MERCIALYS



2020 INTEGRATED REPORT

EXTRACT FROM THE UNIVERSAL REGISTRATION DOCUMENT

FINANCIAL CALENDAR

April 19, 2021[1]
2021 first-quarter activity

April 22, 2021
Annual General Meeting

April 29, 2021[2]
Ex-dividend date

May 21, 2021[2]
Dividend payment / Transfer of shares[3]

July 28, 2021[1]
2021 first-half results

July 29, 2021
Financial information meeting

October 18, 2021[1]
Activity at end-September 2021

Important information

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

This document contains certain forward-looking statements regarding future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause Mercialys' actual results and strategy to differ materially from those anticipated in or based on these forward-looking statements.

Please refer to Mercialys' Universal Registration Document for the year ended December 31, 2020, available on the Company's website (www.mercialys.com), and specifically section 5 "Risk factors", for a description of the main risk factors and uncertainties that could affect Mercialys' business.

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

TRANSPARENCE
LABEL OR 2020

This label recognizes the most transparent reporting documents or media in line with the criteria for the annual Transparency ranking (https://www.grandsprixtransparence.com).

(1) After market close.
(2) Subject to approval at the Annual General Meeting on April 22, 2021.
(3) If option selected for the dividend to be paid in shares.

MESSAGE FROM THE CHAIRMAN, ÉRIC LE GENTIL

2020 was an unprecedented year, during which Mercialys' governance bodies and employees effectively demonstrated their know-how, responsiveness and dedication.

Dear stakeholders,

We have all collectively faced a real challenge with the global health and economic crisis seen since March 2020. First of all, from a human perspective, it has had serious effects, leaving behind large numbers of grieving families. Secondly, from an economic perspective, it has had deep repercussions and will continue to have a strong impact over the coming months. In this context, Mercialys' Board of Directors and Executive Leadership Team would like to express their full support for everyone affected by this crisis. They would also like to thank the Company's teams for their outstanding mobilization, during these long months, to serve consumers.

More than ever, Mercialys demonstrated its operational excellence in 2020. The entire Company, including our governance bodies, has worked tirelessly to be able to ensure, under the best health and safety conditions, access for customers to the many different day-to-day products and services offered by its shopping centers. Particular care has also been taken with our balance sheet, which has been consolidated in particular through asset divestments.

The French government's repeated orders to close stores are still in force to date, with very significant restrictions on activities. The health protocols are still extremely rigorous and scrupulously followed by the Company, ensuring that its sites offer a safe environment for all stakeholders.

This situation will continue for part of 2021, given the slow pace of the vaccination campaign. However, this should not mask the prospect of a favorable outcome. Mercialys has proven that it has all the assets needed to come through this challenging period, while the crisis has confirmed its robust model and the effective way that its governance and leadership bodies operate. This was illustrated in 2020 by effectively managing its financial balances, accelerating its transformation strategy and achieving a number of awards and recognition from sustainability rating agencies and rankings.

The 2021 Annual General Meeting will be held on April 22. We would like to maintain in-person attendance for this event, ensuring the greatest respect for shareholders' rights.

However, we will need to scrupulously adhere to the health and safety guidelines issued so that we can protect each and every one of us together. In this context, I would therefore invite our shareholders to plan ahead and vote on the resolutions online or by post, and to submit any questions they may have to the Board of Directors ahead of the event. Shareholders also have the option to appoint me to represent them if they wish. The agenda and all the conditions for taking part are presented in the General Meeting brochure. If new health and/or legal requirements mean that Mercialys will have to hold this General Meeting as a closed session, the conditions for organization and participation would be adapted accordingly. Full details will be provided on the Company's website, which we therefore invite our shareholders to consult on a regular basis.

Yours sincerely,

Éric Le Gentil
Chairman of the
Board of Directors

"Mercialys has proven that it has all the assets needed to come through this challenging period."

QUESTIONS FOR THE LEADERSHIP TEAM

THE HEALTH CRISIS LINKED TO COVID-19 HAS AFFECTED ALL FACETS OF SOCIETY. HOW HAS MERCIALYS ADAPTED TO THIS SITUATION?

From an operational perspective, the Company quickly ramped up its arrangements for working from home put in place before the pandemic. Our teams' proven know-how for managing crisis situations, with a number faced in the last few years, linked in particular to the various social protest movements, enabled us to ensure the continuity of our activities. We would like to pay tribute to the outstanding dedication of our teams, who have shown their adaptability, commitment and solidarity, in a context in which our Company has not benefited from any government support measures.

This mobilization has benefited Mercialys' entire ecosystem. Firstly, our tenant retailers, many of whom have been affected by the government orders to close stores. We have successfully established regular and constructive one-to-one dialogue, enabling us to find relevant solutions for each case.

Our commitment to maintaining strong links with our stakeholders has also been illustrated with our end customers, with 100% of our sites remaining open throughout 2020, as well as the ramping up of our dedicated services, content and digital operations for them. Digital connections cannot replace the richness of human interaction, but offer a platform for exchanges and services between members of the communities where our shopping centers are located.

Lastly, our mobilization has benefited these regions where we operate, through the solidarity initiatives carried out both nationally and locally.

HOW IS THE CRISIS REFLECTED IN THE RESULTS FOR 2020?

Mercialys demonstrated its resilience faced with the shock of the lockdowns, highlighting its strong capacity to continue operating. Its operational indicators once again outperformed the national indexes (+685bp for footfall / +1,070bp for retailer sales). This resilience of our assets enabled us to limit the impacts relating to rent relief and provisions connected to the crisis in 2020 to the equivalent of 1.5 months of billing for rent and charges excluding tax.

In addition, although the context was not particularly favorable for investments in the physical real estate market, Mercialys successfully sold six assets in 2020, generating a net cash-in of around Euro 150 million. These disposals, which came in close to the appraisal values, further strengthened the Company's liquidity and supported its balance sheet positions, with a significant improvement in the loan to value ratio compared with end-December 2019, down to 38.1% at the end of December 2020.

Lastly, Mercialys significantly accelerated its transformation strategy launched in 2018, with the widespread deployment of its logistics service Ocitô and its new 100% digital loyalty program. The Company also consulted with more than 900 of its stakeholders in 2020 in connection with the new phase of its CSR strategy, leading to four new core commitments that will guide its priorities in this area for 2020-2030.

HOW IS MERCIALYS LOOKING AHEAD TO 2021?

The start of 2021 has seen particularly reduced visibility. The third wave of government orders to close stores and shopping centers over 20,000 sq.m., then over 10,000 sq.m., without any estimated reopening date on the date when this document was published, represents a major operational constraint and source of uncertainty. Mercialys deplores these exceptional closures as they are once again undermining retailers and the Company's ability to recover its rents, for sites that have introduced widespread health measures to protect visitors.

On the date of this report, these restrictions prevented the Executive Leadership Team from being able to announce specific full-year objectives for 2021. The Board of Directors has also decided to adopt a cautious approach, limiting its proposed dividend to Euro 0.43 per share, representing the minimum required by the SIIC[1] tax status.

Over the longer term, Mercialys is reaffirming its confidence in its fundamentals, which have been further enhanced over the years and its ability to continue anticipating consumer trends. Within a globally mature market, it will continue with its successful asset management strategy, while making selective investments and moving forward with its strategic development, including the development of its services, its formats, its regional realignment and its deployment on the omni-channel logistics segment.

(1) French listed real estate investment trusts (SIIC). With this status, companies such as Mercialys are subject to a specific tax framework, which notably exempts them from corporate income tax on their income from real estate activities, but requires a significant distribution of revenues and capital gains as dividends.



« Mercialys is reaffirming its confidence in its fundamentals, which have been further enhanced over the years, and its ability to continue anticipating consumer trends. »

Élizabeth Blaise
Deputy Chief Executive Officer
and **Vincent Ravat**
Chief Executive Officer

€3,258.3M
portfolio value
(including transfer taxes)

38.1%
loan to value ratio
(excluding transfer taxes)

≈ €150M
net cash-in from disposals

MERCIALYS ESSENTIALS

Mercialys is a leading French real estate company. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends.

OUR VALUES

Proximity
Agility
Commitment
Innovation

OUR MISSION

Making customers' lives easier each day

OUR VISION

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

With 49 shopping centers[1] at end-December 2020, the Company is a market leader. The Company's 822,000 sq.m. portfolio is home to more than 900 international, national and local retailers, attracting over 100 million visitors each year[2].

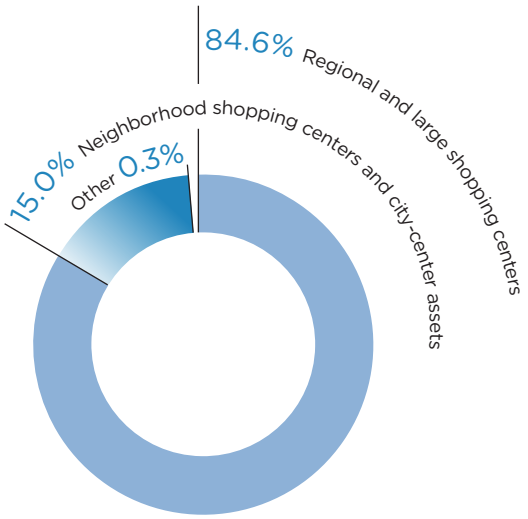
Mercialys' asset portfolio is made up primarily of leading retail sites, all located in mainland France and overseas territories. The vast majority of these sites are located in medium-sized cities and areas with demographic and income trends that are higher than the national average. These geographies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

BREAKDOWN OF THE PORTFOLIO BY REGION[3]



BREAKDOWN OF ASSETS BY CATEGORY

% of the portfolio's total value including transfer taxes

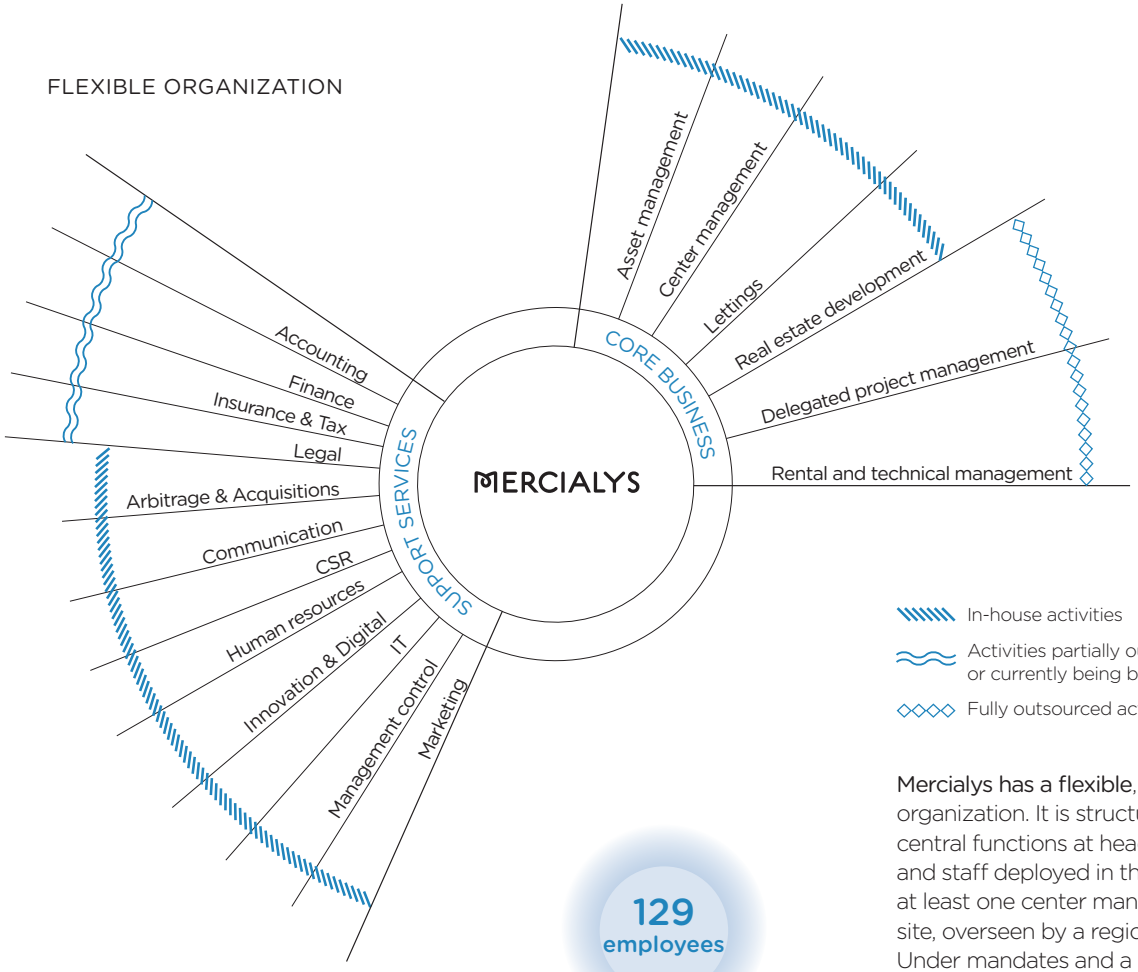


(1) In addition to two high-street retail assets and four dispersed assets.
(2) Excluding periods when national lockdowns were in force and stores were ordered to close.
(3) Excluding dispersed assets.

Mercialys' business aims to ensure the sustainability of its sites and the recurrence of their rental streams. The Company has an agile and proactive portfolio management approach, with all its initiatives aiming to improve its letting potential, sustainability and value growth. To achieve this, Mercialys has applied a dynamic commercial strategy since it was created, tailoring its retail mix to each catchment area and regular changes in consumers' expectations. As an aggregator for retail-driven solutions, the Company continuously and selectively invests in both its traditional asset portfolio and innovative solutions, supporting the attractive positioning of its centers. Creating modular and environmentally-friendly assets, Mercialys regularly divests its mature sites in order to reallocate these funds on innovative, value-creating projects, without affecting its balance sheet positions.

Lastly, as a leading retail real estate company, Mercialys plays a key role in terms of shaping the urban environment and interacting with retailers, end customers, local authorities and associations. In line with this broad-ranging economic and societal responsibility, it is committed to listening to its stakeholders and operating with the greatest respect for ethics and compliance principles at all times.

FLEXIBLE ORGANIZATION



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

129
employees

40%
of employees deployed on site

ROBUST BUSINESS MODEL FACED WITH THE CRISIS

Mercialys' strategy is built around the continuous transformation of its commercial offering and real estate assets, adapting them in line with changes in buying behavior and developing and consolidating their rental revenues, while respecting their environment. To achieve this, the Company harnesses six types of resources within a business model creating both financial and sustainability-based value for all its stakeholders.

Faced with the health and economic crisis in 2020, Mercialys was able to effectively capitalize on all the components of its model. Its robust foundations and societal value were once again supported by retail mixes focused on serving day-to-day needs and the sites' strong local roots.

However, the repeated lockdown measures and orders to close "non-essential" stores affected the shopping centers' ecosystem and traditional model. In response, Mercialys capitalized on its outstanding adaptability in order to accelerate its transformation strategy launched in 2019. Several solutions, including the Ocitô logistics services ecosystem or the 100% digital loyalty program, were rolled out on a wide scale in 2020, supporting the business of both Mercialys and its retailers.

Resources serving the strategy

HUMAN RESOURCES
- 129 expert employees
- 38 average age
- 57% women
- 71% management-grade employees

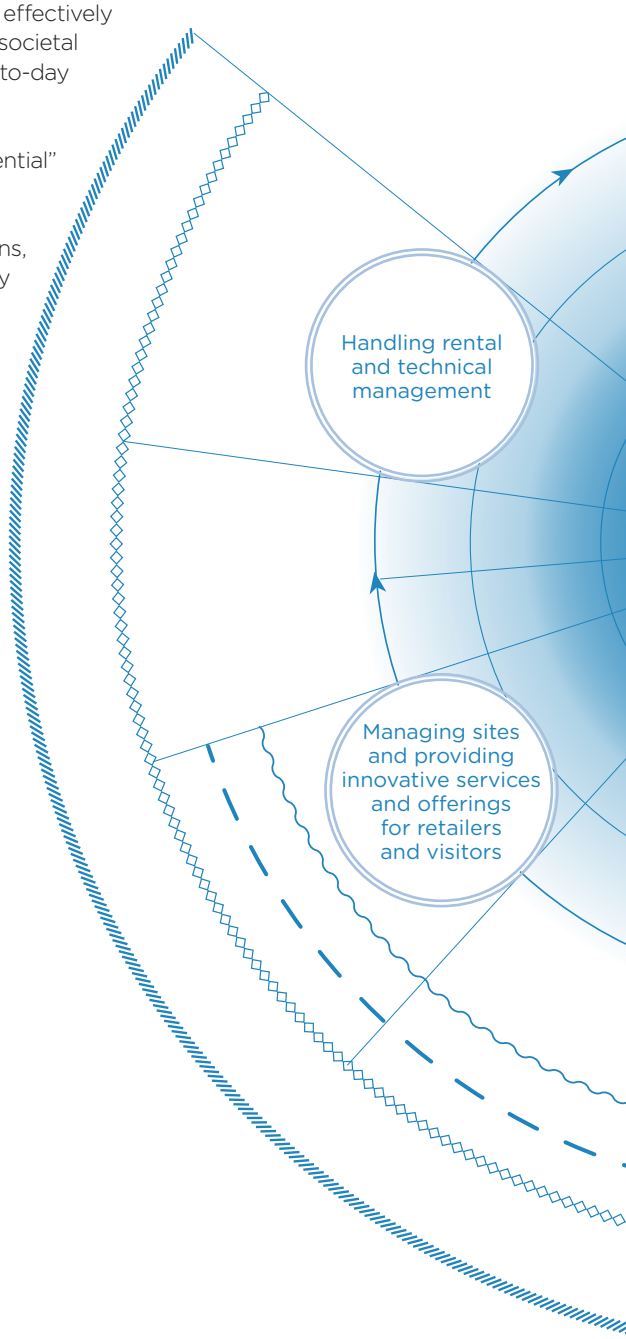
INTELLECTUAL AND TECHNOLOGICAL RESOURCES
- Intangible capital, including the G La Galerie brand and Mercialys' digital ecosystem, with 1.2 million qualified customers in its databases

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

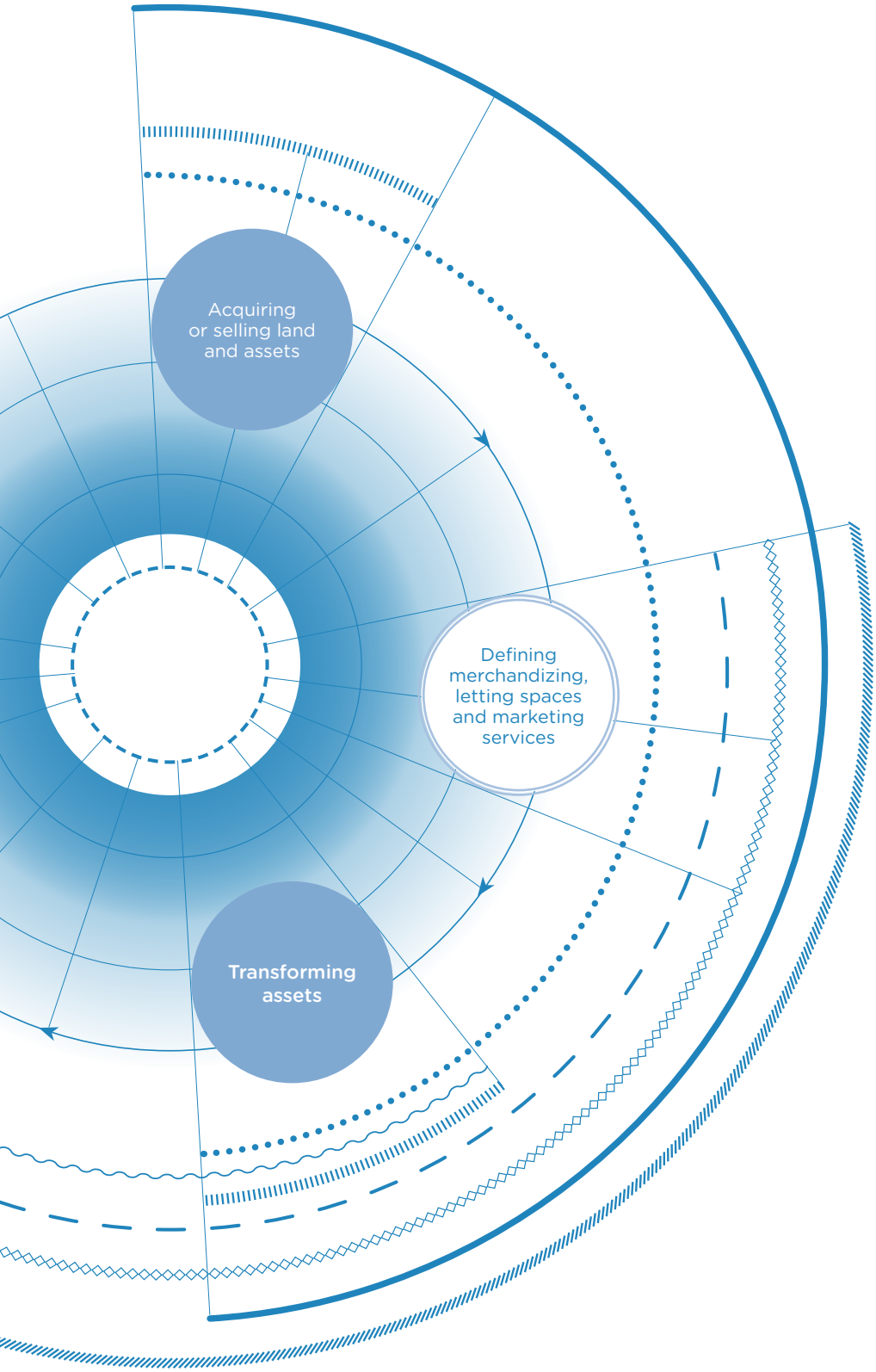
FINANCIAL RESOURCES
- Euro 405 million of undrawn financial resources
- Resilient financial profile:
  - 1.4%(1) average cost of drawn debt
  - 3.5 years average maturity of drawn debt
  - 38.1% LTV excluding transfer taxes(2)
  - 5.0x ICR(3)
  - 9.1x net debt/EBITDA

LAND RESOURCES
- Euro 407 million of development projects for 2021-2027
- 32 assets concerned, representing 63% of the number of assets in the portfolio(4)
- 77% of the portfolio in value terms BREEAM In-Use certified

ENVIRONMENTAL RESOURCES
- 46,695 MWh of energy consumed
- 147,213 m³ of drinking water consumed



Virtuous circle of activities across the entire real estate cycle



Value creation shared with stakeholders

EMPLOYEES
- €13.1m of compensation paid

PROVIDERS AND SUPPLIERS
- €10m of purchases

FINANCIAL COMMUNITY
- €52.2m of dividends paid, in line with the French government's appeal for national solidarity and moderation during this crisis period
- €21.8m of financial expenses paid

STATE AND LOCAL AUTHORITIES
- €2.0m of tax paid

PROFESSIONAL ORGANIZATIONS AND COMPETITORS
- €85k of annual contributions

TENANT RETAILERS
- +685bp outperformance compared with the national index[5] in terms of footfall
- €3.4 of sales generated on average for each € of vouchers spent with the new loyalty program

VISITORS AND END CUSTOMERS
- €6.2m budget for marketing funds, associations and economic interest groups (GIE)
- More than 900 retailers present in the centers, ensuring a balanced retail mix focused on essential needs

NON-PROFIT ORGANIZATIONS
- €990k of contributions to support the local non-profit ecosystem

(1) Excluding net proceeds linked to the bond redemption premium, the bond redemption costs, the proceeds from unwinding swaps and the exceptional amortization relating to the partial redemption of the 2023 issue. / (2) Loan To Value = net financial debt/(portfolio's fair value excluding transfer taxes + market value of investments in associates). / (3) Interest Coverage Ratio = EBITDA / net finance costs. / (4) Excluding the four dispersed assets. / (5) CNCC national benchmark index.

RETAIL REAL ESTATE AND CONSUMPTION TRENDS

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

Triple polarization of flows

Impacted by sociological, demographic and technological developments, which are resulting in new lifestyles, practices and mindsets, the real estate and retail sectors are undergoing a deep transformation. In addition, the health crisis linked to Covid-19 has accelerated the changes that were already underway, such as the ramping up of online sales and increased use of click and collect services.

These transformations represent an opportunity for real estate companies if they can successfully identify the sometimes-complex underlying factors behind them. Drawing on its experience and listening to its stakeholders, Mercialys has a fine-grained understanding of the various dynamics at work, which enables it to anticipate these changes.

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

POLARIZATION OF REGIONS

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

POLARIZATION TOWARDS PERIPHERAL AREAS

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

POLARIZATION AROUND MASTER AREAS

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

Diverse expectations and practices for different realities

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

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

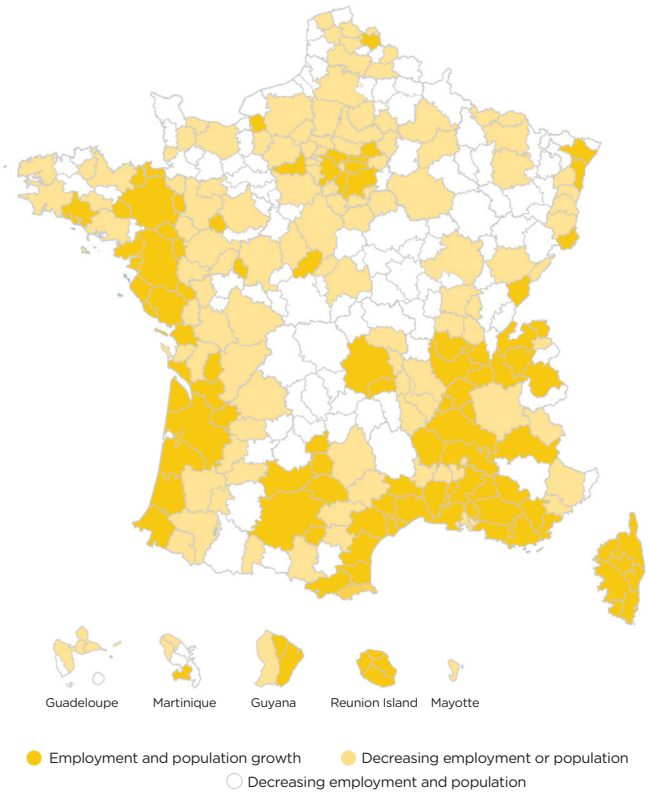
Other factors affect consumers' effective expectations, such as:

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

• the economic and sociological disparities between the regions: the recurring demonstrations are an illustration of the social divides affecting the country and reflect differences in terms of levels of financial comfort and societal and environmental expectations.

As a result, consumers' needs are localized, specific and differentiated. Understanding them and addressing them through retail offerings adapted to the realities of each region is an essential condition for performance in retail real estate. It is therefore possible to have a variety of retail formats and positionings, as their long-term viability depends on their ability to provide an effective response to their target customers' expectations, while the size of the sites is not a criterion for performance or resilience.

SOCIOECONOMIC TRENDS PER FRENCH REGION(1)



(1) Source: Insee.

Understanding consumers' expectations to meet them effectively

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

In a country where more than 50% of consumption is linked to social transfers, pricing accessibility is a major determining factor for buying decisions. Other types of considerations, based on more or less rational underlying factors that are specific to each consumer's sensitivity, may also come into play. However, they remain largely secondary in terms of retail consumer choices.

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

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

CONSUMER CHOICE MATRIX



Adapted offerings

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

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

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

STRATEGY AND POSITIONING ALIGNED WITH THESE REALITIES

In a competitive and health context that is transforming physical retail, the challenge for market participants concerns their ability to confirm their societal value, while meeting local consumers' needs across each site.

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

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

Since it was founded Mercialys has been developing its assets in line with this approach, building market-leading shopping destinations. The Company's long-term outperformance reflects its value proposition: offering end customers, through a network of shopping centers that are on a human scale and firmly established within their communities, the certainty that they will be able to find the essential products that they consume, making it possible to immediately satisfy their needs with a quick, simple and human buying experience, combined with value for money. This positioning was a source of operational resilience for Mercialys in 2020, with all of its sites able to remain open during the national lockdown periods, thanks in particular to their systematic anchoring with a large food store.

3 longstanding areas of expertise generating competitive advantages

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

RETAIL KNOW-HOW
Adaptive, omnichannel retail concept

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

5 strategic pillars to develop tomorrow's retail real estate

The Company has a proven capacity for innovation. Mercialys has pioneered many different practices that have been adopted by the industry, such as Casual Leasing, a single commercial identity, e-loyalty programs and reducing the size of hypermarkets.

This ability to anticipate trends is set out today with the five strategic pillars for the transformation of its sites. Mercialys' ambition is to convert them into outstanding ecosystems for retail, digital and logistics solutions, built around the foundations of a diversified selection with affordable pricing, adapted to local needs. Under the effects of the health crisis linked to Covid-19, the Company considerably accelerated the rollout of this transformation strategy in 2020, highlighting the relevance of its vision, supporting operational and financial resilience.

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

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

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

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

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

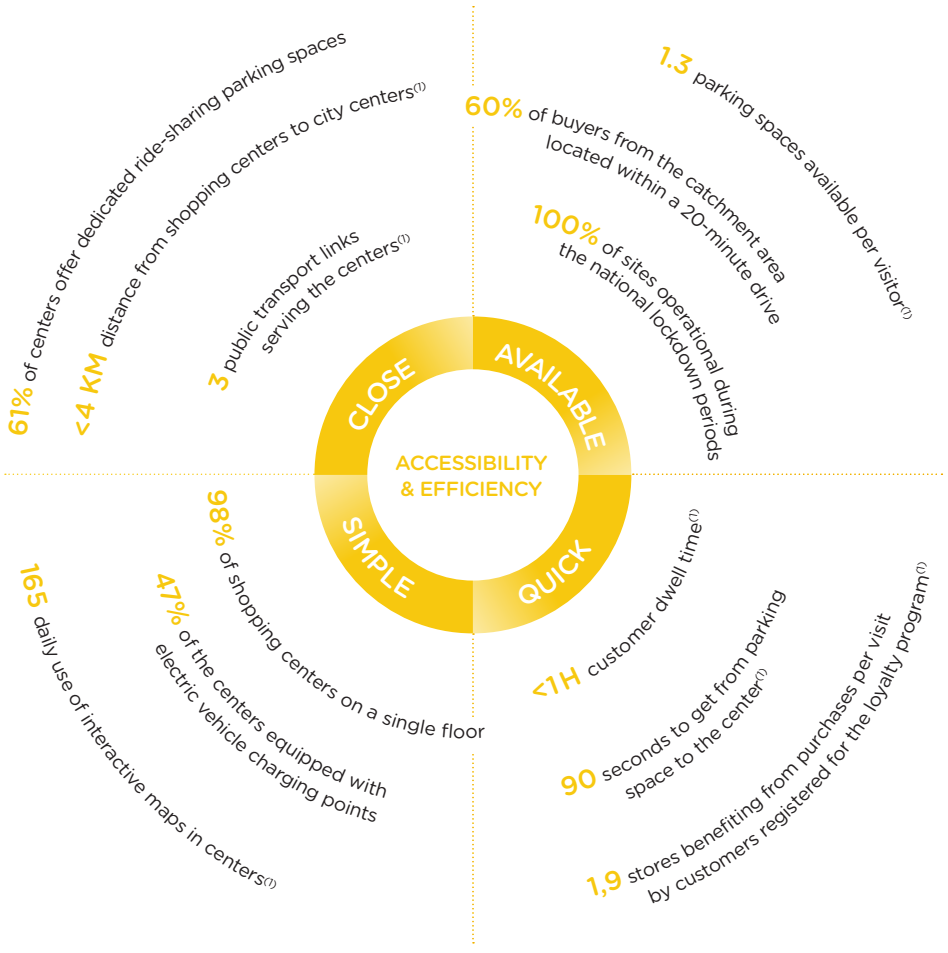
REAL ESTATE KNOW-HOW

Portfolio of evolving, modular real estate assets

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

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

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



(1) On average.

To support its real estate excellence, Mercialys has applied a dynamic asset rotation strategy for years. This is built around its asset management approach, selling mature sites, based on the Company's criteria, and making selective reinvestments in assets with residual development potential. This recycling of capital enables Mercialys to support its development, while keeping debt levels effectively under control.

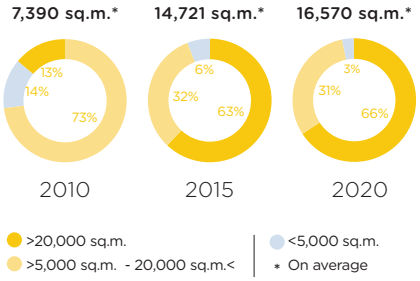
At end-December 2020, the Company's portfolio comprised 55 assets, valued at Euro 3,258.3 million including transfer taxes. Its shopping centers have an average size of 16,600 sq.m. and an average value of Euro 65.9 million including transfer taxes, significantly higher than the levels from 2010.

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

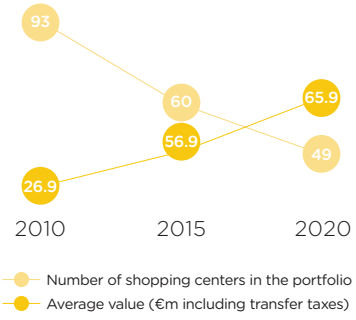
This realignment of the portfolio around a limited number of centers with critical mass enables Mercialys to optimize its asset management, which also contributes to its industry-leading position for profitability.

BREAKDOWN OF MERCIALYS' SHOPPING CENTERS

Size
(% of their value including transfer taxes)



Number and value



FEATURES OF MERCIALYS SHOPPING CENTER LOCATIONS

90%(1)
Proportion of centers located within the 1st or 2nd commercial zone of their catchment area

	Demographic growth(2)	Gross disposable income per capital growth(2)
Mercialys' geographic exposure(3)	+6.95%	+18.13%
French average(4)	+5.00%	+15.76%
Outperformance	195bp	237bp

Guided by its focus on creating value, Mercialys always invests with a selective, rational approach. The Company has a flexible project portfolio, realigned in the last few years around projects making it possible to diversify the use of its centers. In a retail property sector that has reached maturity, its investments include a detailed analysis of dynamics for their catchment area and the rationale behind the allocation of capital over the medium term. Especially as a certain number of players could, in the context of the current health crisis, look to sell their assets at attractive prices, opening up interesting opportunities outside of the Company's current scope.

At end-2020, Mercialys had a deep and flexible Euro 407 million project pipeline, with:
- retail space projects (redevelopment of retail spaces, extension of shopping centers, construction of retail parks);
- dining and leisure projects;
- tertiary activity projects (housing, healthcare, coworking, etc.).

Projects covering **32 OF THE COMPANY'S 51** shopping centers and high-street assets.

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

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

MERCIALYS' DEVELOPMENT PIPELINE
(in millions of euros)

	Total investment	Target net yield on cost	Completion date
Committed projects	22.3	NA(5)	2021/26
Controlled projects	133.5	7.4%	2022/24
Identified projects	251.2	7.0%	2022/27
Total projects	407.0	7.1%(5)	2021/27

(1) Of the appraisal value including transfer taxes. / (2) For 2005-2015, latest fully available INSEE data. / (3) Weighted by surface area. / (4) Mainland France. / (5) In the 2021 pipeline, the investments to be committed correspond to an advance for work by Mercialys at the Annecy site, which will be reimbursed to it in full, and the Saint-Denis mixed-use urban project, north of Paris, with an expected IRR of over 8%.

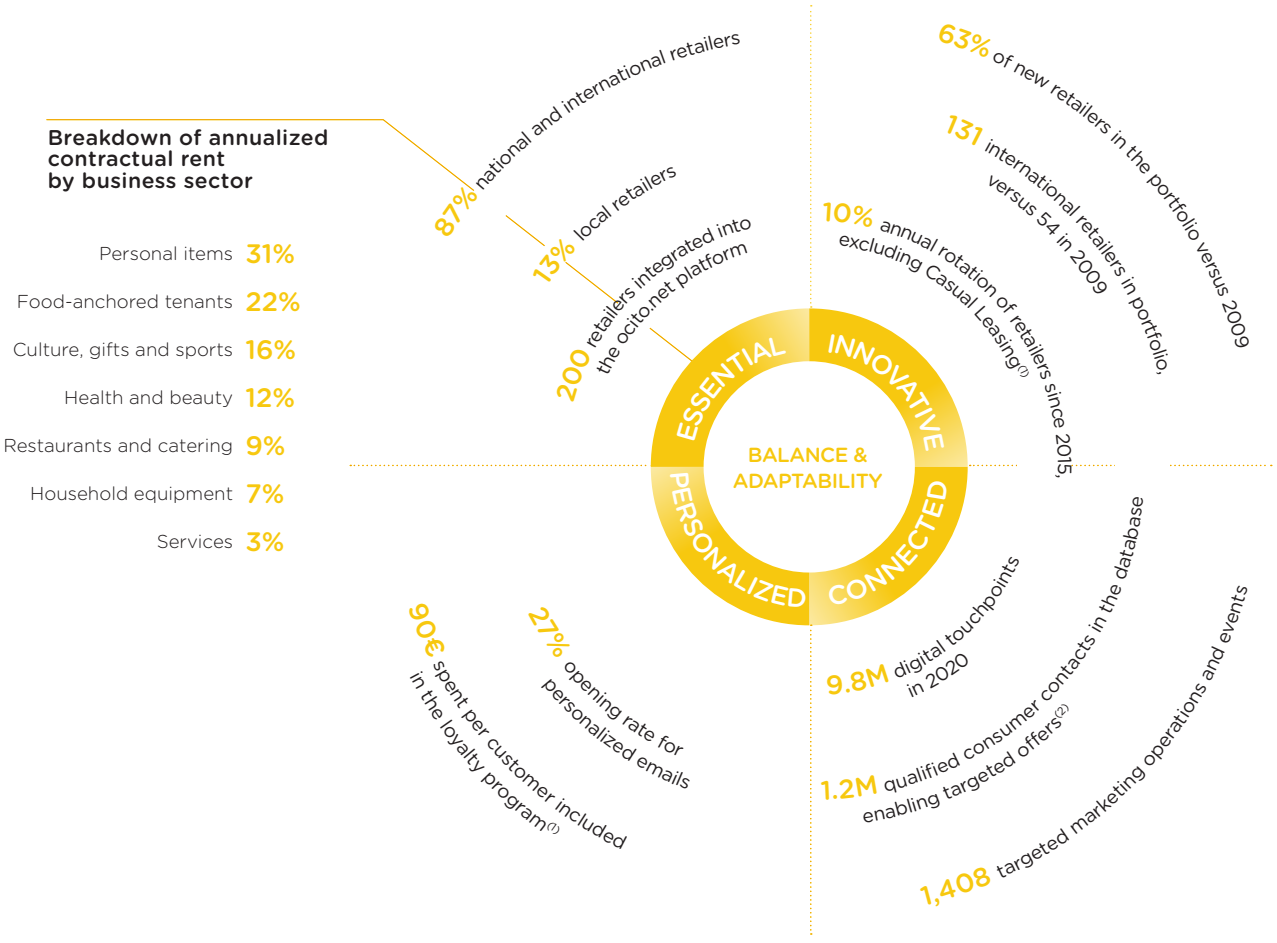
RETAIL KNOW-HOW

Adaptive, omnichannel retail concept

Mercialys' second competitive advantage concerns its retail know-how, which aims to ensure that the products and services offered are perfectly aligned with the needs of retailers and end customers. The health crisis has accelerated certain changes that were already taking shape in the retail sector. Mercialys always aims to provide appropriate responses to them, built around two key success factors: balance and adaptability.

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

ADAPTABILITY characterizes the ability of these retail mixes to evolve in response to changes in the catchment areas' requirements, consumer habits, different times of the year, etc. From this perspective, Casual Leasing complements traditional leases, providing an endless source of retail innovation and opportunities for centers to stand out. Adaptability also refers to Mercialys' ability to understand and satisfy customers' expectations through an increasingly specific and individualized approach, faced with versatile and demanding consumers.



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

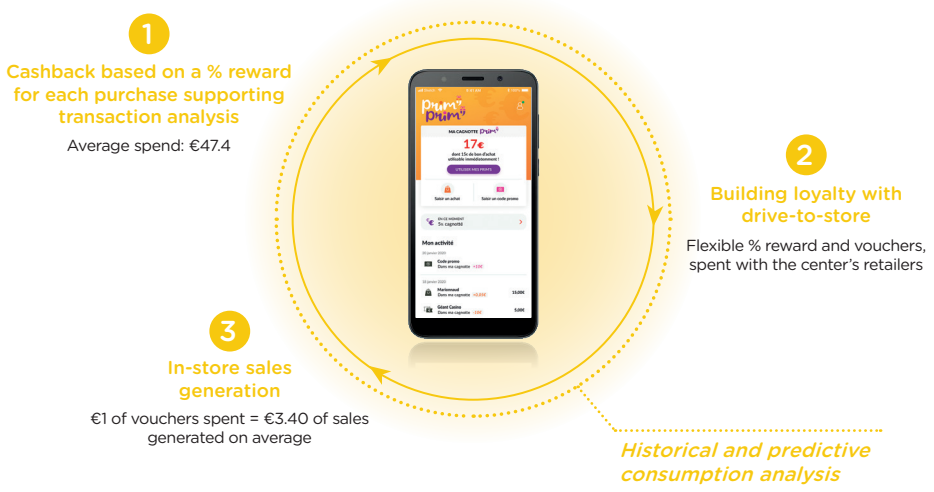
Mercialys builds its retail excellence by anticipating trends in the catchment areas and harnessing its fine-grained understanding of consumers' expectations, thanks to its digital tools. The Company is able to count on a powerful omni-channel ecosystem that characterizes and supplements the dedicated umbrella brand for its sites: G La Galerie. All of Mercialys' marketing and service tools are proprietary, enabling the Company to free itself up from the rising costs involved with buying traffic from the internet giants (GAFA[1]). They reinforce the many different physical marketing actions and events carried out in the centers, all for a cost that is significantly lower than an individualized center-specific approach.

G La Galerie

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

Mercialys' latest innovations include its new 100% digital loyalty program, Prim'Prim', a pioneering solution on the market in terms of understanding end customers' specific needs and habits, supporting robust commercial development and enabling its centers to continuously adapt their offering. It combines capabilities to accurately identify expectations, with predictive analysis potential, refined customer journeys, personalized communication, loyalty building and fluid exchanges between Mercialys, consumers and retailers.

STRONGER CONSUMER LOYALTY, WITH MILLIONS OF EUROS OF TRANSACTIONS ANALYZED[2]



24 shopping centers

76,000 customers registered

900 participating retailers

Mercialys' digitalization expertise is helping drive its second major, groundbreaking innovation: its first-mile and last-mile logistics service, Ocitô. Ocitô illustrates the unified retail concept developed by Mercialys, which aims to offer its customers all the products sold in its centers in just a few clicks and with a single order, as well as interchangeable options to receive them at home or to collect them in-store or with the drive-through service.

The Ocitô ecosystem aims to:
1/ support retailers with their digital transformation,
2/ provide a response to logistics issues,
3/ offer end customers a fluid omni-channel buying experience.
It is built around three solutions:

Ocito.net, Mercialys' proprietary web and mobile marketplace, enabling consumers to buy food and non-food products online directly from their center's retailers.

Ocito.logistique, which groups together all the first-mile logistics solutions to facilitate the consolidation and shipping of packages from stores, enabling retailers to develop their ship-from-store services (e.g. pooled logistics unit, provision of consumables, centralized postage franking and collection).

Ocito.transport, a suite of last-mile logistics solutions and expertise, enabling customers to receive their products in line with their needs (express home delivery, home delivery within two days, click and collect, drive-through, parcel collection lockers in shopping centers, etc.).

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

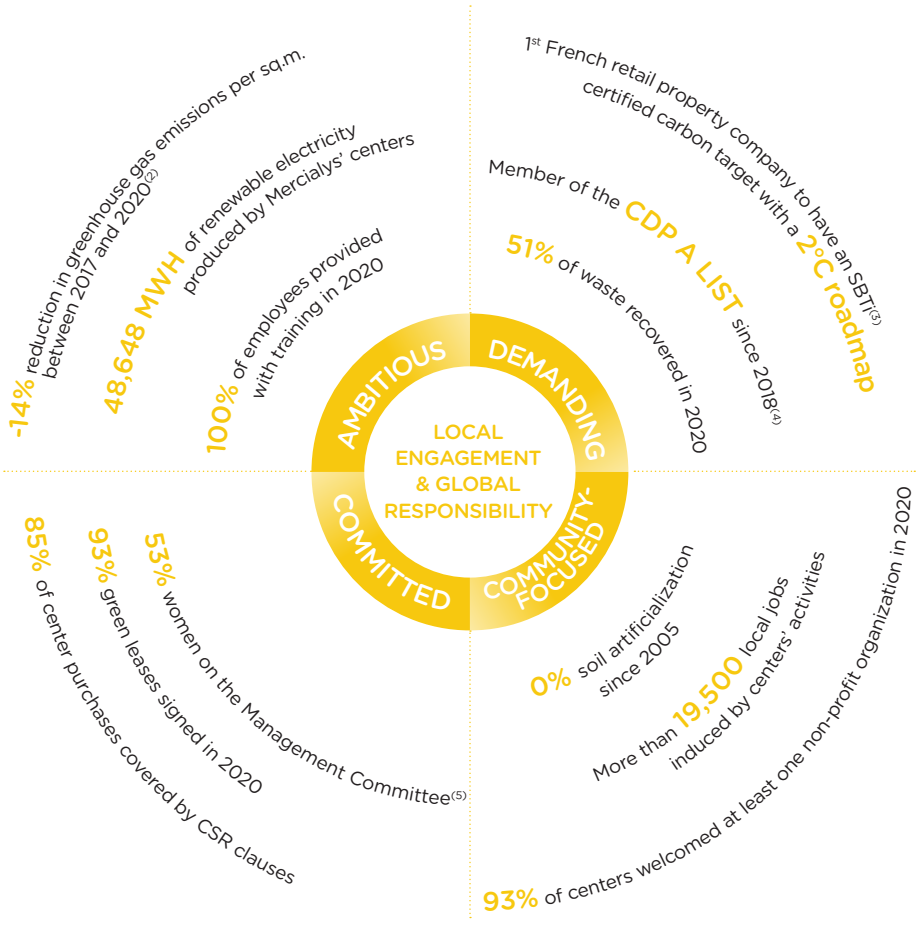
CSR KNOW-HOW

Powerful, responsible dynamics with strong local roots

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

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

THE GLOBAL RESPONSIBILITY is reflected in the MERY'21 CSR strategy, mapped out for 2015-2020, addressing major issues through 10 operational areas for action. These areas for action, their objectives, their results and their contribution to the SDGs[1] are presented in the table opposite. The new strategy drawn up by Mercialys looking ahead to 2030 is built around four strong commitments: 1/ building a carbon neutral future, 2/ promoting more responsible retail, 3/ partnering for regional development, and 4/ being an engaged employer.



(1) The Sustainable Development Goals (SDGs) adopted by the UN in 2015 define 17 priorities for development that is socially equitable, environmentally safe, economically prosperous, inclusive and predictable looking ahead to 2030. / (2) Scopes 1 and 2 on a current basis, market-based method. / (3) The Science Based Targets initiative (SBTi) is a non-profit organization that assesses the alignment between the greenhouse gas emission reduction targets set by companies and the recommendations made by scientists in order to effectively limit the increase in global temperatures to 2 °C by 2100. / (4) Carbon Disclosure Project (CDP): international non-profit organization which studies each year the impact of major listed companies on CO_2 emissions and climate change. / (5) At February 15, 2021, date when the full-year accounts for 2020 were approved.

CSR STRATEGY PRIORITY ISSUES	2020 GOALS	2020 KEY PERFORMANCE INDICATORS	MAIN ACHIEVEMENTS	RESULTS	CONTRIBUTION TO SDGs
Energy and greenhouse gas emissions	Reduce energy consumption per sq.m. by -20%	-19% reduction in energy consumption per sq.m.	• Set up remote meters and optimize building management systems(1) • Renew equipment with more energy efficiency • Manage equipment	🟨	7, 13
	Align its business with a 2°C compatible carbon roadmap		• Achieve an SBTi-certified carbon roadmap • Define a coolant replacement strategy	✓	
Asset resilience and adaptability	Ensure the adaptability of assets		• Assess the adaptability of assets • Measure the flooding risk vulnerability of assets • Define and deploy an asset adaptability strategy • Carry out adaptation work	✓	13
	Enable all the BREEAM In-Use certified assets to progress by one level of certification	89% have progressed by at least one level	• Increase the percentage of certified assets (77% in 2020 vs. 28% in 2015) • Obtain high levels of certification for the "asset management" section	🟨	
Circular economy	Recover 55% of waste	51% of waste recovered	• Work on the waste facilities and increase the number of flows sorted per center • Carry out collaborative waste workshops with the retailers • Incorporate CSR criteria into tenders	🟨	12
	Reduce water consumption by -15%	-26% reduction in water consumption	• Remove air-cooling towers • Set up rainwater recovery tanks • Replace equipment with water-efficient systems	✓	6
Biodiversity	Engage in protecting ordinary biodiversity	+45pt increase in the BREEAM In-Use Land Use and Ecology score	• Carry out ecological audits • Implement a "zero pesticides" approach for green spaces • Install arrangements to welcome local fauna	✓	15
Accessibility and connectivity	+15% increase in visitors using alternative means of transport to individual petrol and diesel cars		• 100% of centers close to public transport links • Set up ride-sharing parking spaces, bike racks, charging stations for electric vehicles	✗	11
	80% of visitors have a positive image of center accessibility		• Carry out accessibility compliance works	🟨	
Customer well-being, health and safety	100% of assets with a high level of security and health and safety	92% average safety audit score	• Set up compliance reporting for 100% of the portfolio • Carry out regular checks on the measures put in place	✓	
	Increase comfort and quality of life in the centers		• Develop the "Design in freedom" concept • Carry out studies on occupant and visitor comfort and satisfaction	✓	
	Strengthen visitor satisfaction	+2% increase in visitor satisfaction	• Roll out the Prim'Prim' loyalty program • 76,000 customers registered	✓	
	Increase tenant satisfaction		• Roll out the Ocitô digital and logistics platform for retailers • Conduct tenant satisfaction surveys	✓	
Community life and local economic development	Promote local employment	More than 19,500 local jobs induced by centers' activities	• Organize operations supporting employment • Inaugurate the "SKOLA" school store supporting young long-term jobseekers • Set up partnerships to support local retail development	🟨	8
	Facilitate social harmony	93% of centers welcomed at least one non-profit organization during the year	• National partnership with Médecins du Monde since 2015 • Carry out solidarity initiatives relating to Covid-19	✓	
Responsible value chain	80% of purchases over Euro 10,000 with CSR clauses	85% of center purchases covered by CSR clauses	• Map Mercialys' purchases and assess the corresponding CSR risks • Incorporate CSR criteria into center contracts and tenders • Put in place control arrangements	✓	
	Build CSR awareness across the value chain	93% green leases signed during the year 79% of in-center teams carried out CSR reviews with their tenants	• Collaborate with retailers to promote their CSR best practices • Communicate on CSR with customers • Provide annual ethics training for Mercialys employees	✓	12
Talents and diversity	Identify, attract and retain talents	100% of employees provided with training	• Enable staff to transition towards management positions	🟨	4, 5, 10
	Combat all forms of discrimination	96/100 at workplace gender equality index(2)	• Parity for the Management Committee and Board of Directors • Sign the Diversity in Business charter • Set up a partnership with Arpejeh(3) and the non-profit Tremplin	✓	
Organization and quality of life at work	Ensure employee health and safety	0 occupational accident since 2015	• Sign the Charter on the right to disconnect	✓	3
	Develop employee engagement	81% participation in the engagement survey	• Propose partnerships with non-profits supporting young people, including non-profits Article 1 and Télémaque • Develop arrangements for staff to work from home	✓	

✓ Goal achieved 🟨 Goal on track to be achieved ✗ Goal not achieved

(1) Management of various aspects including temperature settings, timeslots for lighting and ventilation. / (2) Index calculated according to the methodology provided by French law No. 2018-771 on gender equality in the workplace. / (3) Arpejeh: non-profit association supporting young students with disabilities.

BOARD OF DIRECTORS ALIGNED WITH THE BEST STANDARDS

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

Professionalism, gender parity and engagement

Its way of operating proved particularly resilient faced with the health and economic crisis in 2020.

The holding of meetings online, their frequency and the very high attendance levels demonstrated the directors' outstanding adaptability and mobilization, as well as their essential and complementary skills.

50%
women directors at end-2020

100%
French directors at end-2020(1)

9
meetings in 2020

57.5 ANS
average age at end-2020

10
members at end-2020

98%
attendance rate in 2020

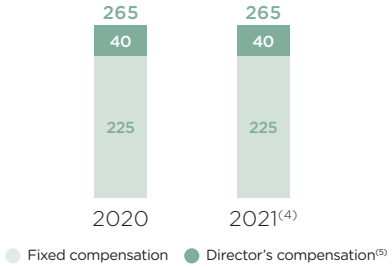
6.5 ANS
years average seniority at end-2020

60%
independent directors at end-2020

Compensation for the Chairman of the Board of Directors

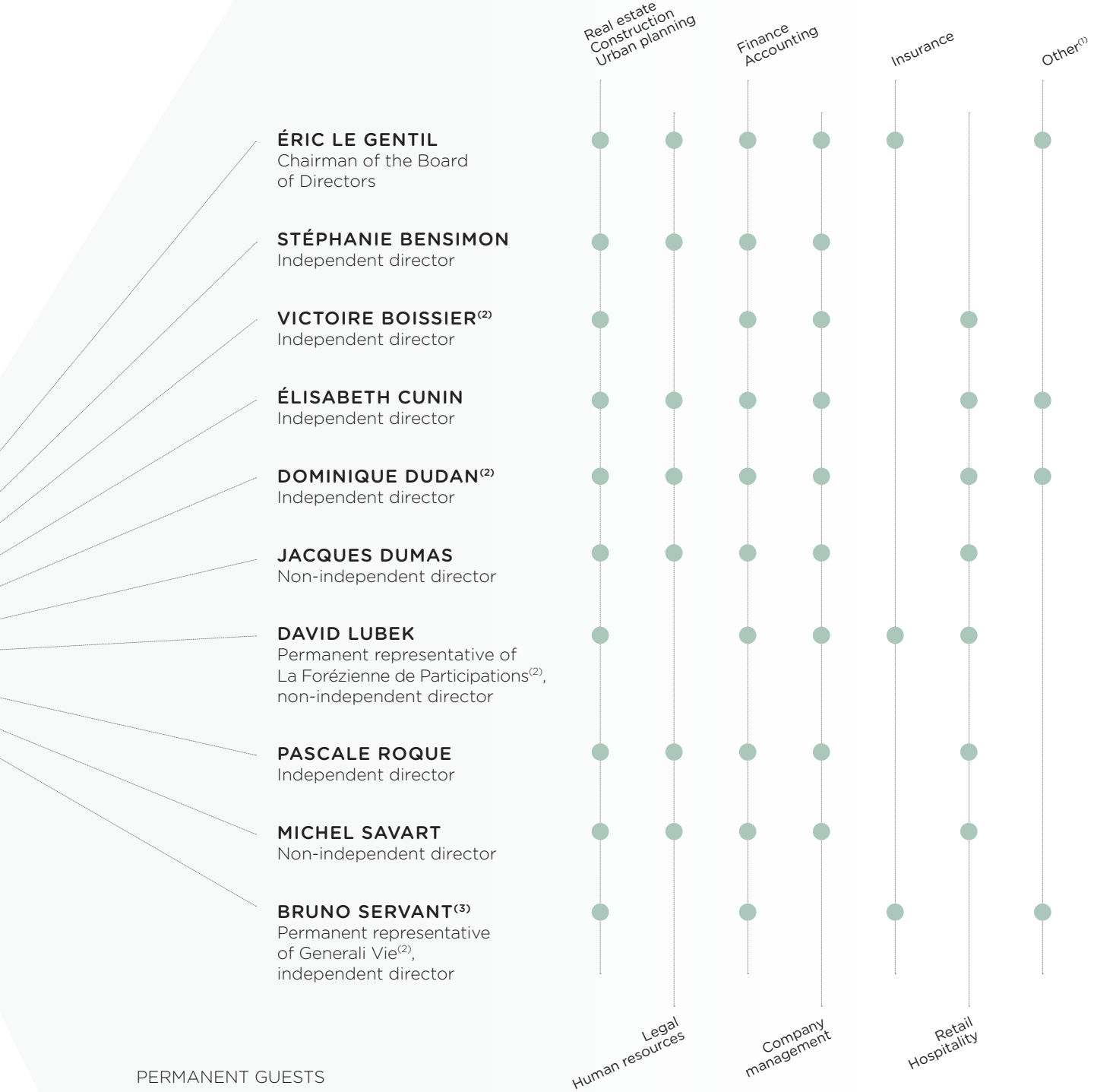
The compensation package for the Chairman of the Board of Directors, Mr Éric Le Gentil, includes compensation for his position as a director and his fixed compensation for the missions entrusted to him in addition to his general responsibilities under the legislation in force(2). He does not receive any variable compensation in cash or securities(3).

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



(1) In accordance with the Company's exclusively French geographic exposure. / (2) Notably overseeing relations with the Company's main shareholders and financial and/or industrial partners and helping define the strategy and monitor its implementation. / (3) Excluding the variable component included in their remuneration as a director. / (4) Subject to approval at the Annual General Meeting on April 22, 2021. / (5) For 100% attendance.

AREAS OF EXPERTISE



PERMANENT GUESTS

VINCENT RAVAT
Chief Executive Officer

ÉLIZABETH BLAISE
Deputy Chief Executive Officer

With three-year terms of office and one third renewable every year, as well as the regular integration of new directors in line with a demanding selection process(4), Mercialys' Board of Directors has a clear commitment to promoting diversity and renewing its expertise. This panel of experienced members guarantees a professional, informed approach to all the issues encountered by the Company and represents a source of strategic insights and innovation.

(1) Including IT and CSR. / (2) Reappointment submitted for approval at the General Meeting on April 22, 2021. / (3) Subject to the reappointment of Generali Vie as a director, Mr Sébastien Pezet would be appointed as its new permanent representative following the 2021 General Meeting, replacing Mr Bruno Servant. / (4) Process detailed in the 2020 Universal Registration Document.

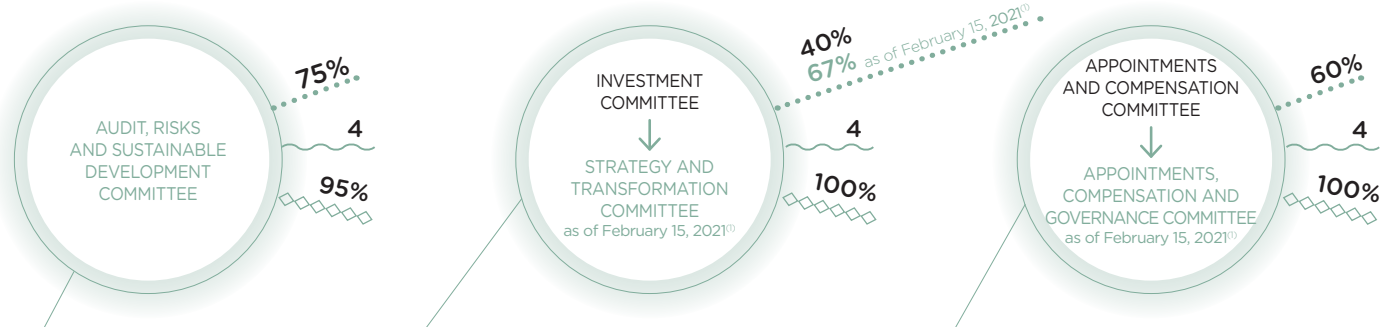
THREE SPECIALIZED COMMITTEES

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

Expert and diligent

Three Specialized Committees assist the Board of Directors. In January 2021, the Board of Directors changed the names and remits of two of these committees, reflecting their broader missions and the desire to further strengthen the contributions made by independent directors, who now make up a clear majority of all three Committees. In 2021, as in 2020, all of the Specialized Committees are chaired by female independent directors and their composition ensures the balanced representation, independence and expertise of their members.

COMPOSITION OF THE SPECIALIZED COMMITTEES



4 MEMBERS

MS STÉPHANIE BENSIMON (Chairwoman)
MS VICTOIRE BOISSIER(2)
MS PASCALE ROQUE
MR MICHEL SAVART

5 MEMBERS → 6 MEMBERS

MS DOMINIQUE DUDAN (Chairwoman)
MR ÉRIC LE GENTIL
MR DAVID LUBEK
MR MICHEL SAVART
MR BRUNO SERVANT

1 PERMANENT GUEST
MR VINCENT RAVAT (Chief Executive Officer)

as of February 15, 2021(1)
MS ÉLISABETH CUNIN (Chairwoman)
MS STÉPHANIE BENSIMON
MS DOMINIQUE DUDAN
MR ÉRIC LE GENTIL
MR MICHEL SAVART
MR BRUNO SERVANT

1 PERMANENT GUEST
MR VINCENT RAVAT (Chief Executive Officer)

5 MEMBERS → 5 MEMBERS

MS ÉLISABETH CUNIN (Chairwoman)
MS VICTOIRE BOISSIER
MS DOMINIQUE DUDAN
MR JACQUES DUMAS
MR ÉRIC LE GENTIL

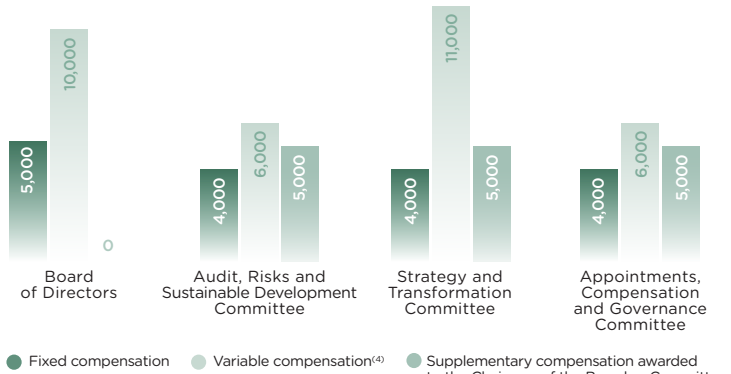
as of February 15, 2021(1)
MS DOMINIQUE DUDAN (Chairwoman)
MS VICTOIRE BOISSIER
MS ÉLISABETH CUNIN
MR JACQUES DUMAS
MR ÉRIC LE GENTIL

Percentage of independent directors — Number of meetings in 2019 — Attendance rate

Directors' compensation

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

DIRECTORS' COMPENSATION POLICY(3)
(in euros)



(1) Date when the full-year accounts for 2020 were approved. / (2) Since April 23, 2020, after Ms Ingrid Nappi's term of office was not renewed. / (3) Subject to approval at the General Meeting on April 22, 2021. / (4) For 100% attendance, with directors' variable compensation based on their individual effective rate of attendance for the Board of Directors and the Specialized Committees.

BALANCED SHAREHOLDER BASE ENGAGED IN REGULAR DIALOGUE

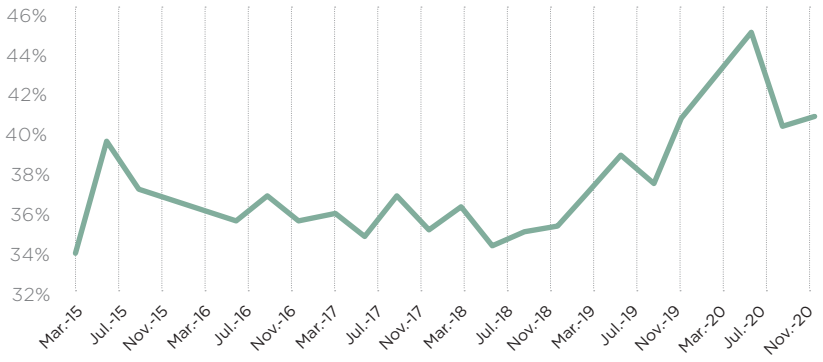
Mercialys is listed on Euronext Paris Compartment B with the ticker MERY and ISIN FR0010241638. The Company is part of the SBF 120, several real estate industry indexes (EPRA[1], IEIF[2]) and the Gaïa SRI index.

Its shareholder base is characterized by the presence of a major industrial shareholder: the Casino group.

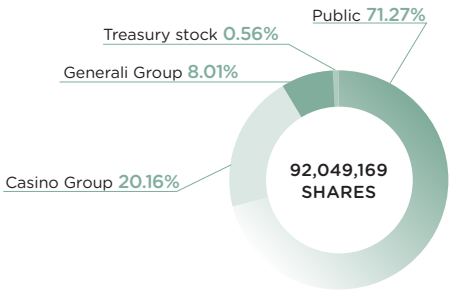
The latter's good understanding of retail trends and real estate stakes enables Mercialys to deploy a strategy that is aligned with the real estate sector's structurally long timeframes, while taking into account CSR issues, ethics and the expectations of all the various stakeholders to deliver sustainable growth that is shared more effectively.

Mercialys' shareholding structure is still very open and diversified. The free float, now up to over 70%, ensures an excellent level of liquidity for the Company's shares and allows shareholders to take up significant positions. At December 31, 2020, Mercialys' top 33 shareholders[3] held more than 40% of its capital and voting rights, and many of them have been shareholders for years.

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



SHAREHOLDING STRUCTURE
AT DECEMBER 31, 2020



1 SHARE = 1 VOTE

Mercialys is committed to regular, proactive dialogue with its shareholders and more generally with all of its financial stakeholders. In 2020, alongside the many roadshows and contacts led by the management teams, the Company carried out an extensive consultation with its investors on ESG issues[4] to better understand their approach to these aspects and to adapt its own approach accordingly.

17 roadshows organized with **11** different brokers and **12** countries covered

#1 TRANSPARENCE LABEL OR / 2020 on the SBF 120 for financial and sustainability reporting transparency

25 press releases distributed to a base of around **900** investors and analysts

2 **4** results publications and financial information meetings per year

TOP 100 shareholders contacted before each General Meeting

174 analysts and managers called on for a specific consultation on ESG[4] issues

(1) European Public Real Estate Association. / (2) Institut de l'Épargne Immobilière et Foncière. / (3) Excluding the Casino group and Generali Group. / (4) Environmental, social/societal and governance.

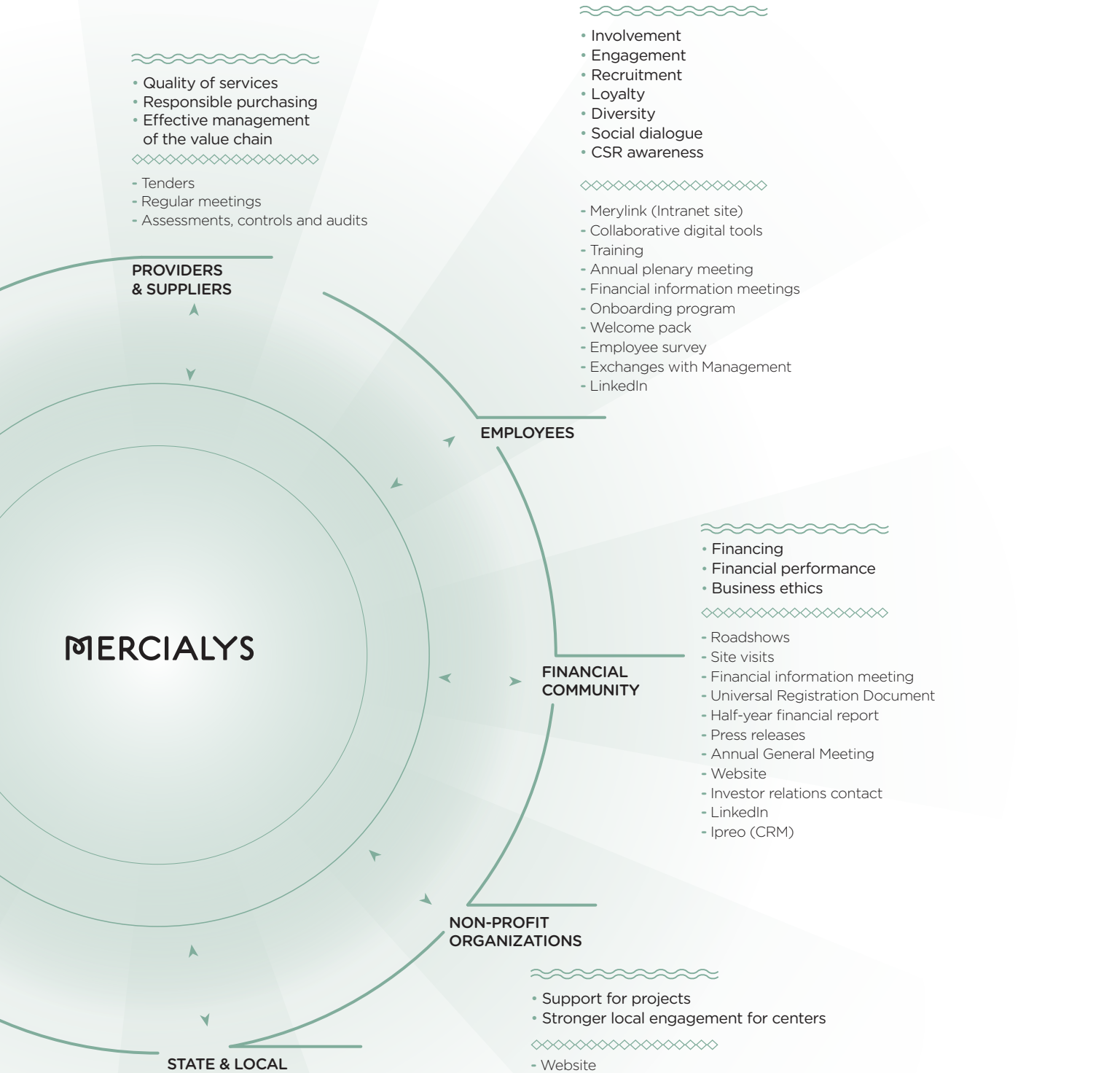
REGULAR DIALOGUE WITH STAKEHOLDERS

Through its business, Mercialys is part of a major ecosystem of stakeholders with which it builds solid relationships and maintains regular dialogue.

This dynamic approach enables Mercialys to incorporate their expectations into its strategic reviews, while taking on board the core economic, social, societal, environmental and governance stakes, with a focus on creating lasting and shared value. This was a crucial asset faced with the health and economic crisis in 2020, with dialogue ramped up in particular, making it possible to quickly adopt new ways of operating in order to maintain each stakeholder's activities, while ensuring alignment with France's national solidarity initiative.

This dialogue also offers opportunities to build long-term partnerships and more generally to align the Company with a process of continuous improvement and innovation. Illustrating this approach, the Company consulted with more than 900 stakeholders in 2020, from employees to center visitors, retailers, investors and banks, regional authorities and non-profit organizations, in connection with the renewal of its CSR strategy.




MERCIALYS
PROVIDERS & SUPPLIERS
• Quality of services
• Responsible purchasing
• Effective management of the value chain
- Tenders
- Regular meetings
- Assessments, controls and audits
EMPLOYEES
• Involvement
• Engagement
• Recruitment
• Loyalty
• Diversity
• Social dialogue
• CSR awareness
- Merylink (Intranet site)
- Collaborative digital tools
- Training
- Annual plenary meeting
- Financial information meetings
- Onboarding program
- Welcome pack
- Employee survey
- Exchanges with Management
- LinkedIn
FINANCIAL COMMUNITY
• Financing
• Financial performance
• Business ethics
- Roadshows
- Site visits
- Financial information meeting
- Universal Registration Document
- Half-year financial report
- Press releases
- Annual General Meeting
- Website
- Investor relations contact
- LinkedIn
- Ipreo (CRM)
NON-PROFIT ORGANIZATIONS
• Support for projects
• Stronger local engagement for centers
- Website
- CSR contact
- Partnerships
- Universal Registration Document
STATE & LOCAL AUTHORITIES
• Administrative permits
• Project performance
• Economic and societal contribution
- Regional and National Commercial Development Committee (CDAC / CNAC)
- Project information meetings
- Universal Registration Document
- Half-year financial report
- Regulatory controls (e.g. checking barrier measures in the fight against Covid-19)
Core stakes
Means of dialogue

RISK MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT AND BUSINESS ETHICS

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

Organization and approach

Mercialys positions its risk management system at the heart of both its strategy and its operations: it is overseen by a Risk Prevention Committee, which reports to the Executive Leadership Team, and all employees ensure that operational measures are put in place. The Risk Prevention Committee liaises directly with the Audit, Risks and Sustainable Development Committee, which regularly reviews the means in place and issues recommendations on the audit work carried out. This proximity proved to be valuable faced with the context of health and economic instability in 2020. It enabled ongoing dialogue between the stakeholders involved in the risk management process and the Company's executive management bodies, enabling decisions to be taken quickly at the head office and the various sites.

RISK PREVENTION COMMITTEE'S MISSIONS

IDENTIFY and inventory risks

ASSESS existing procedures and deploy corrective actions

CONTROL the effective application of procedures by operational staff

Risk mapping

The Risk Prevention Committee's core risk management tool is the risk map, which identifies all the risks that Mercialys is exposed to. 51 risks have been identified and are broken down into a limited number of categories, in accordance with the ESMA guidelines(1). Mercialys has defined eight of them.
To ensure the pragmatic management and monitoring of its risks, the Company has rated them according to their priority. This prioritization system is based on a rating that includes the two dimensions from the mapping matrix: the risk's impact and its probability of occurrence.

IMPACT

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

4 types of impact

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

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

3 rating levels

- LOW
- MODERATE
- HIGH

PROBABILITY

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

3 rating levels

- IMPROBABLE
- POSSIBLE
- PROBABLE

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

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

Priority risks

Mercialys rates net risks. The priority risks have either: a moderate impact with a probable probability, or a high impact with a possible or probable probability. 8 of the 51 risks identified meet these criteria. They cover 3 categories and are presented below.

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

OVERVIEW OF RISK MANAGEMENT ARRANGEMENTS

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

Company's firm focus on sustainable development and ethics

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

For instance, Mercialys has put in place:
• A Sustainability Performance report (DPEF), reviewed by an independent third-party organization (OTI);
• An approach to calculate and publish the workplace gender equality progress index;
• A corruption risk map and dedicated assessment and control procedures, as well as an internal whistleblowing procedure, in accordance with the legislation in force;
• A stock market Code of Ethics to prevent insider trading;
• Responsible lobbying guidelines;
• A vigilance approach to monitor practices across its value chain, notably by mapping the categories of the Company's spending, integrating CSR clauses into key contracts and tenders, and deploying measures to monitor, assess and/or audit suppliers and providers.

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

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

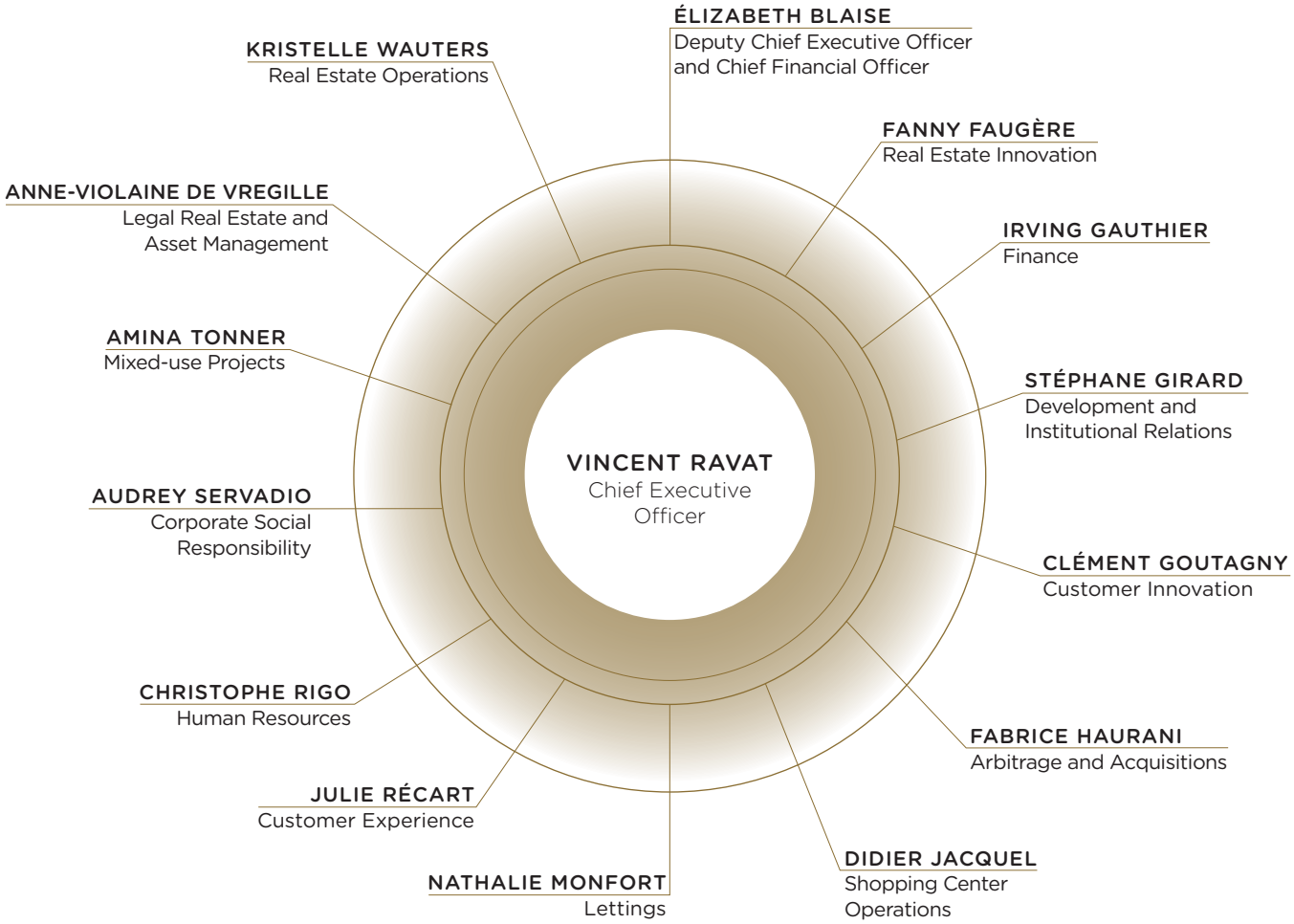
MANAGEMENT COMMITTEE SUPPORTING THE STRATEGY'S EXECUTION

Multidisciplinary, female majority and strong operational focus

Mercialys has a multidisciplinary and inclusive Management Committee, with a very strong operational focus and a large number of female members. The Company achieved fourth place on the SBF 120 in the ministerial ranking for the representation of women in management structures for listed companies.

The Management Committee was made up of 15 people at February 15, 2021, when the 2020 accounts were approved. This expanded composition ensures that it is effectively representative and that the various areas of expertise available to the Company can be capitalized on. All the members have a clear understanding of the challenges involved in Mercialys' business and sector. Their diverse ages, professional backgrounds and experiences represent a source of in-depth exchanges and insights. Their complementary areas of expertise, combined with their broad knowledge base and proximity to the field, further strengthen the Committee's organizational flexibility.

These features were vital in 2020 to manage the health crisis effectively. They enabled the Company to remain fully mobilized and operational, with employees across the head office and various sites showing a very strong level of responsiveness, while ensuring full compliance with the safety measures for all the teams.



Balanced and virtuous executive compensation policy aligned with the strategy

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

OBJECTIVE RECOGNITION OF PERFORMANCE

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

VALUING SUSTAINABILITY DIMENSIONS

- Inclusion of CSR criteria in the annual variable component
- Inclusion of CSR criteria in the long-term variable component

CONVERGENCE OF INTERNAL AND EXTERNAL INTERESTS

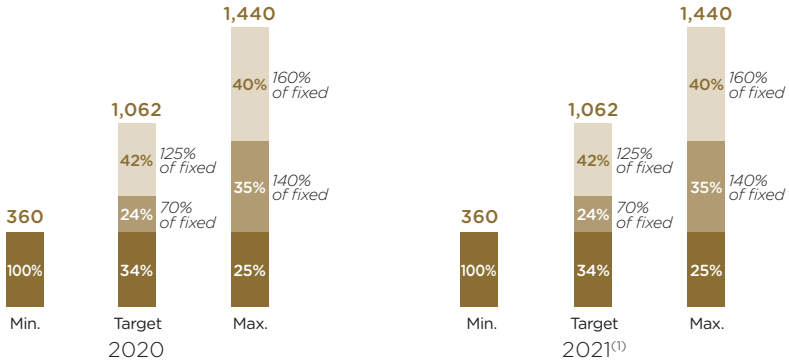
- Alignment of the interests of executives and shareholders: long-term variable component paid as shares, subject to performances, presence and holding criteria
- Internal fairness: average pay gaps between executives and employees measured and stable over time

The compensation policy (*ex ante*) and the payment of items of compensation (*ex post*) are set each year by the Board of Directors after consulting with the Appointments, Compensation and Governance Committee.

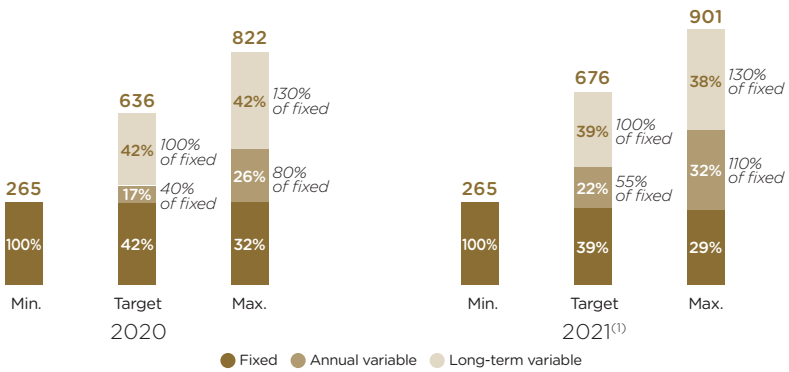
They are submitted for approval by shareholders at the Annual General Meeting, in accordance with the regulations in force. Executive compensation primarily includes a fixed component, a variable annual component and a long-term variable component. The criteria, objectives and thresholds applied to determine the variable components are justified and demanding. The level of compensation for executives is also reasonable in view of the results achieved by Mercialys, their experience and the levels of compensation for employees.

COMPENSATION STRUCTURE

MR VINCENT RAVAT, CHIEF EXECUTIVE OFFICER *(in thousands of euros)*



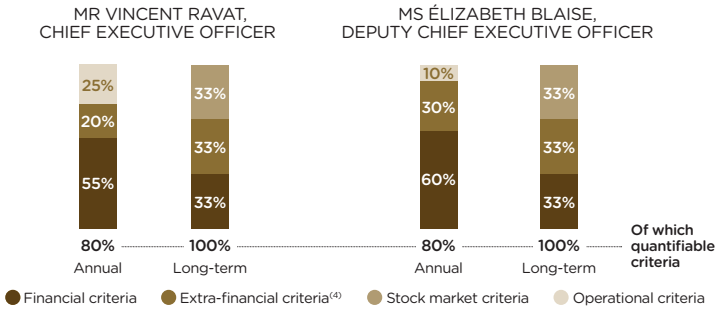
MS ÉLIZABETH BLAISE, DEPUTY CHIEF EXECUTIVE OFFICER(2) *(in thousands of euros)*



EQUITY RATIOS(3)

Chief Executive Officer	Deputy Chief Executive Officer
12.6 2020 average	**7.0** 2020 average
15.2 2020 median	**8.5** 2020 median

2021 VARIABLE COMPENSATION CRITERIA FOR EXECUTIVES(1)



(1) Subject to approval at the 2021 General Meeting. / (2) As the Deputy Chief Executive Officer is continuing in her role as Chief Financial Officer, half of her compensation is based on her corporate office and half on her employment contract. / (3) Calculation methodology detailed in the 2020 Universal Registration Document. / (4) All of the extra-financial criteria relate to CSR, for both the Chief Executive Officer and the Deputy Chief Executive Officer.

RESILIENT FINANCIAL AND SUSTAINABILITY VALUE CREATION DESPITE THE IMPACTS OF THE CRISIS

2020 was marked by the recurrence of exceptional health measures, such as the lockdowns and the closure of "non-essential" stores, with a significant impact on Mercialys' activity. However, thanks to its agile organization, focused on achieving excellence, the Company was able to maintain constructive dynamics, consolidating the fundamentals for its operational, financial and sustainability performance.

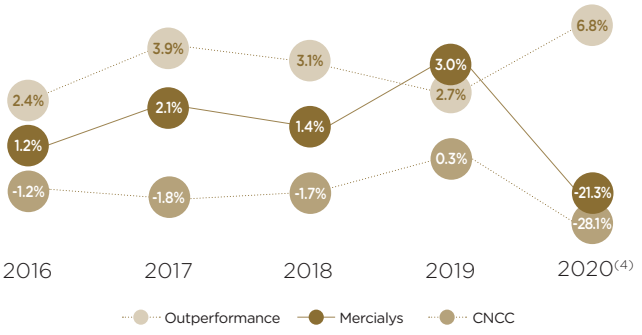




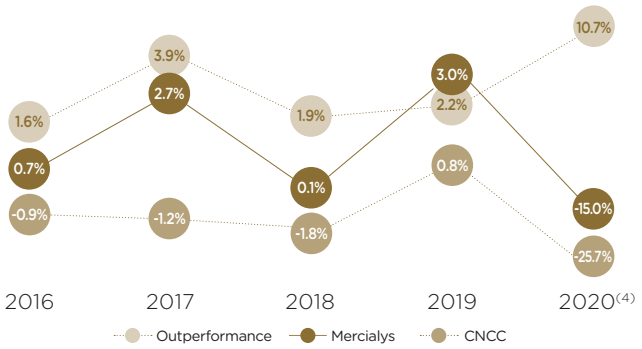
The operational performance of Mercialys' centers is assessed based on:

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

CHANGE IN SHOPPING CENTER FOOTFALL



CHANGE IN RETAILER SALES



(1) Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 85% of the value of the Company's shopping centers. / (2) Ratio between rent, charges (included marketing funds) and invoiced work (including tax) paid by retailers and their sales revenue (including tax), excluding large food stores. / (3) Mercialys' vacancy rate does not include agreements relating to the Casual Leasing business. / (4) Highly negative impact of the health crisis.

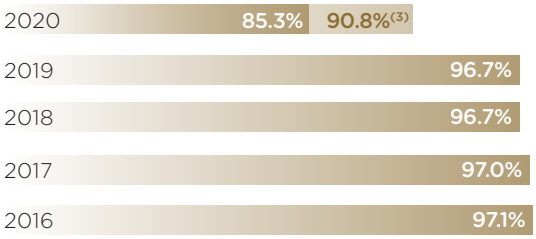
CHANGE IN THE OCCUPANCY COST RATIO



CHANGE IN THE CURRENT FINANCIAL VACANCY RATE



CHANGE IN THE RECOVERY RATE

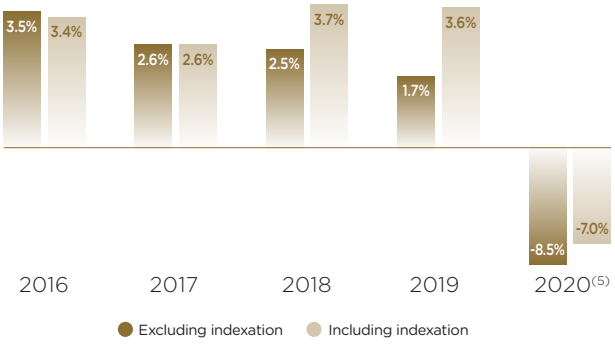


FINANCIAL PERFORMANCE

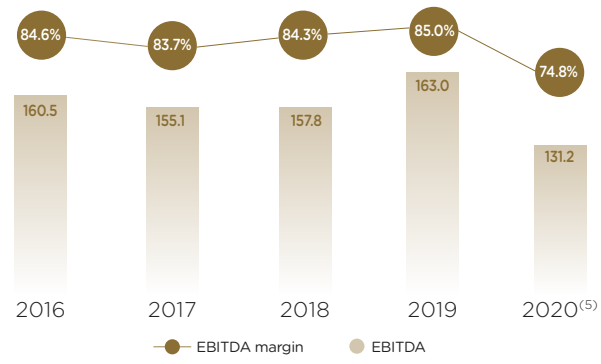
Financial performance is primarily assessed based on:

- **Organic growth in rental income**, which measures the change in the Company's revenues excluding the impact of acquisitions and disposals;
- **EBITDA margin**(4), which assesses the efficiency of its operational management;
- **Funds from operations** (FFO), which makes it possible to assess the change in its recurrent income;
- **Net asset value** (NAV), which measures the residual value of the Company's assets after reimbursing its creditors;
- The **LTV, ICR**, and **net debt/EBITDA** ratios, which make it possible to assess the sustainability of its debt;
- **Dividend yield**, with 95% of recurrent taxable profit and 70% of capital gains from asset disposals to be distributed as dividends in accordance with the tax status of French listed real estate investment trusts (SIIC), which Mercialys has been entitled to since 2005.

CHANGE IN THE ORGANIC RENTAL INCOME GROWTH RATE



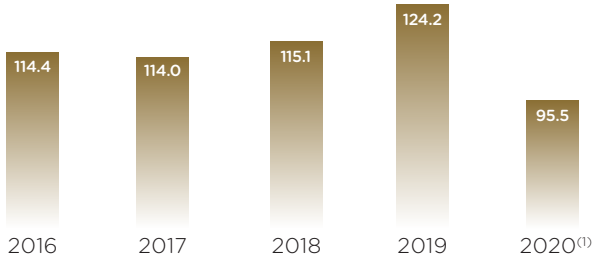
CHANGE IN EBITDA *(in millions of euros)* AND THE EBITDA MARGIN *(in %)*



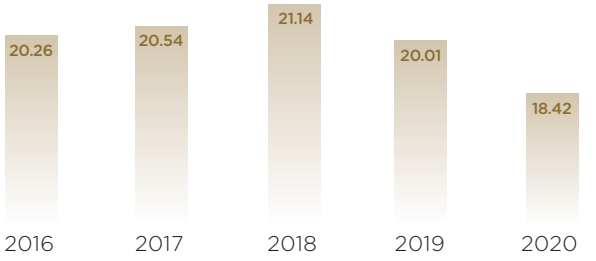
(1) Occupancy cost calculation not effective due to the periods when stores were ordered to close in 2020. / (2) Indicator notably affected by the integration within Mercialys' portfolio of the Dijon Chenôve shopping center, acquired at the end of December 2020 with a view to relaunching this asset. / (3) Restated for relief measures issued and to be awarded to retailers in connection with the two lockdowns. / (4) Earnings before interest, taxes, depreciation, amortization and other operating income and expenses. Margin calculated on rental revenues. (5) Highly negative impact of the health crisis.

FINANCIAL PERFORMANCE

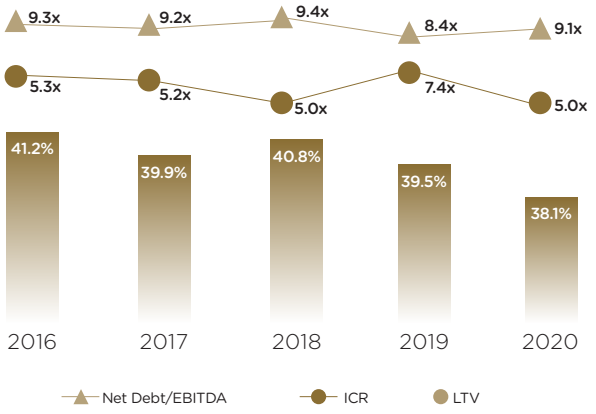
CHANGE IN FUNDS FROM OPERATIONS (FFO)
(in millions of euros)



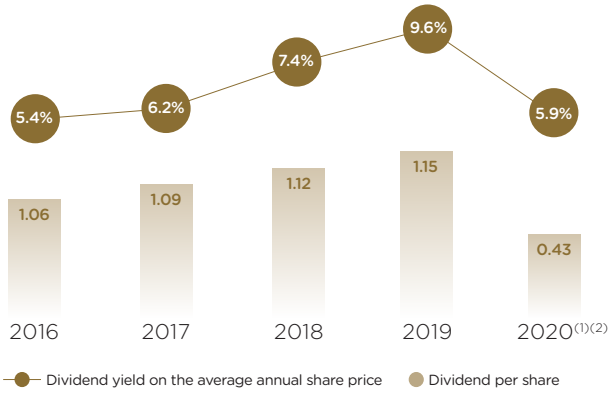
CHANGE IN EPRA NDV
(in euros per share)



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



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



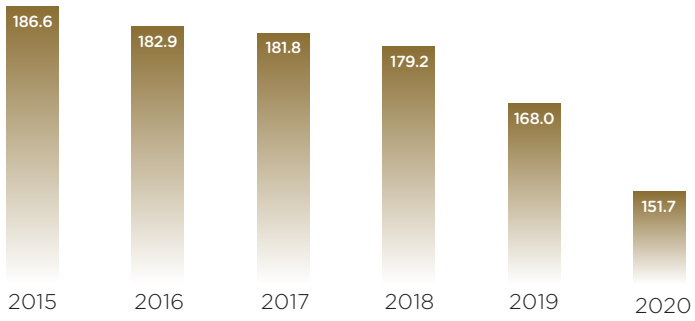
(1) Highly negative impact of the health crisis. / (2) Subject to approval at the Annual General Meeting on April 22, 2021.

SUSTAINABILITY PERFORMANCE

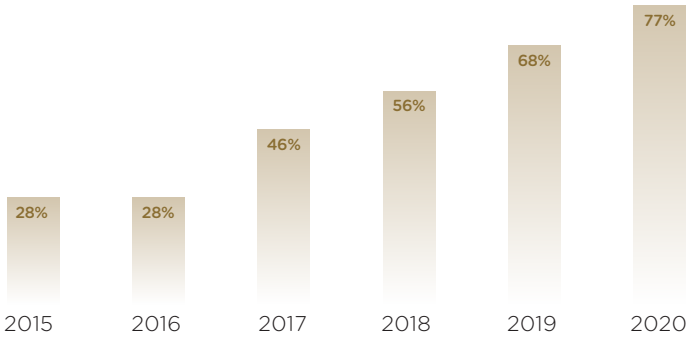
Mercialys' sustainability performance is monitored based on the following aspects:

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

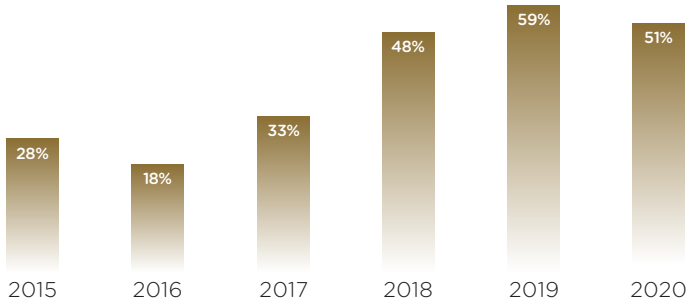
CHANGE IN ENERGY INTENSITY PER SQUARE METER
(in kWh/sq.m. - like-for-like basis)



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



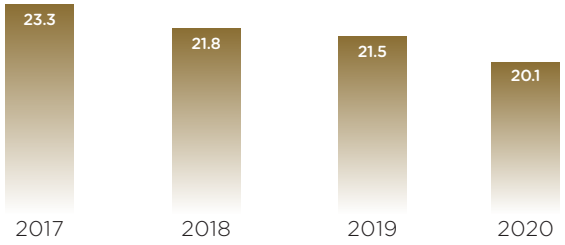
CHANGE IN THE SHOPPING CENTERS' WASTE RECOVERY RATE
(current basis)



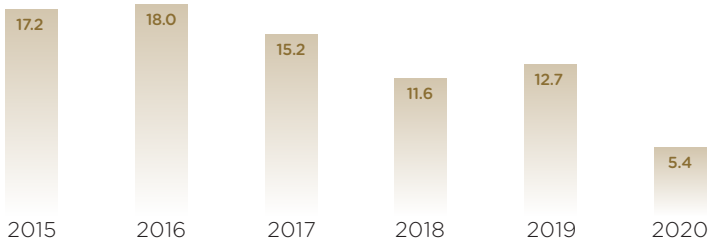
SUSTAINABILITY PERFORMANCE

CHANGE IN DIRECT AND INDIRECT CARBON EMISSIONS

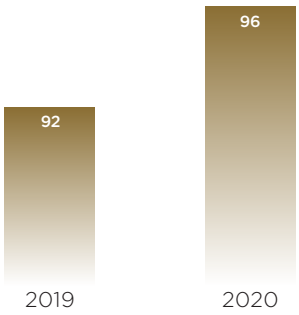
(Scopes 1 and 2 – in kg of CO_2 equivalent/sq.m. - market-based method – current basis)



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



CHANGE IN THE WORKPLACE GENDER EQUALITY INDEX



Mercialys' sustainability performance levels are aligned with the goals set out with its CSR strategy MERY'21, whose first phase was completed at the end of 2020. Its action plans and achievements have received regular recognition from the leading industry benchmarks and rating agencies in the last few years, with particularly exceptional results in 2020.

Mercialys achieved first place in its category in the Gaïa Rating agency's 2020 ranking (revenues of Euro 150 to 500 million), and came in third overall out of the 230 companies analyzed this season, up 9 places from 2019.

The Company also maintained its GRESB(1) Green Star status for the fourth consecutive year, while moving up one position in its category, and confirmed its CDP A List status for the third consecutive year, achieving international recognition for its efforts to reduce its carbon footprint and combat climate change.

Lastly, its strong commitment to information and reporting transparency was recognized once again by EPRA, with two Gold Awards, and at the 11th *Grands Prix de la Transparence*(2) ceremony, where it received first place in the All Categories Award, confirming Mercialys' leading position on the SBF 120.

	2015	2016	2017	2018	2019	2020
GRESB	-	Score: 64/100	Score: 84/100 Green Star status achieved	Score: 87/100 Green Star status	Score: 90/100 Green Star status	Score 85/100(3) Green Star status
CDP	-	-	Rating: A-	Rating: A Inclusion in the A List	Rating: A Member of the A List	Rating: A Member of the A List
Gaïa Rating	Score: not comparable Member of the Gaïa index	Score: 73/100 Member of the Gaïa index	Score: 79/100 Member of the Gaïa index	Score: 82/100 Member of the Gaïa index	Score: 83/100 Member of the Gaïa index	Score: 87/100 #1 in its category Member of the Gaïa index
vigeo eiris	Score: 47/100	Score: 47/100 (no review in 2016)	Score: 51/100	Score: 51/100 (no review in 2018)	Score: 63/100(4)	Score: 64/100(4)
SUSTAINALYTICS	-	Score: 39/100(4)	Score: 67/100(4)	Score: 67/100(4) (no review in 2018)	Score: 75/100	Score: 78/100
MSCI	Rating: A	Rating: A	Rating: A	Rating: BBB	Rating: A	Rating: A
ISS-oekom	Rating: D+	Rating: D+	Rating: C-	Rating: B- "Prime" status achieved	Rating: B- "Prime" status maintained	Rating: B- "Prime" status maintained
Grands Prix de la Transparence	#79 on SBF 120	#83 on SBF 120	#3 on SBF 120 Year's Most Improved Award	#1 on SBF 120 Grand Prix "All Categories" Award	Classified out of category Registration Document Award	#1 on SBF 120 Grand Prix "All Categories" Award
EPRA	BPR Gold Award	BPR Gold Award	BPR Gold Award sBPR Gold Award	BPR Gold Award sBPR Gold Award	BPR Gold Award sBPR Gold Award	BPR Gold Award sBPR Gold Award
Ministère chargé de l'égalité entre les femmes et les hommes, de la diversité et de l'égalité des chances	#10 on SBF 120	#6 on SBF 120	#12 on SBF 120	#4 on SBF 120	#4 on SBF 120	No review to date

(1) Global Real Estate Sustainability Benchmark: international benchmark that assesses the CSR policies and performances of real estate companies each year. / (2) Each year, the Grands Prix de la Transparence awards recognize listed French companies from the SBF 120 for the clarity and quality of their regulatory reporting, based on over 246 objective and public criteria concerning their main financial and sustainability reporting materials. / (3) Score not comparable due to a change in the methodology. / (4) Estimated.



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