,2018 N° 14	10% of the total number of shares as of the day of the authorization (9,204,916 shares)	18 months Oct 25, 2019	Purchase of 1,402,915 shares	N° 24	10% of the total number of shares as of the day of the authorization (by way of indication, 9,204,916 shares at 02/13/2019)	18 months Oct 24, 2020
Bonus share awards to the Company's salaried employees and to the Company's executive corporate officers, and to the salaried employees of its affiliates	Apr 26,2018 N° 15	0.5% of the total number of shares as of the day of the authorization (460,245 shares) of which 0.15% for corporate officers (138,073 shares)	26 months Jun 25, 2020	Allocation of 83,199 shares[3]	N° 35	0.5% of the total number of shares as of the day of the authorization (by way of indication, 460,245 shares at 02/13/2019) of which 0.15% for executive corporate officers (by way of indication 138,073 shares at 02/13/2019)	26 months Jun 24, 2021
Authorization to reduce the share capital by canceling treasury shares	Apr 27,2017 N° 28	10% of the share capital at the date of cancellation	26 months Jun 26, 2019	None	N° 36	10% of the share capital at the date of cancellation	26 months Jun 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) Allocation subject to the satisfaction of presence and/or performance conditions.

None of the delegations relating to the issue of capital securities were used in 2018.

8.2 Report of the Statutory Auditors

8.2.1 Statutory auditors' report on the issue of shares and marketable securities with retention and/or cancellation of preferential subscription rights for resolutions 25 to 29 and 31 to 32

Extraordinary general meeting of April, 25 2019 resolutions 25 to 29 and 31 to 32.

To the shareholders,

As Statutory Auditors for your Company, and in accordance with the mission entrusted to us by Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code, we hereby report on the authorizations sought by your Board of Directors to issue various shares and/or securities, transactions for which your approval is required.

On the basis of its report, your Board of Directors is seeking:

- authorization, for a period of 26 months, to effect the following transactions and set the final terms and conditions of these issues:
  - issue with preferential subscription rights (25th resolution) of shares or any other securities giving access, by any means, immediately or in the future, to the Company's share capital, by the allocation, at the Company's discretion, of either new or existing Company shares, or a combination of the two, or even of existing shares of another company in which it directly or indirectly owns a stake. Subscription may be made either in cash or by the offsetting of debt. The securities thus issued and granting entitlement to the allocation of new or existing Company shares or of existing shares of another company in which it directly or indirectly owns a stake, may consist of debt securities or be linked to the issue of such securities, or even allow the issue thereof as intermediate securities. They may notably take the form of subordinated or unsubordinated securities, with or without a fixed term, and may be denominated in euros or its equivalent in other currencies or units of account established by reference to multiple currencies.
  - issue by public offering, without preferential subscription rights, (26th resolution) of shares or any other securities giving access, by any means, immediately or in the future, to the Company's share capital, by the allocation, at the Company's discretion, of either new or existing Company shares, or a combination of the two, or even of existing shares of another company in which it directly or indirectly owns a stake. Subscription may be made either in cash or by the offsetting of debt. The securities thus issued and granting entitlement to the allocation of new or existing Company shares or of existing shares of another company in which it directly or indirectly owns a stake, may consist of debt securities or be linked to the issue of such securities, or even allow the issue thereof as intermediate securities. They may notably take the form of subordinated or unsubordinated securities, with or without a fixed term, and may be denominated in euros or any other legal currency or unit of account established by reference to multiple currencies.
  - issue, by means of the offerings referred to in Article L. 411-2 of the French Monetary and Financial Code, without preferential subscription rights, (*27th* resolution) of shares or any other securities giving access, by any means, immediately or in the future, to the Company's share capital, by the allocation, at the Company's discretion, of either new or existing Company shares, or a combination of the two, or even of existing shares of another company in which it directly or indirectly owns a stake. Subscription may be made either in cash or by the offsetting of debt. The securities thus issued and granting entitlement to the allocation of new or existing Company shares or of existing shares of another company in which it directly or indirectly owns a stake, may consist of debt securities or be linked to the issue of such securities, or even allow the issue thereof as intermediate securities. They may notably take the form of subordinated or unsubordinated securities, with or without a fixed term, and may be denominated in euros or its equivalent in other currencies or composite monetary units.
- authorization, by way of the 28th resolution and within the context of the implementation of the authorization referred to in the 26th and 27th resolutions, to set the issue price, based on the weighted average of the share price over the ten previous trading days, less a maximum discount of 5%.
- the necessary authorization, by way of the 29th resolution, for a period of 26 months, to issue a higher number of shares or securities than initially agreed, in the event of excess demand during capital increases carried out on the basis of the 25th, 26th or 27th resolutions, within the deadlines and limits set by the regulations applicable on the issue day.

- the necessary authorization, for a period of 26 months
  - to issue, in the event of a public exchange offer initiated by the Company (31st resolution) shares and/or any securities giving access by any means, immediately or in the future, to Company share capital, in exchange for securities contributed to a mixed or alternative public exchange offer initiated by the Company in France or abroad on securities of a company whose shares are admitted to trading on any of the regulated markets listed in Article L.225-148 of the French Commercial Code.
  - to issue shares of securities giving access by any means, immediately or in the future, to Company share capital, in exchange for contributions in kind of capital securities or securities giving access to the share capital (32nd resolution), of up to 10% of the share capital.

The total nominal amount of capital increases likely to be carried out immediately, or in the future, may not, according to the 33rd resolution, exceed Euro 32 million under the 25th to 29th and 31stto 32nd resolutions, given that the total amount of capital increases that may be carried out, immediately and/or in the future, without preferential subscription rights, may not exceed Euro 9.2 million under the 26th to 29th and 31st to 32nd resolutions. The total nominal amount of debt securities likely to be issued may not, according to the 33rd resolution, exceed Euro 200 million or its equivalent in other currencies or composite monetary units for the 25th to 29thand 31th to 32nd resolutions.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code. Our responsibility is to report to you on the fairness of the financial information extracted from the financial statements, on the proposed cancellation of preferential subscription rights and on certain information relating to these transactions, as presented in this report.

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 involved verifying the contents of the Board of Directors' report on these transactions and on procedures for setting the issue price of the equity securities to be issued.

Subject to further examination of the terms of these proposed issues, we have no comment to make on the methods of determining the issue price of the equity securities to be issued, as presented in the Board of Directors' report in the 26th, 27th and 28th resolutions.

In addition, given that this report does not specify the methods for determining the issue price of the equity securities to be issued under the 25th, 31st and 32nd resolutions, we cannot report on the methods used to calculate this issue price.

Because the final terms under which the securities will be issued have not been set, we cannot report on them and, consequently, on the proposed cancellation of preferential subscription rights contained in the 26th and 27th resolutions.

Pursuant to Article R. 225-116 of the French Commercial Code, will prepare an additional report, if necessary, when these authorizations are used by your Board of Directors in the event of share issues without preferential subscription rights, issues of equity securities giving access to debt securities, or issues of securities giving access to equity securities yet to be issued.

The Statutory Auditors,

Paris-La Défense and Lyon, on March 11, 2019

The Statutory Auditors

KPMG S.A.	ERNST & YOUNG et Autres
Isabelle Goalec	Nicolas Perlier
Associate	Associate

8.2.2 Statutory Auditors' report on the issue of equity securities or securities reserved for members of a Company Savings Plan

To the Shareholders,

As the Statutory Auditors for your Company, and in accordance with the duties provided for in Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code, we hereby present our report on the authorizations sought by your Board of Directors to issue, on one or more occasions, equity securities or securities giving access to share capital without preferential subscription rights, reserved for employees of your company, a resolution on which you are asked to vote.

The total number of shares that may be issued may not exceed 2% of the total number of shares representing the company's share capital, given that this ceiling is independent of the ceiling referred to in the twenty-eighth resolution and the overall ceiling provided for in the thirty-third resolution.

This transaction is subject to your approval pursuant to Articles L. 225-129-6 of the French Commercial Code and L.3332-18 et seq. of the French Labor Code.

Your Board of Directors is asking you to authorize it, for a period of 26 months, to issue shares or securities and to cancel your preferential right to subscribe for the securities to be issued. Where applicable, it will be responsible for setting the final terms of the issue.

The Board of Directors is responsible for preparing a report pursuant to Articles R. 225-113 et seq. of the French Commercial Code. Our responsibility is to report to you on the fairness of the financial information extracted from the financial statements, on the proposed cancellation of preferential subscription rights and on certain other information relating to the issue, as presented in this report.

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 involved verifying the contents of the Board of Directors' report on this transaction and on methods of determining the issue price of the equity securities to be issued.

Subject to further examination of the terms of the proposed issue, we have no comment to make on the methods of determining the issue price of the equity securities to be issued, as presented in the Board of Directors' report.

Because the final terms under which the shares will be issued have not been set, we cannot report on them and, consequently, on the proposed cancellation of preferential subscription rights.

Pursuant to Article R. 225-116 of the French Commercial Code, we will prepare an additional report, if necessary, when this authorization is used by your Board of Directors in the event of issues of shares or securities that are equity securities giving access to other equity securities and issues of securities giving access to equity securities yet to be issued.

Paris-La Défense and Lyon, on March 11, 2019

The Statutory Auditors

KPMG SA — ERNST & YOUNG et Autres

Isabelle Goalec — Nicolas Perlier

8.2.3 Statutory Auditors' report on the authorization to award existing, or future, bonus shares

To the Shareholders,

As the statutory auditors for your company and in accordance with the duties provided for in Article L. 225-197-1 of the French Commercial Code, we hereby present our report on the plan to award existing or future bonus shares to the salaried employees and corporate officers of your Company and its affiliates, a resolution on which you are asked to vote. The total number of shares which may be awarded under this authorization may not represent more than 0.5% of the Company's share capital, of which 0.15% for its executive corporate officers.

On the basis of its report, your Board of Directors asks you to authorize the award of existing or future bonus shares, for a period of 26 months.

It is the responsibility of the Board of Directors to prepare a report on the proposed resolution. It is our responsibility to inform you of our comments, if applicable, based on the information provided to you regarding the proposed resolution.

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 involved, in particular, ensuring that the methods proposed and described in the report of the Board of Directors are in accordance with the provisions of French law.

We have no comments to make regarding the information given in the report of the Board of Directors on the proposed resolution to authorize the awarding of bonus shares.

Paris-La Défense and Lyon, on March 11, 2019

The Statutory Auditors

KPMG SA	ERNST & YOUNG et Autres
Isabelle Goalec	Nicolas Perlier

8.2.4 Statutory Auditors' report on the capital reduction

To the Shareholders,

As the statutory auditors for your company and in accordance with the duties provided for in Article L. 225-209 of the French Commercial Code in the event of a capital reduction by cancellation of shares purchased, we have prepared this report which is intended to inform you of our assessment of the terms and conditions of the capital reduction envisaged.

Your Board of Directors is asking, for a period of 26 months from the date of this meeting, for full authorization to cancel, within the limit of 10% of its capital, per 24-month period, the shares purchased under application of an authorization for your company to purchase its own shares under the provisions of the aforementioned article.

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 involve examining whether the terms and conditions of the proposed capital reduction, which is not likely to undermine the equal treatment of shareholders, are in order.

We have no comments to make on the terms and conditions of the proposed capital reduction.

Paris-La Défense and Lyon, on March 11, 2019

The Statutory Auditors

KPMG SA	ERNST & YOUNG et Autres
Isabelle Goalec	Nicolas Perlier


55
Shopping centers
and city-center assets
872,922 sq.m
Gross leasable area
>600
Number of retailers

9

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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, within the context of partial transfers of assets in accordance with the regime for demergers (excluding transfers of securities), all premises of specialized superstores and shopping centers located at the sites of Casino Group hypermarkets and supermarkets and cafeterias, as well as certain sites containing franchise supermarkets or convenience stores leased to third parties and owned by the Casino Group.

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 concerned 146 of the Company's 147 properties (the Company had acquired a small property before the contributions were made).

In addition, SCI Vendome 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 went public 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 60% of their exempted income from 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 fully redistributed.

In 2006, L'Immobilière Groupe Casino sold 10,935,000 shares in a block sale to institutional investors, thereby reducing the Casino Group's stake from 75.29% to 60.30%. SCI Vendome 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 Vindemia – a subsidiary of the Casino Group – of four shopping malls in December 2007, the Company issued 2,231,041 shares, increasing Casino's stake in the Company to 61.48%.

On May 19, 2009, the Casino Group contributed a portfolio of 25 assets to the Company as part of the "Alcudia/L'Esprit Voisin" program (a multi-year program launched in July 2006 with the aim of renovating, redeveloping, extending and creating value at 100 sites operated jointly with the Casino Group). The portfolio was made up of four distinct asset types: three shopping centers; seven shopping center extensions in an advanced stage of development (CDEC – Departmental commercial buildings authority permits – and building permits obtained), turnkey programs delivered to Mercialys by Casino; 10 hypermarket units (storage and/or sales areas) due to be converted into shopping center extensions by Mercialys; five hypermarkets or supermarkets in properties as part of co-ownership complexes in urban locations, requiring the consolidation of the properties before the start of extensive redevelopment works and the implementation of the "Alcudia/ L'Esprit Voisin" project at these sites. 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.

Within the framework of this asset contribution, the Annual General Meeting of Casino, Guichard-Perrachon of May 19, 2009 decided to pay an additional dividend in kind to the Casino Group's shareholders in the form of the allotment of one (1) Mercialys share for eight (8) Casino shares.

This payment resulted in the transfer by Casino, Guichard-Perrachon of 14,013,439 Mercialys shares to its shareholders, consequently decreasing Casino, Guichard-Perrachon's participation in Mercialys' capital 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 implementation of this business strategy is accompanied by the normalization of Mercialys' financial structure with a Euro 1 billion debt commitment, partly in the form of 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 has been 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 acquired by Mercialys to drive its growth, has been 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, which was approved by the 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 finalized its program of asset sales initiated in 2012, with the aim of refocusing the portfolio around properties best suited to the Company's strategy. At the end of this program, Mercialys' portfolio comprised 91 assets as at December 31, 2013, including 61 shopping centers, of which 74% were large shopping centers.

Mercialys exceeded its targets in 2014, its dynamic portfolio of shopping centers outperforming the French market. The focus also returned to external growth in 2014, with a record gross investment of Euro 522 million in terms of delivered and ongoing projects and acquisitions. New projects continued to be delivered at a steady pace throughout 2014. Mercialys' solid performance demonstrates its robust and resilient business model, built on value creation underpinned by both the fundamentals of the retail property sector and Mercialys' own strengths.

Mercialys' success continued throughout 2015, demonstrating its ability to enter into global transactions with international retailers and to attract new and innovative brands. These achievements are illustrated by relettings, the 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 10 large food stores for redevelopment, either fully owned or through subsidiaries held with a third-party investor in which Mercialys owns a 51% stake.

Mercialys has 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 illustrates the leverage from the renovation of existing properties 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 carried out on 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 city-center sites owned by the Company at the end of the year. These developments represent Euro 50 million in potential additional rental income with a highly accretive average yield of 6.7%, making a significant contribution to growth in FFO and NAV in the medium and long term.

9.1.2 General information

9.1.2.1 Corporate name – trading 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 was located, at December 31, at 148 rue de l'Université, 75007 Paris (France) – Tel.: +33 (0)1 53 70 23 30

As of April 1, 2019, the Company's head office will be 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's 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 leaseholder 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 emphyteutic leases pursuant to which, as consideration of an agreed modest rent, the beneficiary enjoys 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, emphyteutic 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. Such a leasing transaction therefore causes the owner of the property (the *crédit-bailleur*, or lessor) to grant the use thereof to a company (the *crédit-preneur*, or lessee). At the end of an irrevocable lease period, the lessee can acquire ownership of the real property for a fixed price, which is set at contract signing and takes into account the rents paid over the lease period.

Upon expiration of the lease period, the lessee has three options: (i) to acquire the real property for a price agreed upon at the outset (typically, one euro or the value of the bare land); (ii) to return the use thereof 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. This entire ensemble is subject to functioning rules contained in the "joint ownership articles of association". On his private lot, the owner benefits from all powers conferred by ownership rights 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 preserve 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 properties 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 are made 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 euros 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 1st, 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. 80.

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 in which any of the dangers or inconveniences provided for 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, § 2.6, p. 75 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 1st 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.

Commercial premises 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.

Law no. 2014-626 of June 18, 2014 concerning the craft and retail sectors and micro enterprises (the "Pinel Law") 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 take back its property at the end of each three-year period only if it intends, in particular, to build, rebuild, or build upwards on, the existing building. The lessor can only ask the court to terminate the lease in the event of the lessee's non compliance 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 the guaranteed minimum rent based on changes in the *Indice des Loyers Commerciaux* ("ILC") (commercial rent index) or the *Indice des Loyers des Activités Tertiaires* ("ILAT") (business rent index) if this is expressly provided for in the terms of 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 repair any losses incurred by the latter, unless the Company can justify non payment 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 failing this, 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 Board member or permanent representative of a company if, having passed the age of seventy 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 passed, the oldest Board member or permanent representative of a company is deemed to have resigned from office at the end of the Annual General Meeting approving the financial statements for the year in which the limit was passed.

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 Annual 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 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 Shareholders' 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 deliberating in a 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 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 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 Annual 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 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 Annual General Meeting approving the financial statements for the previous year and held in the year in which 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 Annual 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 the Annual General Meeting and maintained until a new decision is taken at 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. 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. 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. 197 *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 Board Member, 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. 197 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 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, Deputy Chief Executive Officers remain in office until their 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, amended for the last time on March 5, 2019. These rules of procedure are intended to complement legal and regulatory requirements and the Company's articles of association in stating the modus operandi of the Board of Directors. These rules can be found in § 9.1.5, p. 365 et seq.

They define the organization, modus operandi, powers and remits of the Board of Directors and Committees established from among its members, as well as the framework for the control and assessment of how it operates (see chapter 4, page 197 et seq. for a description of the various committees established and the limits placed on the powers of Executive management and procedures for the control and assessment 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 necessary, the face value of shares, whether or not they are fully paid up, depreciated and non-depreciated capital and the rights of shares in different classes where any new classes of shares 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.

Profit available for distribution is equal to profit for the year less prior year losses where applicable 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. Dividends

When the financial statements for the year approved by the General Meeting show the existence of profits available for distribution, the General Meeting decides, on the proposal of the Board of Directors, to carry out the necessary appropriations to reserves and depreciation of share capital, the allocation or employment of which it governs, to allocate amounts to retained earnings or to pay dividends. Amounts placed in reserve accounts may, on the proposal of the Board of Directors and by decision of the General Meeting, be distributed or capitalized at a later date. Furthermore, when the 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 General Meeting or, failing this, by the Board of Directors no later than nine months after the close of the fiscal year.

The 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 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 the provisions of the law. On the proposal of the Board of Directors, the 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 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 General Meeting deciding on the capital increase may cancel said preferential rights in accordance with legal requirements.

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 Shareholders' Meetings

The Annual General Meeting deliberates on the related party 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 Annual 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 Annual 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 bylaws. 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 Annual General Meeting deliberates on all other matters that do not fall within the scope of the Extraordinary General Meeting.

2. Extraordinary General Meeting

An 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)*

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 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 draft resolutions in the agenda.

Shareholders' Meetings are held at the Company's registered 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 General Meetings.

The right to participate in 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 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 General Meeting is chaired by the Chairman of the Board of Directors, the Vice-Chairman or a Director appointed to such effect by the Board of Directors or, failing this, by a shareholder chosen by the Meeting.

Annual 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-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 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 Board Member, or by the secretary of the 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 one 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, voting rights or the 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 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.

9.1.4 Publicly available documents

The Company's articles of association, minutes of 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 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 it is affiliated, and organize their implementation.

These 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 General Meetings. Such appointments shall be subject to ratification at the next 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 Board member or permanent representative of a company if, having passed the age of seventy 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 the laws 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, using 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 telecommunication during a meeting such that the confidentiality of discussions can no longer be ensured, the Chairman may decide to stop attendance by the Board member 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 with which 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 full-year 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 persons attending the meeting by videoconference or telecommunication 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

1. The Board of Directors may receive, in the form of Directors' fees, total annual compensation determined by shareholders at their Annual General Meeting.
2. The amount of Directors' fees thus allocated by shareholders at their Annual General Meeting, pursuant to Article 22-I of the articles of incorporation, 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 directors' fees in recognition of their particular experience or specific assignments entrusted to them.

Where required, the Board of Directors shall set the remuneration 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, legal entity or permanent representative, undertakes to hold a number of shares in the Company that corresponds to at least the equivalent of one year's Directors' fees – said shares possibly being acquired by means of said 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 Executive 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 incorporation. 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 full-year and half-year parent company and consolidated financial statements and the reports presented on the business and results of the Company and its subsidiaries. It draws up 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 number of employees 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 management including without executive corporate officers being present, providing that the latter are informed in advance.

Between meetings of the Board, Directors are provided will 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, particularly on matters of corporate governance, are entrusted to the Chairman of the Board of Directors, as well as specific ad hoc or longer-term assignments that the Board would wish to grant to the Chairman. The Chairman reports back 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 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 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 development projects covered by the Partnership Agreement with Casino, regardless of the amount concerned, must be submitted to the Board of Directors for prior authorization in accordance with the terms of the said agreement.

Furthermore, the Executive Management, in the person of the Chief Executive Officer and 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. It is indicated that 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 Executive 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 Executive 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 Executive Management is authorized for a period of one year to negotiate and implement a commercial papers program of a maximum of Euro 500 million and to negotiate and issue commercial papers up to a maximum of Euro 500 million.

- Bond issues:

  The Executive 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 Executive 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 Chairman 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, it is indicated that, 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. Committies

Article 9: Provisions common to all specialized committees

Pursuant to Article 19-III of the articles of incorporation, 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 incorporation. 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 members 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. 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' report on corporate governance.

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 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 the Executive Management. The Audit, Risks and Sustainable Development Committee may, in the performance of its assignment, call on any outside advisor 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 full-year 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 full-year 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 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 and Risks 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 agreements between related parties, 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 Executive Management for each agreement and/or transaction concerned. The Audit, Risks and Sustainable Development Committee shall formulate an opinion which is sent to the Executive 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 its 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 managers.

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 remuneration of the Chief Executive Officer and any Chief Operating Officer(s) and to propose, as required, qualitative and quantitative criteria for determining the variable portion of such remuneration;
- to assess all the other benefits and compensation awarded to the Chief Executive Officer and any Deputy Chief Executive Officer(s);
- to consider proposed stock option and bonus share plans for employees and senior managers so that the Board of Directors can set the aggregate and/or individual number of options or shares awarded and 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 candidacies for directorships, having regard to the candidates' business experience and skills and the extent to which they are representative in economic, social and cultural terms;
- to consider 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 the 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 an administrator 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 on 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 advisor 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 agreements between related parties, 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, since 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 Executive Management and made available to the Board of Directors.

IV. Non-voting directors

Article 13: Non-voting directors

The Ordinary Annual 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.

Non-voting director shall be deemed to have resigned automatically at the end of the Ordinary Annual General Meeting that votes on the accounts 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 Annual 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.

V. Ethical rules 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. They must refrain from taking part in discussions and decisions on these subjects.

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.

L. 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, a natural person or a 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 of each year, at the time of any financial transaction, or at any time upon request of the Company.

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 n° 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 on 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 on financial instruments to which inside information relates or on 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 full-year 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 full-year and half-year financial statements and quarterly revenue are published.

VI. Adoption of the internal rules

These rules of procedure were approved by the Board of Directors, during its meeting on August 22, 2005. Its most recent update was approved at the March 5, 2019 meeting.

9.2 Other regulated information

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. 300 et seq.

There are no restrictions in the bylaws 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 bylaws, are described in § 9.1.3.2, p. 360 et seq.

The powers of the Board of Directors are described in chapter 4, § 4.1.2, p. 222 and 223, and in § 9.1.5, II, p. 366 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. 301. 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. 276 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 takeover.

Bank financing agreements include a clause which states that the debt may, at the request of a lending institution, become immediately refundable in the event of a change of control. 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 the Casino Group in the Company falls below 20% or;
- in the event that an entity other than Casino, Guichard-Perrachon and/or its subsidiaries, acting alone or in concert with a third party, might directly or indirectly hold more than 50% of the Company's capital or voting rights.

Furthermore, the contract for issuing the Euro 650 million in bonds arranged on March 23, 2012, which reaches maturity on March 26, 2019, the contract for issuing the Euro 550 million in bonds arranged on December 02, 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 03, 2017, that reaches maturity on November 03, 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 exercisable by investors in the event of a downgrade in Mercialys' 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' 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.

9.3 Statutory auditors and person responsible for the 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 Annual 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 term of office: at the end of the Annual General Meeting to be held in 2022 to approve the financial statements for the 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 term of office: at the end of the Annual General Meeting to be held in 2022 to approve the financial statements for the year ended December 31, 2021

Salustro Reydel

Alternate Auditor for KPMG S.A.

Tour Eqho

2, avenue Gambetta

CS 60055

92066 Paris-La Défense Cedex

Date of first appointment: April 20, 2016

Date of expiry of term of office: at the end of the Annual General Meeting to be held in 2022 to approve the financial statements for the year ended December 31, 2021

9.3.1.3 Fees for the statutory auditors and members of their networks covered by the Group

Years covered [1]: December 31, 2018 and December 31, 2017

	Ernst & Young				KPMG SA			
	Amount (ex. tax)		%		Amount (ex. tax)		%	
	2018	2017	2018	2017	2018	2017	2018	2017
Recurring audit reviews								
Independent audits, certification, review of individual and consolidated financial statements[2]								
• Mercialys SA (parent company)	156,000	151,500	49 %	57%	156,000	151,500	68%	80%
• Fully consolidated subsidiaries	65,100	56,100	20%	21%	25,500	24,800	11%	13%
• DPEF review	38,000	31,000	12%	12%	-	-	-	-
Non-recurring reviews								
• Mercialys SA - Interim dividend	5,000	2,500	2%	1%	5,000	5,000	2%	2%
• Subsidiaries - Interim dividend	37,500	12,500	12%	5%	25,000	-	11%	-
• Mercialys - Various transactions [3]	17,500	10,000	5%	4%	17,500	10,000	8%	5%
TOTAL	**319,100**	**263,600**	**100%**	**100%**	**229,000**	**191,300**	**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) Corresponds to the fees related to the issuance of a comfort letter as part of a Euro 300 million bond issuance, as well as the review of the application of IFRS 9

9.3.2 Declaration of the person responsible for the Registration Document

Person responsible for the 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 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 p. 379), 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, as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained from the Statutory Auditors, on completion of their work, a letter in which they indicate that they have verified the information concerning the financial condition and accounts presented in this Registration Document and read the whole of the document."

In accordance with Article 28 of Commission Regulation (EC) no. 809/2004, the following information is included by reference in this Registration Document:

- In respect of the fiscal year ended on December 31, 2017:

the management report, the consolidated financial statements, the annual 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,

- In respect of the fiscal year ended on December 31, 2016:

the management report, the consolidated financial statements, the annual financial statements, and the corresponding Statutory Auditors' reports that appear in the 2016 Registration Document filed with the AMF on March 23, 2017 under filing number D.17-0212, on pages 345, 207 to 257, 259 to 282, 208 to 209 and 260 to 261 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 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 18, 2019,

Vincent Ravat

Chief Executive Officer



9.4 Cross-reference tables

9.4.1 Commission Regulation (EC) no. 809/2004 of April 29, 2009

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9.4.3 Management report of the Board of Directors

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9.5 Subject index and glossary

9.5.1 Subject index

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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 1st, 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 bulding or parts of buildings in a shopping center.

Capitalization rate

The capitalization rate is the ratio between net rents of the premises leased + the rental value of vacant premises + income from casual leasing, relative to the value of assets 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 Mercialys' portfolio at a given date, *i.e.* all the assets held in the portfolio during the period being 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, worksites 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 has providing a long-term vision of the company's property management of its property assets. It is calculated exclusive of transfer taxes, deferred taxation, unhedged portion 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 rate

The EPRA net initial yield rate is the ratio of annualized net rent in relation to the 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 rate is the annualized net rent, adjusted for rental gains on rent free periods, step up rents, and other benefits granted to tenants, relative to the 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' specific 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.

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.

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) directs, namely the six gases (CO_2, CH_4, N_2O, CFC, HFC, SF_6) listed in the Kyoto protocol. This indicator is expressed in "CO_2 equivalents", because, by definition, the greenhouse effect attributed to CO_2 is set at 1 and the effect of other substances is expressed relative to the effect of CO_2.

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)

Interest Coverage Ratio (ICR)

Ratio indicating the rate of cover of financial expenses: relationship between EBITDA and net cost of financial debt.

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), in order to index retail rents. (www.insee.fr)

Invoiced rents

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

Legionella

Legionella are bacteria naturally present in water and in 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 loan to value ratio 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 affiliates' 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 the minimum guaranteed 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.

Net rental income

Rental revenues, net of expenses on buildings and rentalcharges and property taxes not rebillable to tenants

Occupancy cost ratio

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. It should be noted note that the consolidated occupancy rate 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 lessees 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 lessees, 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.

Stakeholder

A partner, whether individual or collective, that is actively or passively involved in Mercialys' decisions and projects. A stakeholder may be internal (employees) or external (shareholders, customers, suppliers, regional authorities, etc.).

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 (Listed 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 60% of capital gains on asset disposals), SIICs are exempt from corporate tax.

Total vacancy rate

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

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

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.

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