PROSPECTUS DATED 24 FEBRUARY 2022

Mercialys

(a *société anonyme* incorporated in France)

€500,000,000 2.500 per cent. Bonds due 28 February 2029

Issue Price: 99.399 per cent. of the aggregate principal amount of the Bonds

This document (including documents incorporated by reference) constitutes a prospectus (the "**Prospectus**") for the purposes of the Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**").

The €500,000,000 2.500 per cent. Bonds due 28 February 2029 (the "**Bonds**") of Mercialys (the "**Issuer**" or the "**Company**") will be issued on 28 February 2022 (the "**Issue Date**") and will mature on 28 February 2029 (the "**Maturity Date**").

Interest on the Bonds will accrue at the rate of 2.500 per cent. *per annum* from, and including, the Issue Date and will be payable in Euro annually in arrear on 28 February in each year, commencing on 28 February 2023.

Unless previously purchased and cancelled in accordance with the terms and conditions of the Bonds, the Bonds may not be redeemed prior to the Maturity Date except as described hereafter. The Bonds may, and in certain circumstances shall, be redeemed, in whole but not in part, at their principal amount together with accrued interest in the event that certain French taxes are imposed (See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*"). The Issuer may, at its option, redeem the outstanding Bonds (i) in whole or in part, from (and including) 28 November 2028 to (but excluding) the Maturity Date, on any such date, at their principal amount together with accrued interest, as described under "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer – Pre-Maturity Call Option*", (ii) in whole or in part, at any time prior to 28 November 2028 and in accordance with the provisions set out in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer – Make-whole Redemption by the Issuer*" and (iii) in whole but not in part, in the event that 75 per cent. or more of the initial aggregate principal amount of the Bonds has been redeemed or purchases (and subsequently cancelled) by the Issuer and in accordance with the provisions set out in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer – Clean-Up Call Option*".

Following a Change of Control and if a Put Event occurs, each Bondholder will have the option to require the Issuer to redeem or repurchase all or part of the Bonds held by such Bondholder on the Optional Redemption Date at their principal amount together with interest accrued up to but excluding such date of redemption or repurchase all as defined and more fully described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of Bondholders following a Change of Control*".

The Bonds will, upon issue on 28 February 2022, be inscribed (*inscription en compte*) in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined in "*Terms and Conditions of the Bonds — Form, Denomination and Title*") including Euroclear Bank SA/NV ("**Euroclear**") and the depositary bank for Clearstream Banking S.A. ("**Clearstream**").

The Bonds will be issued in dematerialised bearer form in the denomination of €100,000 each. Bonds may be held in registered or bearer form, at the option of the Bondholder. Title to the Bonds will be evidenced in accordance with Articles L.211-3 *et seq.* and R.211-1 *et seq.* of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Bonds.

This Prospectus has been approved by the French *Autorité des marchés financiers* (the "**AMF**") in France in its capacity as competent authority pursuant to the Prospectus Regulation. The AMF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Bonds that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds.

Application has also been made to Euronext Paris for the Bonds to be admitted to trading on Euronext Paris. Euronext Paris is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended, appearing on the list of regulated markets issued by the European Securities and Markets Authority (the "**ESMA**").

This Prospectus will be valid until the date of admission of the Bonds to trading on Euronext Paris, which is expected to be on the Issue Date. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Prospectus is no longer valid.

The Bonds have been assigned a rating of BBB by S&P Global Ratings Europe Limited ("**S&P**"). The long-term debt of the Issuer has been assigned a rating of BBB (stable outlook) by S&P. A rating is not a recommendation to buy, sell or hold Bonds and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. The credit ratings included or referred to in this Prospectus have been issued by S&P, which is established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit ratings agencies, as amended (the "**CRA Regulation**"), and included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) as of the date of this Prospectus.

Prospective investors should have regard to all the information contained or incorporated by reference in this Prospectus and, in particular, the risk factors described in the Section headed "Risk Factors" in this Prospectus.

Copies of this Prospectus and the documents incorporated by reference will be published on the websites of the Issuer (https://www.mercialys.fr) and, save for the 2021 Half-Year Report, the AMF (www.amf-france.org).

Global Coordinators and Joint Bookrunners

BNP Paribas **Natixis**

Joint Bookrunners

Crédit Agricole CIB **CIC Market Solutions**

La Banque Postale **Société Générale Corporate & Investment Banking**

*This Prospectus constitutes a prospectus for the purposes of Article 6 of the Prospectus Regulation and has been prepared for the purpose of giving information with regard to the Issuer, the Issuer and its consolidated subsidiaries and affiliates taken as a whole (the "**Group**") and the Bonds which is necessary to enable investors for making an informed assessment of the assets and liabilities, profits and losses, financial position, and prospects of the Issuer and the Group, the rights attaching to the Bonds and the reason for the issuance and its impact on the Issuer.*

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Bookrunners. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the extent permitted by law, each of the Joint Bookrunners accepts no responsibility whatsoever for the content of this Prospectus or for any other statement in connection with the Issuer.

The Joint Bookrunners have not verified the information contained in this Prospectus in connection with the Issuer. None of the Joint Bookrunners makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus in connection with the Issuer. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer and the Joint Bookrunners that any recipient of this Prospectus or any other financial statements should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Prospectus and its purchase of Bonds should be based upon such investigation as it deems necessary. None of the Joint Bookrunners undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Bookrunners.

Potential conflicts of interest

The Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. The Joint Bookrunners and their affiliates may have positions, deal or make markets in the Bonds, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Investment considerations

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- *(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;*
- *(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;*
- *(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;*
- *(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets;*
- *(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks;*
- *(vi) consult their legal advisers in relation to possible legal, tax, accounting, regulatory and related aspects of any investment in the Bonds.*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase, sale or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Certain selling restrictions

*This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Bookrunners (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Bonds. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to, or of the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). For a description of certain restrictions on offers and sales of Bonds and on distribution of this Prospectus, see "Subscription and Sale".*

***IMPORTANT – PRIIPS REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.*

***IMPORTANT – UK PRIIPS REGULATION – PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of*

*Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*

MIFID II product governance / Professional investors and ECPs only type of clients *– Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds, taking into account the five (5) categories referred to in item 18 of the Guidelines published by the European Securities and Markets Authority ("**ESMA**") on 5 February 2018, has led to the conclusion in relation to the type of clients criteria only that: (i) the type of clients to whom the Bonds are targeted is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' type of clients assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' type of clients assessment) and determining appropriate distribution channels.*

Singapore SFA Product Classification *– In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

See "Risk Factors" below for certain information relevant to an investment in the Bonds.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Bonds are also described below. The Issuer believes that the factors described below represent the risks inherent in investing in the Bonds, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Bonds for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus (including any document incorporated by reference herein) and reach their own views prior to making any investment decision.

The terms defined in "Terms and Conditions of the Bonds" shall have the same meaning when used below.

1. RISKS FACTORS RELATED TO THE ISSUER

Identification and classification of risks

On a recurring basis, Mercialys reviews the main risks that could have a material impact on its business activities, financial position or results. Risk management is integrated into the Company's decision-making and operational processes and feeds into the deployment of its strategy.

The Risks Prevention Committee identifies these risks on the basis of interviews with each of the Company's departments, employees and service providers. The map prepared on this basis is presented to and approved by the Audit, Risks and Sustainable Development Committee, which ensures that all the risks are covered, monitored and managed.

The risk mapping is reviewed each year and may be modified to reflect the action plans put in place or the new risks identified. This iterative process makes it possible to integrate risks related to actual or potential changes, whether operational, regulatory or related to the dynamics of the retail real estate market.

Risk categories

Mercialys' Risks Prevention Committee has identified 51 risks, which it has broken down into categories in accordance with the ESMA guidelines[1]. The breakdown between the 8 categories retained is presented in the following table, while noting that Mercialys does not use any subcategories.

	Number of risks
Risks related to the sector	3
Risks related to business activities	12
Risks related to the financial position	2
Risks related to internal control	15
Legal and regulatory risks	8
Governance risks	5
Environmental, social and societal risks	6
Risks related to financial operations underway	0

[1] ESMA: European Securities and Markets Authority.
ESMA31-62-1293 "Guidelines on Risk Factors under the Prospectus Regulation".

Risk rating and prioritization

To ensure the pragmatic management and monitoring of its risks, Mercialys has rated them based on their priority. This prioritization system is based on a rating that includes the two dimensions from the risk mapping matrix, i.e. the risk's impact and its probability of occurrence.

The accuracy of these ratings was reassessed in 2021 notably through changes in the health and economic situation caused by the Covid-19 crisis. Its impact on the Company's priority risks involved is presented in detail for each risk and summarized in "*Risks relating to the coronavirus (Covid-19) epidemic*" below.

Impact

It measures the potential impact of a risk for the Company if it were to materialize. When it can be quantified, the impact is expressed as a percentage of Funds From Operations (FFO) or the Net Asset Value (NAV). When it cannot be quantified, it is assessed based on Mercialys' ability to continue rolling out its strategy and operations or in terms of reputational consequences. The impact is split into three levels: low, moderate and high.

The assessment of the Company's environmental, social and societal risks is based on their materiality, after consultation with internal and external stakeholders, in line with the strategic CSR approach. The evaluation of Mercialys' other risks is based on internal stakeholders. In order to ensure consistency between these two methodologies, the Risks Prevention Committee rates the impact of environmental, social and societal risks on the basis of their reputational consequences, the rating level being directly taken from their positioning within the Company's materiality matrix.

	Low	Moderate	High
Change in FFO	Less than 1% of FFO	From 1% to 5% of FFO	More than 5% of FFO
Change in NAV	Less than 1% of NAV	From 1% to 5% of NAV	More than 5% of NAV
Implementation of the strategy and continuity of operations	Minor obstacles to the roll-out of the strategy and operations	Moderate obstacles to the roll-out of the strategy and operations	Major obstacles to the roll-out of the strategy and operations
Reputation	No media impact or impact on a limited number of stakeholders	Local media impact or impact on certain stakeholders	National media impact or impact on a high number of stakeholders

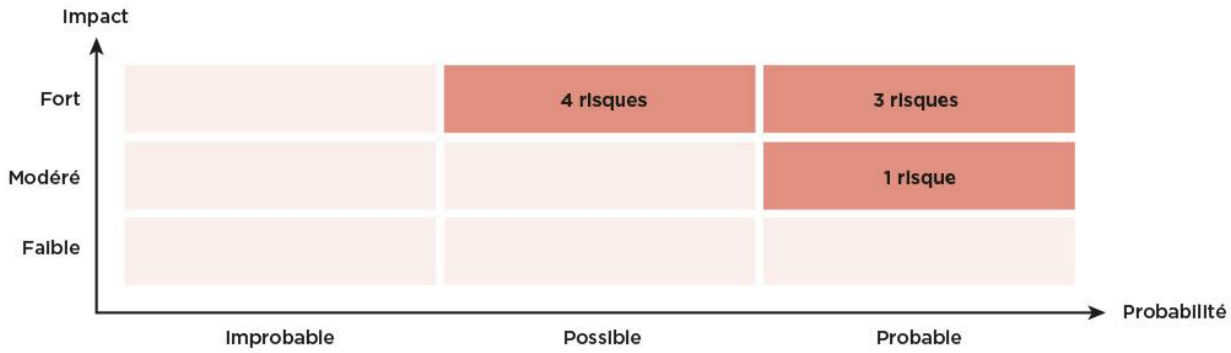
Probability

The probability is defined as the possibility of a risk occurring, at least once, over different timeframes. In other words, it assesses the plausibility of a risk-bearing event happening. The probability is split into three levels: improbable, possible and probable.

	Improbable	Possible	Probable
Probability of at least one occurrence of the risk	Within four to five years	Within two to three years	Within one year

The **priority risks** are those with:

- a “high” impact with a “probable” probability;
- a “high” impact with a “possible” probability;
- a “moderate” impact with a “probable” probability.



Summary of priority risks

Mercialys **rates net risks**. This means that it assesses the impact and probability of its gross risks, taking into account any potential mitigation measures and arrangements (insurance, cover, controls and procedures, policies, diversification, etc.).

Of the 51 risks identified by Mercialys, eight risks, from three categories, are classed as priority:

Risk category	Risk	Risk impact rating	Risk probability rating	Risk trend
Risks related to the sector	Risk related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market	High (NAV)	Probable	Stable
	Risk related to competition on the physical retail segment	High (FFO)	Possible	Stable
	Risk related to new forms of consumption	High (FFO)	Possible	Upward
Risks related to business activities	Risk related to retailer arbitrage and reletting	High (FFO)	Probable	Upward
	Risk related to the safety and security of operations and a deterioration in the portfolio	High (reputation)	Possible	Stable
	Risk related to acquisitions and construction operations	High (NAV)	Possible	Stable
	Risk related to providers, suppliers and subcontractors	Moderate (implementation of the strategy and continuity of operations)	Probable	Upward
Risks related to the financial position	Risk related to interest rates, the cost of debt, liquidity and financing	High (FFO)	Probable	Stable

Risks related to the sector

A. Risk related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market - Impact: high/Probability: probable/Trend: Stable

Description of the risk

The capitalization rate is a key element for calculating the appraisal value of the assets held by Mercialys. It is determined based on the deemed risk-free rate (i.e. the interest rate paid by the French state on its borrowings) and the risk premiums associated with the property investment concerned. As part of their twice-yearly valuation campaigns (in accordance with AMF recommendations), the independent real estate appraisers responsible for valuing the Company's portfolio also base their valuations on the rates seen for recent real estate transactions on the physical retail real estate property market.

The appraisal value of the Mercialys portfolio can thus be positively/negatively impacted via the capitalization rate:

- by a significant drop/rise in rates deemed risk-free or risk premiums;
- by the recognition of more favorable/lower rates within the context of physical real estate market transactions.

Appraisers' risk premium adjustments may also reflect changes in their perception of the sustainability of asset rental flows, based on their assumptions regarding rent changes, vacancy or even site investment costs.

The appraisal value is taken into account in the calculation of the Company's Net Asset Value (NAV) and the Loan To Value (LTV). A significant deterioration in Mercialys' portfolio value would likely have an unfavorable impact on its stock price, as well as potentially on its financial rating and the appraisal of its risk profile by finance market operators and, ultimately, on the cost of its debt.

Risk management and coverage

The factors that drive up capitalization rates are linked primarily to changes in central banks' monetary policies and trends for physical real estate investments. Mercialys anticipates the potential impacts of monetary policies (providing regular updates to members of Senior Management) and performs simulations to assess how interest rate changes will impact the value of its portfolio. It also closely monitors real estate transactions on the market. The portfolio value's sensitivity is updated every six months, based on a 0.5% decrease/increase in the capitalization rate and a 10% increase/decrease in appraised net rental income.

The risk of a deterioration in the appraisal value, through unfavorable changes in the underlying assumptions, is therefore regularly tracked through the monitoring methods applied and their frequency. In addition, all the assets in Mercialys' portfolio are valued by independent real estate appraisers every six months, which makes it possible to regularly adjust its value if required.

This risk is managed through the arbitrages that Mercialys carries out on a continuous basis on its portfolio of assets, in line with its market vision. The Company's arbitrage strategy is based, on the one hand, on the disposal of assets that have reached maturity or potentially become commercially vulnerable. It is also based on investments in its leading assets, in order to consolidate their dominance in their catchment area and strengthen their value. In line with this approach, the Company has drastically reduced the size of its portfolio in recent years, from 93 shopping centers and city-center assets at end-2010 to 51 at end-2021. Since 2020, it has also strengthened its specialist acquisitions and arbitrage team, by appointing the Company's former Head of Asset Management to manage it, thus attesting to the strategic and central nature of these topics.

Mercialys' portfolio value came to Euro 2,945.1 million excluding transfer taxes at end-December 2021, compared with Euro 2,996.6 million at end-June 2021 and Euro 3,065.6 million at end-December 2020. The value of the portfolio excluding transfer taxes was therefore down -3.9% over twelve months (-3.1% like-for-like) and down -1.7% over six months (-0.9% like-for-like). The average appraisal capitalization rate came to 5.71% at 31 December 2021, compared with 5.74% at 30 June 2021 and 5.72% at 31 December 2020.

Due to the strong correlation between the capitalization rate and the discount rate in the real estate appraisers' model, the sensitivity test for changes in the capitalization rates also shows the sensitivity to changes in the discount rate. Based on the annual appraised potential net rental income of Euro 179.2 million and the average capitalization rate of 6.09% recorded at the end of December 2021, the sensitivity analysis is as follows:

Sensitivity criteria	Impact on the appraisal value excluding transfer taxes *(in millions of euros)*
-0.5% decrease in the capitalization rate	+ 263,6
+10% increase in rents	+ 294,5
+0.5% increase in the capitalization rate	(223,6)
-10% decrease in rents	(294,5)

Risk trend: stable

This risk is of major structural importance for Mercialys. Regularly selling some of its assets to reinvest part of the capital generated in its portfolio of value-enhancing projects enables it to maintain the commercial quality of its portfolio and protect its value. Asset liquidity is also needed to meet debt repayment deadlines in the event of a slowdown or pause in the finance markets.

The slowdown in physical retail real estate market transactions observed since 2018 has an overall impact on real estate companies' ability to quickly and easily sell their assets. An upward trend in capitalization rates was observed at Mercialys over the period, with a relatively moderate negative impact on the appraisal value of its portfolio. Over the past three years, the Company has been able to sell assets at rates that support its portfolio's valuation levels.

It is recalled that real estate appraisers value the Mercialys portfolio on a half-yearly basis.

Ultimately, the risk trend related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market is considered stable.

B. Risk related to competition on the physical retail segment - Impact: high/Probability: possible/Trend: stable

Description of the risk

Mercialys, through its activity operating shopping centers, captures part of the catchment areas of the cities where it is present. The level of footfall at its sites is a key indicator that has an upward or downward impact on the Company's economic and financial performance.

Extension, redevelopment or greenfield construction projects, on different scales, that may be launched in the medium term could have a potentially significant adverse impact on footfall for Mercialys' shopping centers, especially if these projects are located in major catchment areas for the Company. Particularly strong competition from companies already operating in these catchment areas, aiming to attract the retailers that stand out the most, could also make Mercialys' sites less attractive.

A decrease in the footfall at shopping centers would lead to a drop in the profitability for retailers and would ultimately lead to pressure on the rents invoiced by the Company.

Risk management and coverage

Mercialys manages this risk through two key pillars:

- a regular asset rotation policy, which may lead to sales of sites that are considered to be located in retail areas that are more sensitive to an increase in competition. The Company is therefore gradually focusing its positioning on key areas in cities with demographic and purchasing power trends that are higher than the national average;

- a commercial strategy aiming to further strengthen its sites through (i) medium-sized stores set up to generate additional traffic supporting the entire shopping center, (ii) a merchandising mix that is adapted to each catchment area, and (iii) the implementation of new uses of shopping centers (e.g. coworking, medical centers and first- and last-mile logistics services in particular), with a view to consolidate their foothold in their local areas within their communities.

Through these measures, Mercialys was able to ensure sustained growth in footfall for its shopping centers from 2014 to 2019, significantly outperforming the national index published by the French national shopping centers council (*Conseil National* des Centres Commerciaux, CNCC). This favorable trend in terms of footfall has had an impact on retailer sales at its sites. This positive differential in terms of footfall and retailer sales continued in 2020, despite the repeated opening restrictions imposed on retail outlets, confirming the adequacy of Mercialys' coverage of this risk. In 2021, footfall in Mercialys sites during the opening periods was 86% of the normalized figure from 2019 despite significant operational constraints related to the health crisis (curfews, health pass in particular), the turnover of retailers also showed good resistance, illustrating the resilience of the Company's shopping centers.

Risk trend: stable

Some real estate projects have historically had a localized impact on footfall trends at certain Mercialys sites. However, the Company has never observed any major, widespread increase in competition across its physical commercial real estate portfolio. In addition, following a moratorium initiated in 2020 by the French government on the construction of new retail space, Law No. 2021-1104 of 22 August 2021 (known as the "Climate and Resilience Law") includes the fight against the artificialization of soils among the principles referred to in Article L. 101-2 of the Urban Planning Code, as well as the establishment of a "Net Zero Artificialization" objective. The constraints concerning the implementation of *ex nihilo* new retail spaces should contribute to the sustainability of existing sites.

The resilience of business levels at Mercialys sites in 2020 and 2021, despite the health crisis, once again proves the Company's competitive edge. The fact that the shopping centers are leaders in their catchment areas means that they have relatively little exposure to retailers' rationalization of physical stores. The very limited current financial vacancy rate recorded by Mercialys at the end of 2021, i.e. 3.2%, significantly down compared to the end of 2020 (3.8%), the end of June 2021 (4.0%) and the end of September 2021 (3.4%) also illustrates the power of Mercialys' sites in their catchment area.

Consequently, the risk related to physical retail competition is considered stable.

C. Risk related to new forms of consumption - Impact: high/Probability: possible/Trend: upward

Description of the risk

The breakdown of Mercialys' rents by business sector shows a high level of diversification. However, at 31 December 2021, two sectors account for more than 20% of contractual rents on an annualized basis – personal items and large food stores:

	12/31/2021	12/31/2020
Restaurants and catering	8.4 %	8.6 %
Health and beauty	12.6 %	12.3 %
Culture, gifts and sports	16.3 %	16.0 %
Personal items	30.5 %	31.5 %
Household equipment	7.2 %	6.9 %
Large food stores	21.8 %	21.5 %
Services	3.2 %	3.2 %
TOTAL	**100.0 %**	**100.0 %**

The risk associated with new forms of consumption is primarily reflected *via* the following elements:

- a structural contraction in revenues for the personal items sector from 2008 to 2016. After picking up slightly in 2017 (fashion and textiles consumption in France up +0.6%[2]), the downward trend continued in 2018 (-2.9% for clothing sales[4]) and in 2019 (-1.0%[4]). This crisis worsened during the Covid-19 epidemic, as clothing retailers saw their revenues contract by -17% according to the *Institut Français de la Mode* in 2020, although this indicator should recover by +5% in 2021 according to the same source;
- a paradigm shift in consumption affecting large retailers with: 1/ in the food segment, a loss of market share by integrated hypermarket operators in favor of independent retailers and hard discounters, 2/ in the non-food segment, a downward trend for non-food products as a percentage of total hypermarket revenues;
- steady growth in e-commerce revenues, which represented 9.8% of retail in France in 2020[3].

The two main factors behind a downturn in consumption may affect textiles or clothing retailer profitability and result in pressure on Mercialys' rents or even contribute to an increase in its vacancy rate.

The development of e-commerce may impact on "physical" retailers which need to make significant investments in terms of IT (to develop their online distribution and improve their inventory management) and marketing.

Risk management and coverage

Mercialys is planning ahead to anticipate the risk related to new forms of consumption through:

- the projects carried out since 2015 to reduce the size of hypermarkets, partly floorspace allocated to non-food products, in coordination with the food operator. These projects have optimized the surface of hypermarkets to concentrate on food products, while providing the shopping centers with access to additional space, in order to accommodate a number of specialist retailers, restaurants, etc., helping drive growth in footfall at these sites;
- the constant adaptation of its merchandising mix, in keeping with the objective of a well-diversified portfolio across different sectors, as well as the identification of the most relevant retailers in each sector, particularly with respect to their price positioning;
- the development of customer knowledge, through marketing tools making it possible to provide visitors with offers and information that are aligned with their consumption profile, with a view to building loyalty;
- the ramping up of its proprietary first- and last-mile logistics solution, Ocitô, with the retail digitalization tool being rolled out in physical stores in 31 of its centers by the end of 2021. The Ocitô ecosystem incorporates three solutions for the convergence of physical and digital commerce:

  1/ an online and mobile marketplace, enabling retailers in Mercialys' centers to benefit from an additional channel through which to offer food and non-food products to consumers,

  2/ a logistics platform that groups together all centers' retailer services, facilitating the ship-from-store service which consolidates and ships parcels from their shops (dedicated logistics unit, provision of consumables, centralized postage franking and collection), and

  3/ a transport offer that covers the full range of last-mile delivery solutions, for greater effectiveness and efficiency both for retailers and consumers (immediate delivery, home delivery within two days, Click & Collect, drive-through, and parcel collection lockers).

Risk trend: upward

While difficult to assess, the risk related to new modes of consumption is considered to be on the rise.

2 Source: French Institute of Fashion (Institut Français de la Mode).
3 Source: Fevad – Federation of e-commerce and distance selling.

Retailer obsolescence has been a constant feature of the retail sector for the past decade, and the need to adapt the shopping centers is a major strategic element. This increased in 2020 and 2021 with the successive lockdown measures related to the health crisis which weakened many retailers, particularly in the textiles and catering/leisure sector. Some segments have, however, benefited from this particular environment, such as home equipment and digital products. All food distribution formats were also able to remain open throughout 2020 and 2021, constituting a major resilience factor for business at Mercialys shopping centers. However, it should be noted that the various assistance measures implemented by the French government, supplemented (particularly concerning fixed costs) or introduced (for the payment of rents) in 2021, have greatly reduced the number of shop and restaurant closures in shopping centers.

Similarly, although the health crisis has led to the repeated closure of all "non-essential" shops, prompting some consumers to make some of their purchases online, it is difficult to assess the sustainability of this trend. Statistics do not indicate that e-commerce players have benefited from a massive and structural shift in consumption over the 2020 and 2021 fiscal years, as illustrated by the rapid normalization of footfall in shopping centers as soon as the various lockdown measures were lifted. This also raises the question of the sustainability of the gains in market share achieved by e-commerce.

In any event, Mercialys believes that it has proven competitive advantages:

1. the difficulty in obtaining authorizations to open large food stores supports the Company's perception that it would be possible to welcome alternative tenants in hypermarket units, after potentially reducing the space allocated;

2. the classification by government decree, during the three periods of lockdown between 2020 and 2021, of nearly 40% of its rental base as "essential retail" shows how its shopping centers are an integral part of communities' daily lives, as illustrated by the rapid recovery in footfall and retailer sales after the lockdowns were lifted;

3. competition from e-commerce is less acute in medium-sized cities where Mercialys' assets are located and where visits are recurrent, short-lived, and involve limited average baskets, making delivery costs for online purchases comparatively high.

Risks related to business activities

A. Risk related to retailer arbitrage and reletting - Impact: high/Probability: probable/Trend: upward

Description of the risk

Mercialys lets space in its shopping centers and medium-sized stores primarily to major national or local retailers.

The impacts associated with these risks concern two key aspects. On the one hand, the profitability of tenant retailers. This may, from time to time, adversely affect the recovery rate or rental reversion potential. It may also have a more structural negative impact on Mercialys' rental revenues if insufficient profitability leads to store closures in the centers owned by the Company, against a backdrop of regular arbitrage by retailers concerning their physical points of sale at national level. On the other hand, if retailers leave, the vacancy rate would impact rental revenues and the ability to pass on the centers' operating expenses during the reletting period. This could last longer when key retail sectors face difficulties, as seen for more than a decade with personal items in France, as mentioned in the previous risk.

In terms of diversification, with the exception of the Casino and H&M groups, no single retailer represents more than 2% of Mercialys' annual rents. Exposure to the Casino group accounted for a significant percentage of rents, amounting to 22.4% at the end of 2021. This exposure falls to 19.6% if it is restated from: 1/ downwards BNP Paribas REIM's 49% minority interest in SAS Hyperthetis Participations and SAS Immosiris, which own a total of ten hypermarkets operated under the Géant Casino brand, and 2/ upwards Mercialys' 25% minority interest in SCI AMR, which owns three Monoprix and two hypermarkets operated under the Géant Casino brand. The consolidated exposure is mainly divided between the Géant (21.1% of rents at the end of 2021) and Monoprix (0.7% of rents at the end of 2021) hypermarket brands. If events were to affect the activities of Géant hypermarkets or more generally the activities of Casino, Mercialys' rental revenues and asset values could be impacted.

Mercialys has carried out hypermarket transformations at a number of sites since 2015, reducing their floorspace and reletting the space vacated by the food operator to benefit the shopping center. Casino and Mercialys are discussing new operations of this type, in accordance with the terms of the leases binding the two companies. Under these negotiations, the hypermarket may be awarded a rent reduction, while the space vacated would, at the same time, make it possible to create value. If it was not possible to reach an agreement with the Casino group, it could exercise its option to vacate these units with the three-year breaks. As part of the re-letting of these premises, Mercialys would then look at reviewing the food offering in terms of both its operator and format, and increasing the space allocated to the shopping center.

The lease expiry schedule for Mercialys' two main tenants, i.e. the Casino group and H&M, is presented below.

Casino group lease schedule ***(main leases: hypermarkets, supermarkets and Monoprix stores)***

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Grenoble	100 %	Monoprix	02/2010	02/2022	3-6-9-12 commercial lease
Saint-Étienne	100 %	Hypermarket	07/2014	06/2026	3-6-9-12 commercial lease
Quimper	100 %	Hypermarket	12/2014	12/2026	3-6-9-12 commercial lease
Annecy	100 %	Hypermarket	12/2014	12/2026	3-6-9-12 commercial lease
Aix-en-Provence	51 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Marseille	100 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Brest	51 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Nîmes	51 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Angers	51 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Lanester	100 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Niort	51 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Fréjus	51 %	Hypermarket	06/2015	06/2027	3-6-9-12 commercial lease
Narbonne	51 %	Hypermarket	11/2015	11/2027	3-6-9-12 commercial lease
Istres	51 %	Hypermarket	11/2015	11/2027	3-6-9-12 commercial lease
Le Puy	51 %	Hypermarket	11/2015	11/2027	3-6-9-12 commercial lease
Clermont-Ferrand	51 %	Hypermarket	11/2015	11/2027	3-6-9-12 commercial lease
Annemasse	100 %	Hypermarket	12/2015	12/2027	3-6-9-12 commercial lease
Ajaccio	60 %	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Corte	60 %	Supermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Furiani	60 %	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Porto-Vecchio	60 %	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Toga	60 %	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

H&M group lease schedule

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

Quimper	05/2017	05/2029	3-6-9-12
Morlaix	07/2017	07/2029	12-year commercial lease, 6-year firm period
Narbonne	07/2017	07/2029	12-year commercial lease, 6-year firm period
Nîmes	08/2017	07/2029	12-year commercial lease, 6-year firm period

Risk management and coverage

Mercialys limits the insolvency risk and the risk relating to retailer chain closures primarily by diversifying its retailer mix which limits the impact of a cancellation at a three-year break.

Furthermore, the risk linked to potential difficulties affecting the food retailers of the Casino group operating on the Company's sites must be put into perspective with the options available for reletting the vacated space. Demand for space for food outlets remains strong in France, in a context where authorizations to open new physical retail stores are now very limited.

Mercialys has also put in place procedures to contain the retailer counterparty risk, including:

- a detailed analysis of achievements from a lettings perspective compared with the budget, carried out each month by the Administrative and Financial Department, Asset Management Department and Lettings Department. The findings are presented to the Management Committee and lead to specific action plans;
- an annual analysis of the occupational cost ratio (ratio between the amount of rent including tax, the costs including marketing funds and the works charged back to the retailer and its sales including tax) when assets' business plans are reviewed. Any change that differs from the rates usually recorded for activities is subject to a dedicated review of the context for the retailer and tenant. The Lettings and Asset Management teams then draw conclusions and make decisions on a case-by-case basis;
- the setting of rents on a primarily fixed basis (98% of Mercialys' contractual rents on an annualized basis are fixed or include a guaranteed minimum rent at 31 December 2021);
- very regular operational procedures for rent collection and monitoring, carried out jointly by the Rental Management, Asset Management, Lettings and Administrative and Financial Department teams.

In addition, Mercialys plans ahead to anticipate the reletting risk through:

- close tracking of the vacancy rate and associated reletting actions. The quality of the retailers selected is a decisive factor, focusing in particular on their financial health, the relevance of their offering in relation to the catchment area's needs, their locally differentiating features and their effective fit complementing the existing merchandising mix;
- the creation of a specialist Lettings team 1/ for each geographical area, resulting in in-depth knowledge of local retailers, catchment areas and assets and 2/ for each type of space, as the needs and constraints of retailers operating medium-sized stores are significantly different from those in small stores. The Asset Management team supports the Lettings team and ensures the financial soundness of negotiations, within the broader context of each shopping center's target profitability;
- the asset rotation strategy. Mercialys regularly analyzes the positioning of all of its assets within their catchment area. A shopping center's ability to continue to be very attractive in the long term in this area is one of the criteria that may lead to arbitrage of the site.

Risk trend: upward

Consumption in France is expected to remain buoyant in the long term based on positive demographics and a high savings rate, which increased significantly in 2020 (21.4% at the end of December 2020 versus 14.9% in 2019[4]). In the third

[4] Source: INSEE – National Institute for Statistics and Economic Studies.

quarter of 2021, this rate decreased to 17.5% with the reduction in health measures but remained above the historical level.

In addition, the underlying demand for quality retail premises, such as those offered by Mercialys, should remain resilient in the long term. The Company benefits from its sites' strong foothold in their catchment areas, offering merchandising mixes that respond to daily needs. This is illustrated by the fact that, during the lockdowns, up to 40% of the Mercialys rental base was classified as "essential businesses". The French commercial property system, through lease rights, offers strong protection for landlords. These factors help to secure Mercialys' revenues.

The effects of the Covid-19 health crisis on the economic climate were mixed. By the end of 2021, State aid had helped to significantly limit the impact on unemployment rates and business failures. Nevertheless, the highly fluctuating trend in consumer confidence and consumption over the period 2020 and 2021 illustrates persistent uncertainties and could have a negative impact on Mercialys' tenant retailers. Lastly, at the end of December 2021, it cannot be determined whether the health situation will lead to new public health measures that could have an impact on the footfall at Mercialys sites or on retailer sales, as was the case with the lockdowns, or the temporary introduction of the "health pass" in shopping centers.

Mercialys greatly increased its monitoring of tenants' financial health in 2020 and 2021. The health and economic crisis exacerbated pre-existing profitability issues for some tenants, particularly in the textiles sector. In addition to business disruptions, the investments required from retailers for their marketing and digital strategy when faced with competition from online operators negatively impacted their profitability and balance sheets. These factors could negatively impact Mercialys' future revenue profile as a result of increased vacancy, reduced rental collection, a drop in variable rents (H&M in particular), or even pressure on minimum guaranteed rents.

Lastly, the Casino group's sales of its Géant business operations in recent years show that its Géant hypermarket brand may be considered less strategic by the Casino group. This may have potentially dilutive effects on Mercialys' rental revenues.

Thus, although the recovery rates (rent and charges) for the 2020 and 2021 fiscal years are respectable at 90.1% (99.9% restated for relief and provisions) and 88.8% respectively, despite the magnitude of the shock experienced, and the recurring financial vacancy rate remains below 3.2% at the end of 2021, the risk is estimated to be increasing.

B. Risk related to the safety and security of operations and a deterioration in the portfolio - Impact: high/Probability: possible/Trend: stable

Description of the risk

As a real estate company, the risk relating to the safety and security of operations and a deterioration in the portfolio may take various forms, including:

- operation of its centers (fire, theft, terrorist attack, assault, etc.);
- work carried out at its centers (fall, injury, etc.);
- activities of certain tenants which may affect the quality of soils, underground water, building structures through roof installations, resulting in an impairment of the assets due to pollution or related deterioration;
- extreme weather conditions or the presence of parasites (termites, dry rot, etc.) which may damage the structure of buildings;
- a health crisis, such as the one associated with Covid-19, which may generate health- and safety-related expenses and investments in shopping centers, or lead to partial, or total, site closures.

If it were to occur, this risk could result in very significant legal and reputational consequences for the Company.

Risk management and coverage

Several types of measures are taken to manage this risk:

- safety and security procedures are put in place and regularly reviewed across all the centers, coordinating operations with Mercialys' Property Manager. The providers associated with these procedures are audited each year by the Property Manager, and if the latter considers the results to be unsatisfactory, corrective measures are put in place and contracts may be terminated. Mercialys also conducts safety and security audits and ensures that the corrective measures are put in place by the Property Manager, where required;
- crisis management procedures are available and are tested on a regular basis. The Property Manager's teams also raise retailers' awareness of these issues;
- the Property Manager ensures the regulatory compliance of tenant activities;
- coordinating operations with Mercialys, the Property Manager ensures that preventive maintenance measures are rolled out for buildings under multi-year work plans and that works are carried out following specific events (e.g. weather events) in order to guarantee public safety and security;
- Mercialys' shopping centers are regularly audited by its insurers' "fire prevention" engineers, in line with annual priorities, notably determined based on the significance of the assets. All sites are audited at least once every five years. The reports of the insurers' fire prevention engineers are released after each on-site appraisal, accompanied by recommendations which are followed up on jointly by Mercialys and the Casino group Insurance Department, under the Service agreement between the two groups;
- in exceptional circumstances, such as social movements ("yellow vests", farmers, for example), or the Covid-19 pandemic, Mercialys also takes strong measures to ensure the health and safety of its visitors, retailers and employees, with the direct collaboration of the Property Manager's teams;
- lastly, Mercialys has cover through its various insurance policies, calibrated based on the cost of rebuilding assets and the operating losses that could be sustained depending on the various scenarios considered.

Risk trend: stable

Public safety at Mercialys shopping centers is part of the Company's core responsibility. It takes all necessary measures to ensure the highest level of safety for visitors. The Company remains vigilant in the context of recurring acts of terrorism on the national territory, despite the status of the Vigipirate plan having been revised downwards, from an "attack emergency" at the end of 2020 to "heightened security – risk of attack" in March 2021.

As part of the fight against the Covid-19 epidemic, Mercialys also implemented strict health measures to ensure the health and safety of its customers, traders and staff. These measures include real-time customer counting systems, organization of traffic flows, distribution of hydroalcoholic gel at entrances, continuous cleaning and disinfection of premises and equipment, the management and adaptation of communal areas and increased indoor air renewal.

On a more structural level, regular portfolio maintenance ensures business continuity and the cover offered by the insurance policies in place is deemed to be effectively calibrated in relation to the potential damages for the Company.

Consequently, this risk is considered stable.

C. Risk related to acquisitions and construction operations - Impact: high/Probability: possible/Trend: stable

Description of the risk

Mercialys implements a dynamic asset rotation strategy as part of its growth model. Assets deemed to have sub-optimal geographic exposure and growth potential, as well as those deemed to have reached their optimum value, are sold in order to finance the Company's development pipeline or acquisitions of assets.

Since its initial public offering in 2005, Mercialys has not built any greenfield sites (*ex nihilo* sites), and no such projects are included in its current project portfolio. This mainly comprises the restructuring and extension of existing spaces. The

potential demolition and construction operations relating to these projects are carried out under different types of contracts: direct basis or delegated project management, property development contract, etc. These structures entail various levels of legal responsibility and various financial risks. Notably, these include possible exposure to budget overruns or the impact of delays in delivery.

In addition, Mercialys may acquire assets on the market. In this respect, the Company may be exposed to the consequences of incomplete diligence measures at the time of the acquisition, resulting in tax or financial consequences for instance.

Lastly, for both projects and acquisitions, Mercialys is exposed to the construction risk once the 10-year warranty period has expired. If applicable, this risk concerns the need to carry out costly works to bring the asset into line with standards or to refurbish it and ensure that it can operate under good conditions. Operating losses may represent an additional cost within this framework.

Risk management and coverage

As a principal for projects managed under delegated project management contracts, Mercialys carries out regular audits and controls to ensure:

- budgetary and financial monitoring: in addition to everyday management by the Asset Management and Delegated Project Management teams through regular project meetings, ex-*post* audits are conducted on the projects delivered the previous year to ensure that all cost overruns are effectively justified (request by the principal, program changes or unexpected constraints). Independent economists cost the most significant projects;
- operational and technical monitoring: joint meetings between the Asset Management and Delegated Project Management teams take place regularly to ensure that projects are moving forward correctly and the specifications are being met;
- monitoring of compliance for health and safety risks: while Mercialys holds no direct liability in the event of worksite incidents, there is an image-related risk associated with a financial impact. This risk is managed by both Mercialys and the Delegated Project Management team through the appointment of a health and safety coordinator. The latter is appointed to coordinate the activities of the various companies from a safety perspective. Note that the presence of this coordinator does not discharge the project manager from its legal responsibilities. Mercialys ensures that its teams regularly visit the projects underway at worksites. In the event of an incident, the Delegated Project Management team is alerted directly and the information is transmitted to Mercialys.

During acquisition procedures, Mercialys conducts audits on the assets or the companies holding the assets, covering real estate, tax, accounting and legal aspects, in order to limit the overvaluation risk for the purchase price. These audits are carried out by external advisors (e.g. legal advisors, tax experts, notaries), and coordinated by the Company's in-house teams (Corporate Legal, Real Estate Legal, Administrative and Financial Department and Asset Management).

Lastly, once the ten-year warranties have expired on sites acquired or under development, Mercialys ensures that the assets are properly maintained throughout their life through multi-year work plans. This vigilance makes it possible to guarantee that shopping centers are safe and to evenly distribute the investment expense needed to ensure their sustainability.

Risk trend: stable

At the end of 2021, Mercialys had a Euro 494-million project pipeline for 2027. Its depth and flexibility offer Mercialys the prospect of quick and sequenced building starts in line with opportunities at the various sites, and particularly emerging needs within their respective catchment areas.

Given the current climate, Mercialys has suspended its developments since 2019, limiting its commitments to strict maintenance investments and projects already under way, amounting to Euro 3.9 million in 2021.

The Company has all the legal expertise specific to project development. At the same time, it calls on recognized legal and tax advisors to support its development and acquisition projects. In 2020, the Company also strengthened its in-house

technical skills, setting up a Technical Department capable of conducting critical reviews of maintenance and construction procedures. Lastly, partnerships with leading developers are put in place to help manage this risk.

In view of these procedures, the risk related to acquisitions and construction operations is considered stable.

D. Risk related to providers, suppliers and subcontractors - Impact: moderate/Probability: probable/Trend: upward

Description of the risk

To effectively carry out its day-to-day management and its development projects, Mercialys works with external providers. There are hundreds of providers, contributing to the high level of overheads of Euro 16.9 million in 2021 and Euro 16.2 million in 2020.

If one or more of them was to potentially default, this could disrupt the deployment of Mercialys' strategy and the continuity of its operations, particularly when certain services that were previously outsourced are gradually being brought back in-house.

For instance, Mercialys uses various accounting and management software and IT systems, which could result in disruptions if the suppliers of these services (solution vendors, hosting providers and IT consultants) were to experience difficulties concerning the security, management and recovery of data belonging to Mercialys.

Furthermore, due to Mercialys' historical organizational structure, services provided by Casino group entities still represent nearly 5.7% of Mercialys' overheads at this stage, resulting in a concentration of the risk related to providers and suppliers for the Company.

For reference, the Casino group provides services to Mercialys under the following agreements entered into between the two groups:

- the Service agreement, under which some of Mercialys' support functions are still performed by Casino group teams;
- the technical and administrative management and rental management mandates signed with Sudeco, a Casino group subsidiary;
- the non-exclusive framework agreement for delegated project management, entered into with another Casino group subsidiary.

Note that the Partnership agreement, under which Mercialys benefited from priority access to retail real estate development projects conducted by the Casino group, ended on 31 December 2020.

Lastly, although it puts in place all necessary due diligence measures in this area, owing to the large number of providers that it works with, Mercialys is still exposed to the risks relating to non-compliance with the General Data Protection Regulation (GDPR) by one or more of them, or even risks linked to any failure to respect the principles of professional ethics and compliance.

Risk management and coverage

Mercialys protects itself against the risks relating to its suppliers by first of all working primarily with providers that have a solid reputation and leading position. This enables the Company to be supported by leaders on their respective markets, particularly for its accounting and management software. The tools used are those of the market's major players (including Microsoft, Sopra and SAP), whose long-term viability is established.

Mercialys has built clauses into its contracts concerning compliance with the GDPR regulation and business ethics. This is supported by its collaboration with established operators. Due to the legal obligations that these groups generally face, they have usually put in place the procedures and investments needed to ensure their own regulatory compliance. In connection with the outsourcing of its real estate management and technical and administrative management activities, Mercialys also receives regular reports from its provider Sudeco concerning the supplier audits that it conducts on behalf of Mercialys.

With regard to the relationship of service provision with the Casino group, the corresponding risk is managed through:

- regular spot-checks, supported by market consultations and benchmarks;
- a contractual commitment by the provider to continue with the technical and administrative management and rental management mandates until 31 December 2022. In case the agent were to default or terminate these agreements before this date, Mercialys took steps in 2019 to ensure that it would be able to appoint alternative providers under globally comparable pricing conditions (Euro 5.9 million paid in respect of 2021 and Euro 5.4 million for 2020);
- the gradual insourcing of the functions initially performed by the Casino group *via* the Service agreement:
    - the services relating to fund management, real estate development and real estate legal aspects ended on 31 December 2019,
    - IT, real estate management control and human resources support services ended in 2020;
    - services relating to insurance and corporate legal assistance ended in 2021;
    - financial accounting services are subject to notice at the end of 2021 and will be terminated in August 2022.

As a result, invoicing for the Service agreement is estimated at Euro 0,4 million for 2022, compared with Euro 1,0 million in 2021 and Euro 1.3 million in 2020.

Lastly, the technical and administrative management and rental management mandates signed with Sudeco, a subsidiary of the Casino group, will expire on 31 December 2022 and the related functions are already being brought in-house by Mercialys.

For the aspects relating to construction work on redevelopments or extensions, the delegated project management framework agreement entered into with the Casino group is not exclusive. Mercialys can therefore work with a number of providers nationwide, once again based on comparable pricing conditions. Mercialys did not make significant use of it in 2021. This framework agreement will expire on 31 December 2022.

Risk trend: upward

The risk related to providers, suppliers and subcontractors is estimated to be increasing.

While the concentration of service providers, suppliers and subcontractors continues to decrease as the activities hitherto outsourced to the Casino group are gradually brought back in-house, the insourcing of the accounting-finance and rental management functions in particular requires significant organizational and information system changes.

Beyond the aspects relating to the insourcing of functions, and while the context of the economic and health crisis could have weakened certain market players, the risk of default of service providers, suppliers and subcontractors appears to be low. Although Mercialys works with leading operators, its exposure to each individual operator is limited (outside the Casino group).

Lastly, it should be noted that diligence measures implemented by Mercialys since 2017 to ensure its value chain's compliance with the principles concerning professional ethics and personal data security in particular represent a moderating element.

Risks related to the financial position

A. Risk related to interest rates, the cost of debt, liquidity and financing - Impact: high/Probability: probable/Trend: stable

Description of the risk

The Covid-19 epidemic has increased debt market players' (particularly banks) aversion to risk in respect of the retail real estate sector, reducing the diversity of Mercialys' funding sources and increasing their cost. Nevertheless, the historically-

low interest rate environment persisted in 2020 and 2021. A gradual or sudden rise in interest rates would potentially increase the Company's financing cost, through either the cost of existing debt or possible refinancing operations.

Mercialys' bond spreads have widened significantly compared with the levels observed for the financial instruments of leading French real estate companies in 2020. This trend may have reflected a perception, among investors, of a risk associated with the concentration of rental exposure around the Casino group and the financial issues facing the latter, which holds 16.9% of Mercialys' capital. The evolution of the Company's credit spreads normalized during 2021, with the Company having published operational and financial indicators deemed reassuring for 2020 and 2021.

Mercialys' financial position at end-2021 reflects the following elements:

Financial debt *(in millions of euros)*	**12/31/2021**	12/31/2020
Cash	257,1	464.6
Gross financial debt [(1)]	(1 358,6)	(1,653.4)
Net financial debt	**(1 101,5)**	**(1,188.8)**
(1) Including change in the fair value of financial debt, net book value of bond issue costs and premiums, and fair value of bond-backed derivatives.		

At 31 December 2021, the amount of Mercialys' drawn debt stood at Euro 1 354.5 million, composed of:

- a bond for a total nominal amount of Euro 469.5 million, with a fixed coupon of 1.787%, maturing in March 2023;
- a bond for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- a bond for a nominal amount of Euro 300 million, with a fixed coupon of 4.625%, maturing in July 2027;
- a private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.00%, maturing in November 2027;
- Euro 135 million in outstanding commercial paper at a slightly negative rate.

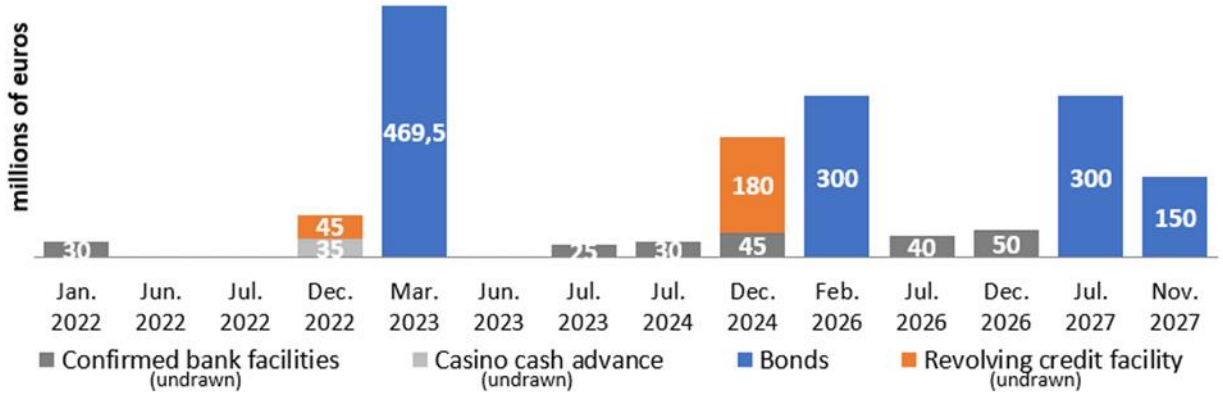
The average maturity of drawn debt was 3.2 years at 31 December 2021, virtually stable versus 31 December 2020 (3.5 years).

Mercialys also has Euro 480 million of undrawn financial resources, enabling it to benefit from a satisfactory level of liquidity:

- a Euro 225-million revolving bank credit facility, with 20% due in December 2022 and 80% in December 2024. This facility bears interest at EURIBOR with a margin of 125 basis points (for a BBB rating); if undrawn, it is subject to payment of a 40% commitment fee;
- six bilateral confirmed bank facilities for a total amount of Euro 220 million, maturing between January 2022 and December 2026. Margins on EURIBOR are less than or equal to 150 basis points (for a BBB rating) or set at a fixed rate, and if undrawn these lines are subject to payment of commitment fees up to 40% of margins;
- cash advances from Casino capped at Euro 35 million, maturing on 31 December 2022. The EURIBOR margin is progressive; if undrawn, this facility is subject to payment of a 40% non-use fee. It should be noted that in the first quarter of 2022, this cash advance was terminated in advance of its maturity.

In addition, Mercialys has a Euro 500 million commercial paper program, set up during the second half of 2012. It has been used up to Euro 135 million (outstanding at 31 December 2021).

The chart below shows Mercialys' debt maturity schedule and undrawn financial resources (excluding commercial papers) at 31 December 2021:



Mercialys' financial position also shows that it is respecting its contractual covenants (commitments).

The Loan To Value (LTV) ratio is significantly lower than the limits set (LTV <50% or <55% depending on the different credit lines).

Loan To Value *(in millions of euros)*	**12/31/2021**	12/31/2020
Net financial debt	(1,101.5)	(1,188.8)
Asset appraisal value excluding transfer taxes [(1)]	3,000.9	3,122.0
Loan To Value (LTV)	**36.7%**	**38.1%**

(1) Including the market value of investments in associates for Euro 56.4 million in 2020 and Euro 59.7 million in 2019, since the value of the portfolio held by associates is not included in the appraisal value.

ICR ratio (ICR: Interest Coverage Ratio) stands at 5.1x, well above the minimum set (ICR >2.0x).

Interest Coverage Ratio *(in millions of euros)*	**12/31/2021**	12/31/2020
EBITDA	144.7	131.2
Net finance costs	(28.2)	(26.2)
Interest coverage ratio (ICR)	**5.1x**	**5.0x**

Risk management and coverage

As part of the management of the cost of its debt, Mercialys actively manages its interest rate hedging policy, with the support of a dedicated external advisor, with a view to:

- maintaining an optimal hedging rate and keeping the debt structure in line with its bank commitments. Fixed-rate debt stood at 86% at 31 December 2021, compared with the 66% required by the bank covenants. In connection with its Standard & Poor's financial rating (currently BBB/stable outlook), Mercialys adopts a cautious strategy by preserving significant leeway on its EBITDA/net finance cost ratio (ICR), which was 5.1x at 31 December 2021, versus the >2.0x required by the bank covenant;
- limiting the risk on hedging instruments. Mercialys has defined a list of instruments that it can put in place in view of their associated risk profiles and hedging accounting constraints;
- anticipating the impacts of changes in interest rates. This involves close monitoring and keeping 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 debt.

The interest rate risk management system also includes provisions to:

- limit the choice of banking counterparties. Mercialys only deals with major banks;

- being able to react quickly in the event of significant changes in interest rates through the daily mark-to-market modeling of Mercialys' entire portfolio. The external modeling tools are immediate. As an external valuer, the company Forex provides reports on the entire portfolio and the counterparty risk. Tests are carried out quarterly, with the fair-value modeling of debt based on interest rates.

The risk of an increase in interest rates must be analyzed in connection with the hedging policy put in place by Mercialys through derivative financial instruments. The sensitivity of the Company's pre-tax income to a change in rates is still significant:

Sensitivity criteria	Impact on pre-tax income *(in thousands of euros)*
Impact of a +1% change in interest rates	(3,063)
Impact of a -1% change in interest rates	1,802

Risk trend: stable

This risk is of major structural importance for Mercialys, due to the capital intensity of the real estate sector and is estimated to be stabilizing.

The thus-far limited impacts of the health crisis on household consumption and retailer failures and, more generally, on the business model of shopping centers, helped to reassure the Company's financial stakeholders in 2021, after a period of perceived deterioration in 2020. Thus, the availability of financing appeared to be more positive in 2021. This is illustrated by the fact that Mercialys was able to increase the amounts of its undrawn financing facilities by Euro 75 million in 2021.

However, the risk of inflationary pressures in France and in Europe could contribute to a rise in interest rates, which could negatively impact both the cost of existing debt and any refinancing operations that may be envisaged.

Similarly, although Mercialys' financial instruments are separate from the Casino group's situation, Mercialys bond spreads may be volatile depending on the news concerning this major shareholder and tenant. This situation could potentially result in less favorable credit conditions, in relative terms, than for other shopping center market players and, more generally, than for other companies of similar size or balance sheet.

In any event, close monitoring of the liquidity situation and a debt hedging strategy that can adapt to possible changes in interest rates are in place. Mercialys' proactive management of its financial policy plays an active role in controlling this risk.

Risks related to changes in the majority shareholder's strategy

Mercialys was created in 1999 by the Casino group. In 2005, looking to manage its real estate portfolio more actively and grow its value, the Casino group transferred part of its real estate assets in France to Mercialys and listed Mercialys on the stock market (Euronext Paris). This partial transfer of assets to Mercialys concerned a number of premises of specialist large stores and shopping centers located at sites where Casino group hypermarkets and supermarkets had a strong foothold, as well as cafeterias and certain sites with franchise supermarkets or convenience stores leased to third parties.

Mercialys' initial public offering, by way of a capital increase with a public offering, marked the start of a gradual reduction, over the years, of the interest in Mercialys' capital held by Mr Jean-Charles Naouri and his controlled companies acting in concert.

At the end of December 2021, the Casino group had 16.8% of the share capital of Mercialys.

As a result of Mercialys' history, there are still a certain number of contractual relations in place between Mercialys and the Casino group. The priority risks that may arise due to the existing relations between Mercialys and the Casino group are presented by category in this section "*Risk Factors*", in accordance with the ESMA methodology, with the following breakdown:

- **Risk related to retailer arbitrage and reletting** (covered in "*Risk related to retailer arbitrage and reletting*" above): this section includes the elements relating to Mercialys' rental exposure to the Casino group (22.4% of annualized rental

income at end-2021, 19.6% of economic exposure) and the potential impact of a change in Casino's positioning for its Géant chain on rents, asset values and financial ratios;

- **Risk related to providers, suppliers and subcontractors** (covered in "*Risk related to providers, suppliers and subcontractors*" above): this section includes the elements relating to Mercialys' organizational structure, including the fact that Casino group entities still perform certain support functions for Mercialys under a Service agreement, whose cost represents 5.7% of the Company's overheads at end-2021. It should be noted that the last functions remaining outsourced to the Casino group will be brought in-house by Mercialys at the end of August 2022. The technical and administrative management and rental management mandates between the two entities, due to expire at the end of 2022, are also discussed;
- **Risk related to interest rates, the cost of debt, liquidity and financing** (covered in "*Risk related to interest rates, the cost of debt, liquidity and financing*" above): this section explains the potential negative impact on Mercialys' bond spreads linked to certain news concerning the Casino group and so, by extension, on the Company's potential future refinancing operations. It is recalled that the Euro 35-million cash advance between Mercialys and the Casino group at 31 December 2021, has not been drawn down by Mercialys to date.

Legal risks

In carrying out its business of owning real estate assets in which shopping centers are, or will be, operated, Mercialys is required not only to comply with tax rules inherent to its status as a *Société d'Investissement Immobilier Cotée* (real estate investment trust), but also with common law. These concern the granting of building permits, as well as numerous other regulations of a specific or general application governing, among other things, commercial urban planning, public health, the environment, safety and commercial leases.

Any significant modification of the regulations applicable to the Company may affect its operating results and its development and growth potential.

Additionally, as it is customary for owners of shopping centers, the Company cannot guarantee that all its tenants, particularly for properties it has recently acquired, will comply with all applicable regulations relating to, among other things, public health, the environment, safety, commercial planning and operating permits. Any irregularities could result in Mercialys, as the property owner, suffering penalties which could adversely affect its earnings and financial position.

Risks related to regulations concerning commercial leases

Mercialys 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 rent index recorded since the most recent rental adjustment.

Shopping center leases often include a variable rent clause. This provision sets the rent based on the tenant's sales, with a guaranteed minimum rent in order to limit risk for Mercialys in periods of economic recession. Indexation to the tenants' revenues therefore avoids the regulatory rules for setting the rent. The adjustment of the minimum guaranteed rent of a commercial lease based on changes in the ILC (commercial rent index) or ILAT (tertiary activities rent index) must then be provided for under the contract.

Law No. 2014-626 of 18 June 2014 concerning the craft and retail sectors and micro-enterprises (known as the "Pinel Law") and Decree No. 2014-1317 of 3 November 2014 changed some of the rules relating to commercial leases.

The public policy changes have been incorporated into the commercial leases entered into or renewed by Mercialys since the entry into force of these new rules.

Changes to the rules applicable to commercial leases could therefore have a negative impact on the valuation of the Company's portfolio, earnings, business or financial position.

Risks related to regulations on urban planning, construction, safety and operation of shopping centers

Mercialys' 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 prefectoral authorities, 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 prefectoral authorities may decide to close the site.

Any regulatory change concerning urban planning or safety requirements for establishments open to the public that increases the restrictions or constraints on shopping center development could limit Mercialys' growth opportunities and outlook. Likewise, any easing of commercial urban planning 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 Mercialys' margins and operating profit by raising operating expense and maintenance and improvement costs, as well as administrative costs inherent in the shopping center business.

Risks related to the constraints generated by the tax regime applicable to listed real estate investment trusts, to a possible change in the rules regarding that status, or to the loss of that status

Mercialys has enjoyed the tax regime applicable to listed real estate investment trusts (REITs) since 1 November 2005. As such, it is exempt from corporate tax on most of its activities. Eligibility for this tax regime is conditional on compliance with the obligation to redistribute a large part of the profits. Non-compliance could entail the loss of this fiscal regime.

The amended Finance Act of 2006 makes eligibility for REIT tax regime conditional on limiting to 60% the portion of the Company's capital and voting rights held, continuously over the fiscal year, by one or several entities acting in concert. As from 1 January 2010, in the event of non-respect of this holding threshold, Mercialys 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 REIT tax regime and the corresponding tax savings, or any substantial changes in the rules applicable to such listed property companies could, of course, affect the Company's business, earnings and financial position.

Risks relating to the coronavirus (Covid-19) epidemic

The year 2021 was widely marked by the effects of the Covid-19 health crisis, impacting the activity of Mercialys' shopping centers due to the measures imposed by the public authorities as part of efforts to tackle the epidemic. These measures were stricter for the shopping centers than those in force during the first lockdown in 2020. On the one hand, due to the very long period of government-ordered closures affecting the centers, from 31 January to 19 May 2021, i.e. 3.5 months (compared with less than two months during the first half of 2020 as well as November 2020). This closure period was preceded by curfews, which had already had a major impact on store footfall levels from 2 January 2021. On the other hand, due to its scale, with stronger restrictions than in 2020 concerning the scope of stores authorized to open and the gradual ban on click and collect activities between 31 January and 19 May 2021. Only 36% of Mercialys' rental

base was able to continue trading during the strict lockdown period in 2021 (i.e. from 3 April to 19 May), compared with 40% and 50% respectively during the first and second lockdowns in 2020.

On 19 May 2021, the French government authorized the reopening of "non-essential" stores. Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding indoor sit-down dining), in accordance with strict health protocols and restrictions on minimum space ratios. Indoor restaurants have been able to reopen since 9 June 2021, subject to various health measures and minimum space ratios. These restrictions on minimum space ratios were lifted on 30 June 2021 for venues open to the public, and France has not been subject to any curfew measures since 20 June 2021. However, the operational activity of nine Mercialys shopping centers was negatively impacted for several weeks in the third quarter of 2021, mainly in August, due to the implementation by the State of an obligation to present a health pass to enter certain sites.

On 16 November 2021, a decree was published instituting aid relating to the rents or fees and charges of certain retail businesses and services closed to the public in order to combat the spread of the Covid-19 epidemic. This aim of this aid scheme is to enable retailers to honor the payment of their rents and charges for the period of closure of shopping centers during the first half of 2021, which will support the recovery rate of real estate companies.

As in 2020, a significant upturn was seen when "non-essential" stores reopened, reflecting French consumers' strong expectations for a return to physical consumption at sites offering, through this relationship's inherent human contact, a wide selection of products that are available immediately. Mercialys' very strong performance at this time also reflects its commercial expertise, and notably illustrates its understanding of the stakes involved with providing reassurance, visibility and a welcoming environment for these reopening phases.

This unprecedented crisis could also have an impact on Mercialys' other non-retail stakeholders, contributing to an increase in the average level of risk faced by the Company.

The priority risks that may arise as a result of the Covid-19 epidemic are broken down by category in this section "*Risk Factors*", in accordance with the ESMA methodology, with the following breakdown:

- **Risk related to the capitalization rate, the portfolio value and the liquidity of the real estate assets on the market** (dealt with in "*Risk related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market*" above): this section deals with the impact of the Covid-19 crisis on physical retail real estate market transactions and on asset valuations by independent real estate appraisers is discussed;
- **Risk related to new forms of consumption** (dealt with in "*Risk related to new forms of consumption*" above): this section deals with the paradigm shift in consumption and arbitrages between distribution channels that may have been generated during periods of lockdown by the constraints imposed on physical stores;
- **Risk related to retailer arbitrage and reletting** (dealt with in "*Risk related to retailer arbitrage and reletting*" above): this section shows items relating to Mercialys 'rental exposure. The quality of its portfolio and the defensive nature of its merchandizing mix help to secure the Company's income despite the difficulties encountered by some tenants;
- **Risk related to the safety and security of operations and a deterioration in the portfolio** (dealt with in "*Risk related to the safety and security of operations and a deterioration in the portfolio*" above: this section includes the health measures put in place to ensure the health and safety of visitors, retailers and employees at the shopping centers, as well as to comply with Government protocols;
- **Risk related to providers, suppliers and subcontractors** (dealt with in "*Risk related to providers, suppliers and subcontractors*" above): although Mercialys only deals with leading partners and its individual exposure to each partner is limited (apart from the Casino group), this section points out the plausibility of default of certain service providers, suppliers or subcontractors in the current climate;
- **Risk related to interest rates, the cost of debt, liquidity and financing** (dealt with in "*Risk related to interest rates, the cost of debt, liquidity and financing*" above): this section points to an increase in risk premiums applied to some players in the retail real estate segment by financial stakeholders, due to their increased risk aversion against a backdrop of uncertainty.

2. RISKS FACTORS RELATED TO THE BONDS

2.1 Risks related to the particular structure of the Bonds

The Bonds may be redeemed prior to maturity

In the event that the Issuer would be obliged to pay additional amounts payable in respect of any Bonds due to any withholding as provided in Condition 5(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds, the Issuer may redeem all outstanding Bonds in accordance with such Condition.

In addition, the Issuer has the option to (i) from and including 28 November 2028 to but excluding the Maturity Date, redeem the Bonds outstanding on any such date, in whole or in part, at their principal amount plus accrued interest, as provided in Condition 5(c)(i) (*Pre-Maturity Call Option*), and (ii) redeem, in whole or in part, the then outstanding Bonds at any time prior to the Pre-Maturity Call Option Date, at the relevant make whole redemption amount, as provided in Condition 5(c)(ii) (*Make-whole Redemption by the Issuer*).

Furthermore, if seventy-five (75) per cent. or more in initial aggregate principal amount of the Bonds (including any Bonds assimilated to the Bonds issued pursuant to Condition 12 (*Further Issues*) of the Terms and Conditions of the Bonds) have been redeemed or purchased and cancelled, the Issuer will have the option to redeem all (but not in part) of the outstanding Bonds at their principal amount plus accrued interest as provided in Condition 5(c)(iii) (*Clean-Up Call Option*). There is no obligation for the Issuer to inform investors if and when this percentage has been reached or is about to be reached, and the Issuer's right to redeem the Bonds will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of this option, the Bonds may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

If the market interest rates decrease, the risk to Bondholders that the Issuer will exercise its right of early redemption increases. As a consequence, the yields received upon such early redemption may be lower than expected, and the redeemed face amount of the Bonds may be lower than the purchase price paid for such Bonds by the Bondholder where the purchase price was above par and/or lower than the then prevailing market price of the Bonds. As a consequence, part of the capital invested by the Bondholder may be lost, so that the Bondholder in such case would not receive the total amount of the capital invested. However, the redeemed face amount of the Bonds may not be below par. In addition, Bondholders that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than such redeemed Bonds.

In addition, a partial redemption of the Bonds pursuant to Conditions 5(c)(i) (*Pre-Maturity Call Option*) and 5(c)(ii) (*Make-whole Redemption by the Issuer*) of the Terms and Conditions of the Bonds may also adversely affect liquidity for the remaining outstanding Bonds depending on the number of Bonds in respect of which such partial redemption is exercised.

Exercise of Put Option in respect of certain Bonds following a Change of Control of the Issuer may affect the liquidity of the Bonds in respect of which such Put Option is not exercised

As of 31 December 2021, Casino Guichard-Perrachon and its Affiliates held 16.8% of the Issuer's share capital (directly and through assimilation) and 16.9% of its voting rights.

Upon the occurrence of a Put Event following a Change of Control of the Issuer (as more fully described in Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*) of the Terms and Conditions of the Bonds), each holder of a Bond will have the right to request the Issuer to redeem or, at the Issuer's option, to procure the purchase of that Bond at its principal amount together with any accrued interest.

Depending on the number of Bonds in respect of which the Put Option is exercised, any trading market in respect of those Bonds in respect of which such option is not exercised may become illiquid. Therefore, Bondholders not having exercised their put options may not be able to sell their Bonds on the market and may have to wait until the Maturity Date to obtain redemption of their investments in the Bonds, which may have a negative impact on the Bondholders and reduce the

profits anticipated by them at the time of the issue. In addition, Bondholders may not be able to reinvest the moneys they receive upon such early redemption in securities with the same yield as the redeemed Bonds.

Purchases by the Issuer in the open market or otherwise (including by tender offer) in respect of certain Bonds may affect the liquidity of the Bonds which have not been so purchased

Depending on the number of Bonds purchased by the Issuer as provided in Condition 5(e) (*Purchases*) of the Terms and Conditions of the Bonds, any trading market in respect of the Bonds that have not been so purchased may become illiquid.

Therefore, Bondholders still holding the Bonds after such purchase(s) may not be able to sell their Bonds on the market and may have to wait until the Maturity Date to obtain redemption of their investments in the Bonds, which may have a negative impact on the Bondholders and reduce the profits anticipated by the investors at the time of the issue.

2.2 Risks for the Bondholders as creditors of the Issuer

Credit risk of the Issuer

Credit risk refers to the risk that the Issuer may be unable to meet its financial obligations under the Bonds. An investment in the Bonds involves taking credit risk on the Issuer. As contemplated in Condition 2 (*Status of the Bonds*) of the Terms and Conditions of the Bonds, the obligations of the Issuer in respect of the Bonds and any interest payable under the Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer. Bondholders are exposed to a higher credit risk than creditors benefiting from security interests from the Issuer. If the creditworthiness of the Issuer deteriorates and notwithstanding Condition 8 (*Events of Default*) of the Terms and Conditions of the Bonds which enable the Bondholders to request through the Representative of the Masse the redemption of the Bonds, it may not be able to fulfil all or part of its payment obligations under the Bonds, which could materially and negatively impact the Bondholders who may lose all or part of their investment.

French insolvency law

As a *société anonyme* incorporated in France, French insolvency laws apply to the Issuer. In the event that the Issuer becomes insolvent, insolvency proceedings will be generally governed by the insolvency laws of France to the extent that, where applicable, the "centre of main interests" (as construed under Regulation (EU) 2015/848, as amended) of the Issuer is located in France.

The Directive (EU) 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 has been transposed into French law by the *Ordonnance* 2021-1193 dated 15 September 2021. Such *ordonnance*, applicable as from 1 October 2021, amends French insolvency laws notably with regard to the process of adoption of restructuring plans under insolvency proceedings. According to this *ordonnance*, "affected parties" (including notably, creditors, and therefore the Bondholders) shall be treated in separate classes which reflect certain class formation criteria for the purpose of adopting a restructuring plan. Classes shall be formed in such a way that each class comprises claims or interests with rights that reflect a sufficient commonality of interest based on verifiable criteria. Bondholders will no longer deliberate on the proposed restructuring plan in a separate assembly, meaning that they will no longer benefit from a specific veto power on this plan. Instead, as any other affected parties, the Bondholders will be grouped into one or several classes (with potentially other types of creditors) and their dissenting vote may possibly be overridden by a cross-class cram down.

The commencement of insolvency proceedings against the Issuer would have a material adverse effect on the market value of Bonds issued by the Issuer. Any decisions taken by a class of affected parties could materially and negatively impact the Bondholders and cause them to lose all or part of their investment, should they not be able to recover amounts due to them from the Issuer.

Modification and waivers

Condition 9 (*Representation of the Bondholders*) of the Terms and Conditions of the Bonds contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally to be adopted either through a General Meeting or following a Written Consultation. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant General Meeting, or did not consent to the Written Consultation, or Bondholders who voted in a manner contrary to the majority. General Meetings or Written Consultations may deliberate on proposals relating to the modification of the Conditions of the Bonds subject to the limitation provided by French law. If a decision is adopted by a majority of Bondholders and such modifications were to impair or limit the rights of the Bondholders, this may have a negative impact on the market value of the Bonds and hence Bondholders may lose part of their investment.

By exception to the above provisions, Condition 9(j) (*Exclusion of certain provisions of the French Code de Commerce*) provides that (i) the provisions of Article L.228-65 I. 1° and 4° of the French *Code de commerce* (respectively providing for a prior approval of the General Meeting of the Bondholders of any change in corporate purpose or form of the Issuer or of an issue of bonds benefiting from a security (*sûreté réelle*) which does not benefit to the *Masse*) and the related provisions of the French *Code de commerce* shall not apply to the Bonds and (ii) the provisions of Article L.228-65 I. 3° of the French *Code de commerce* (providing for a prior approval of the Bondholders in relation to any proposal to merge or demerge the Issuer in the cases referred to in Articles L.236-13 and L.236-18 of the French *Code de commerce*) shall not apply to the Bonds only to the extent that such proposal relates to a merger or demerger with another entity controlled by the Issuer. As a result of these exclusions, the prior approval of the Bondholders will not have to be obtained on any such matters which may affect their interests generally.

2.3 Risks related to the market

Market value of the Bonds

The market value of the Bonds will be influenced by the creditworthiness of the Issuer and a number of additional factors, including, but not limited to, market interest and yield rates and the time remaining to the Maturity Date.

The Bonds have been rated BBB by S&P and the Issuer is currently rated for its long-term debt BBB (stable outlook) by S&P. Any negative change in such credit rating could negatively affect the trading price for the Bonds and hence Bondholders may lose part of their investment.

The value of the Bonds depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Bonds are traded. The price at which a holder of Bonds will be able to sell the Bonds prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser. If the Issuer's credit quality deteriorates, the value of the Bonds may also fall and Bondholders selling their Bonds prior to the Maturity Date may receive significantly less than the total amount of capital invested.

Risks relating to the secondary market for the Bonds

Application has been made to Euronext Paris for the Bonds to be admitted to trading on Euronext Paris. However, the Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. When the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although this Prospectus has been approved by the *Autorité des marchés financiers* in France and application has been made for the Bonds to be admitted to trading on Euronext Paris, such filings may not be accepted, the Bonds may not be so admitted and an active trading market may not develop. The absence of liquidity may have a significant material adverse effect on the value of the Bonds.

The development or continued liquidity of any secondary market for the Bonds will be affected by a number of factors such as general economic conditions, the financial condition, the creditworthiness of the Issuer and/or the Group, the outstanding amount of the Bonds, any redemption features of the Bonds as specified in Condition 5 (*Redemption and*

Purchase) of the Terms and Conditions of the Bonds and the level, direction and volatility of interest rates generally. Such factors also will negatively affect the market value of the Bonds. In particular, the bonds market for a *société foncière* such as the Issuer is narrow compared to other types of issuers and investors traditionally carry out very few transactions in this type of security. A Bondholder may not be able to resell its Bonds without incurring a significant discount from the nominal value of the Bonds.

The yield of the Bonds as at the Issue Date is 2.595 per cent. *per annum*. However, Bondholders may not be able to sell their Bonds in the secondary market (in which case the market or trading price and liquidity may be adversely affected) or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Hence, the investors may receive a lower yield than anticipated at the time of the issue.

Interest rate risks

As provided in Condition 4 (*Interest*) of the Terms and Conditions of the Bonds, the Bonds bear interest at a fixed rate of 2.500 per cent. *per annum*, payable annually in arrears on 28 February in each year commencing on 28 February 2023. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value and yield of the Bonds and Bondholders may receive lower return on the Bonds than anticipated at the time of the issue.

Generally, prices of fixed interest rate notes tend to fall when market interest rates rise and accordingly are subject to volatility. Therefore, the price of the Bonds at any particular time may be lower than the purchase price for the Bonds paid by the Bondholders and may cause Bondholders to lose a portion of the capital invested if they decide to sell the Bonds.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents which have been previously filed with the AMF and the information referred to in the cross-reference table below which are incorporated in, and shall be deemed to form part of, this Prospectus:

(a) the 2021 half-year financial report in the French language (*rapport financier semestriel*) which includes the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 and the limited review report of the auditors on the half year financial statements for the six months ended 30 June 2021 (the "**2021 Half-Year Report**");

https://www.mercialys.fr/uploads/publications/documents/21-07-28-mercialys-rapport-financier-semestriel-2021.pdf

(b) the 2019 universal registration document (*document d'enregistrement universel*) of the Issuer in the French language (the "**2019 Universal Registration Document**"), which was filed with the AMF under number D.20-0160 on 23 March 2020;

https://www.mercialys.fr/uploads/publications/documents/mercialys-deu-2019-cliquable.pdf

(c) the 2020 universal registration document (*document d'enregistrement universel*) of the Issuer in the French language (the "**2020 Universal Registration Document**"), which was filed with the AMF under number D.21-0140 on 17 March 2021;

https://www.mercialys.fr/uploads/publications/documents/mercialys-urd-2020-mel-interactif.pdf

Copies of the 2019 Universal Registration Document, the 2020 Universal Registration Document and the 2021 Half-Year Report may be obtained (i) save for the 2021 Half-Year Report, on the website of the AMF (www.amf-france.org), (ii) free of charge from the registered office of the Issuer and (iii) on the Issuer's website (www.mercialys.fr).

Other than in relation to the information which is deemed to be incorporated by reference, the information on the websites to which this Prospectus (including for the avoidance of doubt any information on the websites which appear in the documents incorporated by references) refers does not form part of this Prospectus and has not been scrutinised or approved by the AMF.

Free English translations of the 2019 Universal Registration Document, the 2020 Universal Registration Document and the 2021 Half-Year Report are available on the website of the Issuer (www.mercialys.fr). These documents are available for information purposes only and are not incorporated by reference in this Prospectus. The only binding versions are French language versions.

The pages referred to in the table below shall be incorporated in and form part of this Prospectus, save that (i) any information contained in such documents listed in (a) and (b) above and not listed in the cross-reference table herein is not incorporated by reference, is either not relevant for investors or covered elsewhere in this Prospectus and is not required by the relevant items of Annex 7 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation (as amended, the "**Delegated Regulation**") and (ii) any statement contained in a section which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise); any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

CROSS-REFERENCE TABLE

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Annex 7 of the Delegated Regulation	2019 Universal Registration Document (page numbers)	2020 Universal Registration Document (page numbers)	2021 Half-Year Report (page numbers)
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TERMS AND CONDITIONS OF THE BONDS

The terms and conditions of the Bonds will be as follows:

The issue of €500,000,000 2.500 per cent. Bonds due 28 February 2029 (the "**Bonds**") of Mercialys (the "**Issuer**") has been authorised by a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 14 February 2022 and a decision of Elizabeth Blaise, *Directrice Générale Déléguée* of the Issuer dated 17 February 2022. The Issuer has entered into (i) an agency agreement dated 24 February 2022 relating to the Bonds (the "**Agency Agreement**") with BNP Paribas Securities Services as fiscal agent, principal paying agent and registrar agent, and (i) a calculation agency agreement dated 24 February 2022 relating to the Bonds (the "**Calculation Agency Agreement**") with Conv-Ex Advisors Limited as calculation agent. The fiscal agent, calculation agent, principal paying agent and paying agents for the time being are referred to in these Conditions as the "**Fiscal Agent**", the "**Calculation Agent**", the "**Principal Paying Agent**" and the "**Paying Agents**" (which expression shall include the Principal Paying Agent), each of which expression shall include the successors from time to time of the relevant persons, in such capacities, under the Agency Agreement or the Calculation Agency Agreement, as may be the case, and are collectively referred to as the "**Agents**". References to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1. Form, Denomination and Title

The Bonds will be issued on 28 February 2022 (the "**Issue Date**") in dematerialised bearer form in the denomination of €100,000 each. Bonds may be held in registered or bearer form, at the option of the Bondholder.

Title to the Bonds will be evidenced in accordance with Articles L.211-3 *et seq.* and R.211-1 *et seq.* of the French *Code monétaire et financier* by book-entries (*inscription en compte)*.

Consequently, the rights of Bondholders will be recorded as book-entries in securities accounts opened in their name and held by:

- BNP Paribas Securities Services, appointed by the Issuer, for Bonds held in fully registered form (*forme nominative pure*); or
- an authorised financial intermediary of their choice and by BNP Paribas Securities Services, appointed by the Issuer, for Bonds held in administered registered form (*forme nominative administrée*); or
- an authorised financial intermediary chosen by the Bondholders for Bonds held in bearer form (*au porteur*).

No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Bonds.

The Bonds will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holders**" shall mean any intermediary institution entitled to hold accounts, directly or indirectly, with Euroclear France, and includes Euroclear Bank SA/NV ("**Euroclear**") and the depositary bank for Clearstream Banking S.A. ("**Clearstream**").

Title to the Bonds shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Bonds may only be effected through, registration of the transfer in such books, and only in the denomination of €100,000.

2. Status of the Bonds

The obligations of the Issuer in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3(a)) unsecured obligations and rank and will rank *pari passu* and without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.

3. Covenants

(a) Negative Pledge

So long as any of the Bonds remain outstanding (as defined below), the Issuer will not and will ensure that none of its Material Subsidiaries (as defined below) will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest which would constitute a *sûreté réelle* or its equivalent under any applicable legislation upon all or part of their respective business (*fonds de commerce*), assets or revenues, present or future, to secure (i) any Bond Indebtedness (as defined below) or (ii) any guarantee or indemnity in respect of any Bond Indebtedness (whether before or after the issue of the Bonds) unless the obligations of the Issuer under the Bonds are equally and rateably secured therewith so as to rank *pari passu* with such Bond Indebtedness or the guarantee or indemnity thereof or by such security interest as may be approved by a Collective Decision (as defined in Condition 9) of the Bondholders.

(b) Secured Borrowing Covenant

So long as any of the Bonds remain outstanding (as defined below) and except with the prior approval by a Collective Decision (as defined in Condition 9) of the Bondholders, the Unsecured Revalued Assets Value (as defined below) at any time shall not be less than the Relevant Debt (as defined below) at such time.

(c) Definitions

For the purposes of these Conditions:

"Assets" of any Person means all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

"Bond Indebtedness" means any other present or future indebtedness for borrowed money in the form of, or represented by, bonds (*obligations*) or other securities (including *titres de créances négociables*) which are, or are capable of being, quoted, admitted to trading or ordinarily dealt in any stock exchange, over-the-counter or other securities market;

"Financial Indebtedness" means at any time any obligation for the payment or repayment of money, whether present or future in respect of:

(a) any outstanding principal amount (together with any fixed or minimum premium payable on final repayment) of all moneys borrowed (with or without security);

(b) any amounts raised by acceptance or under any acceptance credit opened by a bank or other financial institution;

(c) any lease, sale-and-lease-back, sale-and-repurchase or hire purchase contracts or arrangements which is, in accordance with the relevant accounting principles at the time such contracts or arrangements were entered into, treated as financial debt (*emprunts et dettes financières*);

(d) any amount raised pursuant to any issuance of shares or equivalent which are mandatorily redeemable (whether at final maturity or upon the exercise by the holder of such shares or equivalent of any option) prior to the Maturity Date;

(e) any outstanding amount of the deferred purchase price of Real Estate Assets where payment (or, if payable in instalments, the final instalment) is due more than one year after the date of purchase of such Real Estate Asset; or

(f) any amount raised under any other transaction which is treated in accordance with the relevant accounting principles in the latest non-consolidated or consolidated balance sheet as financial debt

(*emprunts et dettes financières*) (or, in the case of such amounts raised after the date hereof, would have been so treated had they been raised on or prior to such date);

Provided that:

(i) for the purposes of computing the outstanding principal amount of any Financial Indebtedness in paragraphs (a) to (f) above, any interest, dividends, commission, fees or the like shall be excluded save to the extent that they have been capitalised; and

(ii) no amount shall be included or excluded more than once in calculating the amount of principal outstanding in respect of any Financial Indebtedness.

"Material Subsidiary" means any Subsidiary of the Issuer whose market value of Real Estate Assets (excluding rights) held by it accounts for more than 5 per cent. of the Revalued Assets Value.

"outstanding" means all the Bonds issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest accrued on such Bonds to the date for such redemption and any interest payable after such date) have been duly paid as provided in Condition 6, (c) those which have become void or in respect of which claims have become prescribed under Condition 11, (d) those which have been purchased and cancelled as provided in the Conditions;

"Person" includes any individual, company, corporation, firm, partnership, joint-venture, association, organisation, trust, state or agency of a state (in each case whether or not having separate legal personality);

"Property Valuers" means the or those property valuer(s) of the Issuer referred to in its most recent annual report or (in the event that the Issuer publishes semi-annual financial information including revaluations of its Real Estate Assets as provided in the definition of Revalued Assets Value) in its most recent semi-annual management report (or any of their respective successors), or any other recognised property valuer of comparable reputation as selected by the Issuer;

"Real Estate Assets" means those Assets of any Person comprising real estate properties (being land and buildings (either completed or under construction) and equity or equivalent investments (*participations*) directly or indirectly in any other Person which is a *société à prépondérance immobilière* (or its equivalent in any other jurisdiction) or in any other Person (whether listed or not listed) where more than 50 per cent. of the Assets of such Person comprise real estate assets;

"Relevant Debt" means at any time the aggregate amount of the Financial Indebtedness of the Issuer as shown in, or derived from, the latest audited annual or unaudited semi-annual consolidated financial statements of the Issuer, excluding any Secured Debt;

"Revalued Assets Value" means at any time (i) the book value (excluding transfer rights and latent taxes (*hors fiscalité latente et droits de transfert*)) provided by the Property Valuers of the total Real Estate Assets owned or held directly or indirectly by the Issuer (including through financial leases and including the Real Estate Assets used as operating properties) as shown in, or derived from, the latest audited annual or unaudited semi-annual consolidated financial statements of the Issuer and (ii) the value of the equity-accounted investments (including advances) held directly or indirectly by the Issuer in any Person as shown in such financial statements;

"Secured Debt" means at any time the aggregate amount of the Financial Indebtedness of the Issuer as shown in, or derived from, the latest audited annual or unaudited semi-annual consolidated financial statements of the Issuer, that is secured by or benefits from a Security Interest over any of the Group's Assets;

"Security Interest" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest which would constitute a *sûreté réelle* or any other agreement or arrangement having substantially the same economic effect (including, but not limited to, any retention of title, lease or hire-purchase arrangement); and

"Subsidiary" means any entity which is then directly or indirectly controlled (within the meaning of Article L.233-3 of the French *Code de commerce*) by the Issuer.

"Unsecured Revalued Assets Value" means at any time an amount equal to the Revalued Assets Value less the Secured Debt, in each case at such time**.**

4. Interest

The Bonds bear interest at the rate of 2.500 per cent. *per annum*, from and including 28 February 2022 (the "**Interest Commencement Date**") payable annually in arrear on 28 February in each year (each an "**Interest Payment Date**"), commencing on 28 February 2023. The period commencing on, and including, the Interest Commencement Date and ending on, but excluding, the first Interest Payment Date and each successive period commencing on, and including, an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date is called an "**Interest Period**".

Bonds will cease to bear interest from the date provided for their redemption, unless the Issuer defaults in making due provision for their redemption on said date. In such event, the Bonds will continue to bear interest in accordance with this Condition (as well after as before judgment) on the principal amount of such Bonds until whichever is the earlier of (i) the day on which all sums due in respect of such Bonds up to that day are received by or on behalf of the relevant holder and (ii) the day after the Fiscal Agent has notified the holders of the Bonds (the "**Bondholders**") in accordance with Condition 10 of receipt of all sums due in respect of all the Bonds up to that day.

Interest will be calculated on an Actual/Actual (ICMA) basis. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a day count fraction which will be calculated by taking the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

5. Redemption and Purchase

The Bonds may not be redeemed otherwise than in accordance with this Condition 5.

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, the Bonds will be redeemed by the Issuer at their principal amount on 28 February 2029 (the "**Maturity Date**").

(b) Redemption for Taxation Reasons

(i) If, by reason of a change in French law or regulation, or any change in the official application or interpretation of such law or regulation, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment due in respect of the Bonds, not be able to make such payment without having to pay additional amounts as specified in Condition 7 below, the Issuer may on any Interest Payment Date, subject to having given not more than 45 nor less than 30 calendar days' prior notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 10, redeem all, but not some only, of the outstanding Bonds at their principal amount provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable Interest Payment Date on which the Issuer could make payment of principal and interest without withholding for French taxes.

(ii) If the Issuer would on the occasion of the next payment in respect of the Bonds be prevented by French law or regulation from making payment to the Bondholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7 below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not

less than seven calendar days' prior notice to the Bondholders in accordance with Condition 10 redeem all, but not some only, of the Bonds then outstanding at their principal amount plus any accrued interest on the latest practicable date on which the Issuer could make payment of the full amount payable in respect of the Bonds without withholding for French taxes, or, if such date is past, as soon as practicable thereafter.

(c) Redemption at the option of the Issuer

(i) Pre-Maturity Call Option

The Issuer may, at its option, from (and including) 28 November 2028 (the "**Pre-Maturity Call Option Date**") to (but excluding) the Maturity Date, subject to having given not more than 30 nor less than 15 calendar days' prior notice to the Bondholders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the outstanding Bonds, in whole or in part, at their Principal Amount together with accrued interest up to (but excluding) the date fixed for redemption.

(ii) Make-whole Redemption by the Issuer

The Issuer may, subject to compliance with all relevant laws, regulations and directives and to having given not more than 30 nor less than 15 calendar days' prior notice to the Bondholders in accordance with Condition 10 (which notice shall specify the Specified Redemption Amount and the conditions, if any, to which the redemption is subject (including in particular any refinancing condition)), redeem the outstanding Bonds, in whole or in part (and in any such case, on one or more occasions), at any time prior to the Pre-Maturity Call Option Date (the "**Make-whole Redemption Date**") at an amount per Bond equal to the product (rounded to the nearest cent (half a cent being rounded upwards)) of (A) the relevant Specified Redemption Proportion and (B) the relevant Make-whole Redemption Amount.

Where:

"**Calculation Date**" means the fourth (4^{th}) Business Day preceding the Make-whole Redemption Date.

"**Make-whole Redemption Amount**" means, in relation to any Make-whole Redemption Date, an amount in Euro per relevant Bond calculated by the Calculation Agent (and rounded to the nearest cent (half a cent being rounded upwards)) equal to the sum of:

(i) the greater of:

(A) 100 per cent. of the Principal Amount (as defined below) of the Bonds so redeemed; and

(B) the sum of the then present values on such Make-whole Redemption Date of the remaining scheduled payments of principal and interest on each Bond up to (and including) the Pre-Maturity Call Option Date (excluding any accrued and unpaid interest accruing thereon to, but excluding, such Make-whole Redemption Date) (assuming for this purpose that the Bonds would otherwise be scheduled to be redeemed in whole on the Pre-Maturity Call Option Date at such Principal Amount with interest accrued to, but excluding, such Pre-Maturity Call Option Date, and determined on the basis of the interest rate applicable to such Bond in accordance with these Conditions) discounted (in accordance with applicable market conventions and on a basis which is consistent with the calculation of interest as set out in Condition 4) to the relevant Make-whole Redemption Date at the Reference Rate plus the Redemption Margin; and

(ii) accrued and unpaid interest accruing thereon up to, but excluding, such Make-whole Redemption Date.

"Principal Amount" of any Bond, at any time, means the outstanding principal amount of such Bond at such time (being €100,000 as at the Issue Date, subject to reduction from time to time in accordance with Condition 5(g) upon any partial redemption pursuant to Condition 5(c)(i) or 5(c)(ii)).

"**Reference Rate**" means on any date, (A) the mid-market annual yield to maturity (calculated by the Calculation Agent in accordance with applicable market conventions, and rounded to the nearest whole multiple of 0.001%, with 0.0005% being rounded upwards) based on the mid-market price for the Reference Security at 11.00 a.m. (Paris time) on the Calculation Date as appearing on Bloomberg page QR (using the pricing source "Bloomberg Generic Price" on the "3) Quote Recap" tab) (or any successor page or pricing source) in respect of the Reference Security, or (B) if the Reference Rate cannot be so determined on the Calculation Date in accordance with limb (A), the average of the three quotations provided by the Reference Dealers (or if only two quotations are provided by the Reference Dealers, the average of such two quotations, or, if only one such quotation is available, such quotation) of the mid-market annual yield to maturity of the Reference Security at 11:00 a.m. (Paris time) on the Calculation Date (provided that if no such quotation is provided by the Reference Dealers on or before the Business Day immediately following the Calculation Date, the Reference Rate shall be deemed not to be capable of being determined pursuant to this limb (B)), or (C) if the Reference Rate cannot be determined in accordance with limb (B), such rate as is determined in good faith to be appropriate by an independent expert appointed by the Issuer.

"**Reference Dealer**" means each of the three banks (that may include (without limitation) any of the Joint Bookrunners) selected by the Calculation Agent which are primary dealers in government securities issued by the issuer (or any other relevant related entity) of the Reference Security.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which (i) Euroclear France is open for business, (ii) the TARGET System is operating and (iii) commercial banks and foreign exchange markets are open for general business in France.

"**Redemption Margin**" means 0.35 per cent.

"**Reference Security**" means the (i) the French government bond (*Obligations Assimilables du Trésor – OAT*) bearing interest at a rate of 0.750 per cent. *per annum* and maturing on 25 November 2028 with ISIN Code FR0013341682 or (ii) if such Reference Security is no longer outstanding on the Calculation Date, the Substitute Reference Security.

"**Specified Redemption Amount**" means, in relation to any redemption pursuant to this Condition 5(c)(ii), (i) in the case of a redemption in whole of the then outstanding Bonds, the Principal Amount of each Bond on the relevant Make-whole Redemption Date and (ii) in the case of a partial redemption of the Bonds, the principal amount per Bond so elected to be redeemed by the Issuer in its sole discretion.

"**Specified Redemption Proportion**" means, in relation to any redemption pursuant to this Condition 5(c)(ii), (i) in the case of a redemption in whole of the then outstanding Bonds, 100% and (ii) in the case of a partial redemption of the Bonds, a ratio equal to the relevant Specified Redemption Amount divided by the Principal Amount on the relevant Make-whole Redemption Date.

"**Substitute Reference Security**" means the then outstanding benchmark bond of the French Republic that (i) (to the extent there is any relevant market for new issues of corporate debt securities of comparable maturity to the Pre-Maturity Call Option Date would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Pre-Maturity Call Option Date, or (ii) (where (i) does not apply) has the

maturity date falling nearest to the Pre-Maturity Call Option Date, all as determined by the Calculation Agent.

The Make-whole Redemption Amount (including any accrued interest on the Bonds to, but excluding, the Make-whole Redemption Date, if any) will be notified (promptly following the determination thereof) by the Issuer in accordance with Condition 10.

The Calculation Agent shall act solely as agent of the Issuer and shall not assume any obligation or relationship of agency for, and shall not be liable (to the fullest extent permitted by law) as against, any Bondholder. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or if the Calculation Agent fails duly to establish the amount due in relation to this Condition 5(c), the Issuer shall appoint some other leading bank engaged in the Euro interbank market (acting through its principal Euro-zone office) to act as such in its place. Except in limited circumstances, the Calculation Agent may not resign its duties without a successor having been so appointed.

The determination of any rate or amount, the obtaining of any quotation and the making of any determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(iii) Clean-Up Call Option

In the event that 75 per cent. or more of the initial aggregate principal amount of the Bonds (including any assimilated Bonds issued pursuant to Condition 12) has been redeemed or purchased (and subsequently cancelled) by the Issuer, the Issuer may, at its option, subject to having given not more than 30 nor less than 15 calendar days' prior notice to the Bondholders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Bonds, at their Principal Amount together with accrued interest up to (but excluding) the date fixed for redemption, provided that if the Issuer has exercised the Make-whole Redemption option as specified in Condition 5(c)(ii), the Clean-Up Call Option shall not apply for a period of twelve (12) months as from the relevant Make-whole Redemption Date.

(d) Redemption at the option of Bondholders following a Change of Control

If at any time while any Bond remains outstanding, there occurs (i) a Change of Control and (ii) within the Change of Control Period, a Rating Downgrade occurs or has occurred as a result of such Change of Control (a "**Put Event**"), the holder of such Bond will have the option (the "**Put Option**") (unless, prior to the giving of the Put Event Notice, the Issuer gives notice of its intention to redeem the Bonds under Condition 5(b) (Redemption for taxation reasons)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of that Bond, on the Optional Redemption Date at its principal amount together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Optional Redemption Date.

A "**Change of Control**" shall be deemed to have occurred each time that a Third Party (as defined below), acting alone or in concert with other Third Parties come(s) to own or acquire(s) directly or indirectly such number of shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights exercisable at a general meeting of the Issuer.

"**Affiliate**" means any entity which Controls, directly or indirectly, a relevant entity or is Controlled, directly or indirectly, by such entity.

"**Control**" or "**Controlled**" has the meaning set forth under Article L.233-3 of the French *Code de commerce.*

"**Third Party**" means any person other than Casino Guichard-Perrachon and its Affiliates.

"**Change of Control Period**" means the period commencing on the date that is the earlier of (1) the date of the first public announcement of the relevant Change of Control; and (2) the date of the earliest Potential Change of

Control Announcement (if any) and ending on the date which is 120 calendar days after the date of the first public announcement of the relevant Change of Control.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period, the rating previously assigned to the Bonds by any Rating Agency (as defined below) is (i) withdrawn or (ii) changed from an investment grade rating (BBB-, or its equivalent for the time being, or better) to a non-investment grade rating (BB+, or its equivalent for the time being, or worse) or (iii) if the rating previously assigned to the Bonds by any Rating Agency was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from BB+ to BB; or their respective equivalents), provided that, (i) a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control, as if the case may be, if the Rating Agency making the change in rating does not publicly announce or publicly confirm that the reduction or withdrawal was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control, as the case may be and (ii) any Rating Downgrade must have been confirmed in a letter or other form of written communication sent to the Issuer and publically disclosed.

"**Rating Agency**" means S&P Global Ratings Europe Limited or any other rating agency of equivalent international standing established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

"**Potential Change of Control Announcement**" means any public announcement or public statement by the Issuer, any actual or potential bidder or any advisor thereto relating to any potential Change of Control.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Bondholders in accordance with Condition 10 specifying the nature of the Put Event, the circumstances giving rise to it and the procedure for exercising the Put Option contained in this Condition 5(d).

To exercise the Put Option to require redemption or, as the case may be, purchase of the Bonds following a Put Event, a Bondholder must transfer or cause to be transferred its Bonds to be so redeemed or purchased to the account of the Fiscal Agent specified in the Put Option Notice (as defined below) for the account of the Issuer within the period (the "**Put Period**") of 45 calendar days after the Put Event Notice is given together with a duly signed and completed notice of exercise (a "**Put Option Notice**") and in which the holder may specify a bank account to which payment is to be made under this Condition 5(d).

A Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer, procure the purchase of, the Bonds in respect of which the Put Option has been validly exercised as provided above and subject to the transfer of such Bonds to the account of the Fiscal Agent for the account of the Issuer, on the date which is the fifth business day following the end of the Put Period (the "**Optional Redemption Date**"). Payment in respect of such Bonds will be made on the Optional Redemption Date by transfer to the bank account specified in the Put Option Notice and otherwise subject to the provisions of Condition 6.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Bondholder may incur as a result of or in connection with such Bondholder's exercise or purported exercise of, or otherwise in connection with, any Put Option (whether as a result of any purchase or redemption arising there from or otherwise).

(e) Purchases

The Issuer may at any time purchase Bonds in the open market or otherwise at any price. Bonds so purchased by the Issuer may be held and resold in accordance with any applicable laws and regulations for the purpose of enhancing the liquidity of the Bonds or any other lawful purpose or in any other lawful manner.

(f) *Cancellation*

All Bonds which are redeemed or purchased for cancellation pursuant to Conditions 5(a), 5(b), 5(c), 5(d) or purchased for cancellation pursuant to Condition 5(e) will forthwith be cancelled and accordingly may not be reissued or sold.

(g) *Partial Redemption*

In the case of a partial redemption in accordance with Condition 5(c)(i) or 5(c)(ii), the redemption will be effected by reducing on the relevant date set for redemption the Principal Amount of each Bond on such date in proportion to the aggregate principal amount redeemed, subject to compliance with any other applicable laws and regulated market requirements.

6. Payments

(a) *Method of Payment*

Payments of principal and interest in respect of the Bonds will be made in Euro by credit or transfer to a Euro-denominated account (or any other account to which Euro may be credited or transferred) specified by the payee in a city in which banks have access to the TARGET System. "**TARGET System**" means the Trans European Automated Real Time Gross Settlement Express Transfer (known as TARGET2) System or any successor thereto.

Such payments shall be made for the benefit of the Bondholders to the Account Holders and all payments validly made to such Account Holders in favour of the Bondholders will be an effective discharge of the Issuer and the Paying Agents, as the case may be, in respect of such payments.

Payments of principal and interest on the Bonds will, in all cases, be subject to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) *Payments on Business Days*

If any due date for payment of principal or interest in respect of any Bond is not a Business Day, then the Bondholder thereof shall not be entitled to payment of the amount due until the next following day which is a Business Day (as defined below) and the Bondholder shall not be entitled to any interest or other sums in respect of such postponed payment.

In this Condition "**Business Day**" means any day, not being a Saturday or a Sunday on which the TARGET System is operating and on which Euroclear France is open for general business.

No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) *Fiscal Agent, Paying Agent and Calculation Agent*

The names of the initial Agents and their specified offices are set out below.

Fiscal Agent and Paying Agent:

BNP Paribas Securities Services
3-5-7 rue du Général Compans
93500 Pantin
France

Calculation Agent:

Conv-Ex Advisors Limited
30 Crown Place
London EC2A 4EB
United Kingdom

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Calculation Agent or Paying Agent and/or appoint additional or other Paying Agents or Calculation Agent or approve any change in the office through which any such Agent acts, provided that there will at all times be a Fiscal Agent, a Calculation Agent and a Principal Paying Agent having a specified office in a European city. Notice of any such change or any change of specified office shall promptly be given to the Bondholders in accordance with Condition 10.

7. Taxation

(a) Withholding Tax

All payments of principal, interest and other assimilated revenues by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

(b) Additional Amounts

If, pursuant to French laws or regulations, payments of principal, interest and other assimilated revenues in respect of any Bond become subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed by or on behalf of France or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Bond, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Bond to, or to a third party on behalf of a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with France other than the mere holding of such Bond.

Any references to these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 7.

8. Events of Default

If any of the following events (each an "**Event of Default**") shall have occurred and be continuing:

(i) in the event of default by the Issuer in the payment of principal and interest on any of the Bonds and such default shall not have been cured within 15 calendar days thereafter; or

(ii) in the event of default by the Issuer in the due performance of any provision of the Bonds other than as referred in Condition 8(i) above and such default shall not have been cured within 30 calendar days after receipt by the Fiscal Agent of written notice of such default given by the Representative (as defined in Condition 9); or

(iii) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries (as defined in Condition 3(c)) for borrowed monies in excess of Euro 20,000,000 (or its equivalent in any other currency), whether individually or in the aggregate, becomes, following, where applicable, the expiry

of any originally applicable grace period, due and payable (*exigible*) prior to its stated maturity as a result of a default thereunder, or any such indebtedness shall not be paid when due or, as the case may be, within any originally applicable grace period therefor or any steps shall be taken to enforce any security in respect of any such indebtedness or any guarantee or indemnity given by the Issuer or any of its Material Subsidiaries for, or in respect of, any such indebtedness of others shall not be honoured when due and called upon unless the Issuer or such Material Subsidiary, as the case may be, has disputed in good faith that such borrowed money is due or such guarantee or indemnity is callable, and such dispute has been submitted to a competent court in which case such event shall not constitute an event of default hereunder so long as the dispute has not been finally adjudicated; or

(iv) a judgement is issued for the judicial liquidation (*liquidation judiciaire*) or for a transfer of the whole of the business (*cession totale de l'entreprise*) or substantially the whole of the business of the Issuer; or any of its Material Subsidiaries or, to the extent permitted by law, the Issuer or any of its Material Subsidiaries is subject to any other insolvency or bankruptcy proceedings under any applicable laws or the Issuer or any of its Material Subsidiaries makes any conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors; or

(v) if the Issuer or any of its Material Subsidiaries is wound up or dissolved or ceases to carry on all or substantially all of its business except (i) with respect to the Issuer, in connection with a merger, consolidation, amalgamation or other form of reorganisation (including a management buy-out, leveraged buy-out or spin-off (including *fusion-scission*)) pursuant to which the surviving entity shall be the transferee of or successor to all or substantially all of the business of the Issuer and assumes all of the obligations of the Issuer with respect to the Bonds or (ii) on such other terms approved by a Collective Decision of the Bondholders.

then the Representative upon request of any Bondholder shall, by written notice to the Issuer and the Fiscal Agent given before all continuing Events of Default shall have been cured, cause all the Bonds (but not some only) held by such Bondholder to become immediately due and payable as of the date on which such notice for payment is received by the Fiscal Agent without further formality at the principal amount of the Bonds together with any accrued interest thereon.

9. Representation of the Bondholders

Bondholders will be grouped automatically for the defence of their common interests in a single *masse* (the "**Masse**"). The Masse will be governed by the provisions of the French *Code de commerce*, and, with the exception of Articles L.228-48, L.228-65 I 1°, 3° and 4°, L.228-71 and R.228-69, and subject to the following provisions:

(a) **Legal Personality:** The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through collective decisions of the Bondholders (the "**Collective Decisions**").

The Masse alone, to the exclusion of all individual Bondholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Bonds.

(b) **Representative:** The office of the Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

(i) the Issuer, the members of its Board of Directors (*Conseil d'administration)*, its general managers (*directeurs généraux*), its statutory auditors, or its employees as well as their ascendants, descendants and spouses; or

(ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers *(gérants*), general managers *(directeurs généraux*), members of their Board of Directors (*Conseil d'administration*), Management Board (*Directoire*) or Supervisory Board (*Conseil de surveillance*), their statutory auditors, or employees as well as their ascendants, descendants and spouses; or

(iii) companies holding 10 per cent. or more of the share capital of the Issuer or companies having 10 per cent. or more of their share capital held by the Issuer; or

(iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The following person is designated as Representative of the Masse:

MASSQUOTE S.A.S.U.
RCS 529 065 880 Nanterre
33, rue Anna Jacquin
92100 Boulogne Billancourt
France

Represented by its Chairman

The Representative will be entitled to a remuneration of €450 (VAT excluded) per year, payable for the first time on the Issue Date then on each Interest Payment Date, up to 28 February 2028, unless the Bonds have been previously redeemed in full by the Issuer.

The Representative will exercise its duty until its dissolution, resignation or revocation of its duty by a general assembly of Bondholders or until it becomes unable to act. Its appointment shall automatically cease on the Maturity Date, or total redemption of the Bonds prior to the Maturity Date.

In the event of dissolution, resignation or revocation of appointment of the Representative, such Representative will be replaced by another Representative.

(c) **Powers of the Representative:** The Representative shall (in the absence of any Collective Decisions to the contrary) have the power to take all acts of management necessary in order to defend the common interests of the Bondholders.

All legal proceedings against the Bondholders or initiated by them, must be brought by or against the Representative and any such legal proceedings which shall not be brought in accordance with this provision shall not be legally valid.

The Representative may not interfere in the management of the affairs of the Issuer.

(d) **Collective Decisions**

Collective Decisions are adopted either (i) in a general meeting (the **General Meeting**), or (ii) by the consent of one or more Bondholders following a Written Resolution (as defined below).

In accordance with Article R.228-71 of the French *Code de commerce*, the rights of each Bondholder to participate in Collective Decisions will be evidenced by the entries in the books of the relevant Account Holder of the name of such Bondholder as of 0:00 Paris time, on the second (2^{nd}) business day in Paris preceding the date set for the Collective Decision.

Collective Decisions must be published in accordance with Condition 9(i).

The Issuer shall hold a register of the Collective Decisions and shall make it available, upon request, to any subsequent holder of any of the Bond.

(i) **General Meeting:** A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Bondholders, holding together at least one-thirtieth of the principal amount of the Bonds outstanding, may address to the Issuer and the Representative a demand for

convocation of the General Meeting, together with the proposed agenda for such General Meeting. If such General Meeting has not been convened within two months after such demand, the Bondholders may commission one of their members to petition a competent court in Paris to appoint an agent *(mandataire*) who will call the General Meeting.

In accordance with Articles L.228-59 and R.228-67 of the French *Code de commerce*, notice of date, hour, place and agenda of any General Meeting will be published as provided under Condition 10 not less than 15 calendar days prior to the date of such General Meeting on first convocation, and not less than 10 calendar days on second convocation.

Each Bondholder has the right to participate in a General Meeting in person, by proxy, by correspondence and, in accordance with Article L.228-61 of the French *Code de commerce* by videoconference or by any other means of telecommunication allowing the identification of participating Bondholders, as provided *mutatis mutandis* by Article R.223-20-1 of the French *Code de commerce*. Each Bond carries the right to one vote.

(ii) **Written Resolutions and Electronic Consent**: Pursuant to Article L. 228-46-1 of the French *Code de commerce* the Issuer shall be entitled in lieu of the holding of a General Meeting to seek approval of a resolution from the Bondholders by way of a Written Resolution. Subject to the following sentence, a Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Bondholders. Pursuant to Articles L. 228-46-1 and R. 225-97 of the French *Code de commerce*, approval of a Written Resolution may also be given by way of electronic communication allowing the identification of Bondholders ("**Electronic Consent**").

Notice seeking the approval of a Written Resolution (including by way of Electronic Consent) will be published as provided under Condition 10 not less than five (5) calendar days prior to the date fixed for the passing of such Written Resolution (the "**Written Resolution Date**"). Notices seeking the approval of a Written Resolution will contain the conditions of form and time-limits to be complied with by the Bondholders who wish to express their approval or rejection of such proposed Written Resolution. Bondholders expressing their approval or rejection before the Written Resolution Date will undertake not to dispose of their Bonds until after the Written Resolution Date.

For the purpose hereof, a "**Written Resolution**" means a resolution in writing signed or approved by or on behalf of the holders of not less than seventy (70) per cent. in principal amount of the Bonds outstanding. References to a Written Resolution include, unless the context otherwise requires, a resolution approved by Electronic Consent.

(e) **Powers of the General Meetings:** The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Bonds, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, any proposal relating to the total or partial renunciation to the guarantees granted to Bondholders, the extension of the due date for payment of the interest and the alteration of the terms of repayment or the interest rate, or any proposal relating to a merger or a split-off of the Issuer (in cases specified in Articles L.236-13 and L.236-18 of the *Code de commerce*). However, it is specified that the General Meeting may not increase the liabilities (*charges*) to Bondholders, nor establish any unequal treatment between the Bondholders, nor decide to convert Bonds into shares.

General Meetings may deliberate validly on first convocation only if Bondholders present or represented hold at least a fifth of the principal amount of the Bonds then outstanding. On second convocation, no quorum shall be

required. Decisions at meetings shall be taken by a two third majority of votes cast by Bondholders attending such General Meetings or represented thereat.

In accordance with Article R.228-71 of the French *Code de commerce*, the rights of each Bondholder to participate in General Meetings will be evidenced by the entries in the books of the relevant Account Holder of the name of such Bondholder on the second business day in Paris preceding the date set for the meeting of the relevant General Meeting at 0:00, Paris time.

(f) **Information to Bondholders:** Each Bondholder or the Representative thereof will have the right, during the 15 calendar day period preceding the holding of the General Meeting on first convocation, and, in the case of adjourned General Meeting, 10 calendar day period preceding the holding of the General Meeting on second convocation, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Bondholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

(g) **Expenses:** The Issuer will pay all reasonable expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings or seeking approval of Written Resolutions and, more generally, all administrative expenses resolved upon by Collective Decisions, it being expressly stipulated that no expenses may be imputed against interest payable under the Bonds.

(h) **One Bondholder:** If and for so long as the Bonds are held by a single Bondholder, the provisions of this Condition will not apply. Such sole Bondholder shall hold a register of the decisions it will have taken in this capacity, shall provide copies of such decisions to the Issuer and shall make them available, upon request, to any subsequent holder of all or part of the Bonds.

(i) **Notice of Decisions:** Decisions taken pursuant to this Condition 9 and pursuant to Articles R.228-79 and R.233-11 of the French *Code de commerce* shall be published in accordance with the provisions set out in Condition 10 not more than 90 calendar days from the date thereof.

(j) **Exclusion of certain provisions of the French *Code de Commerce:*** The provisions of Article L.228-65 I. 1° and 4° of the French *Code de commerce* (respectively providing for a prior approval of the General Meeting of the Bondholders of any change in corporate purpose or form of the Issuer or of an issue of bonds benefiting from a security (*sûreté réelle*) which does not benefit to the *Masse*) and the related provisions of the French *Code de commerce* shall not apply to the Bonds.

The provisions of Article L.228-65 I. 3° of the French *Code de commerce* (providing for a prior approval of the Bondholders in relation to any proposal to merge or demerge the Issuer in the cases referred to in Articles L. 236-13 and L. 236-18 of the French *Code de commerce*) shall not apply to the Bonds, only to the extent that such proposal relates to a merger or demerger with another entity controlled by the Issuer.

10. Notices

Any notice to the Bondholders will be valid if delivered to the Bondholders through Euroclear France, Euroclear or Clearstream, for so long as the Bonds are cleared through such clearing systems and published in accordance with Articles 221-3 and 221-4 of the General Regulation (*Règlement général*) of the AMF and on the website of the Issuer (www.mercialys.fr). Any such notice shall be deemed to have been given on the date of such delivery or, if delivered more than once or on different dates, on the first date on which such delivery is made.

11. Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Bonds shall become prescribed five years (in the case of principal or interest) from the due date for payment thereof.

12. Further Issues

The Issuer may, from time to time without the consent of the Bondholders, issue further bonds to be assimilated (*assimilables*) with the Bonds as regards their financial service, provided that such further bonds and the Bonds shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further bonds shall provide for such assimilation. In the event of such assimilation, the Bondholders and the holders of any assimilated bonds will, for the defence of their common interests, be grouped in a single Masse having legal personality.

13. Governing Law and Jurisdiction

The Bonds and any non contractual obligation arising out of or in connection with the Bonds are governed by the laws of France.

Any claim against the Issuer in connection with any Bonds may be brought before any competent court in Paris.

USE OF PROCEEDS AND ESTIMATED NET AMOUNT

The estimated net proceeds of the issue of the Bonds will amount to €495,295,000.

The net proceeds of the issue of the Bonds will be used by the Issuer for its general corporate purposes, including to refinance part of the existing debt of the Issuer by (i) redeeming all of the existing €750,000,000 1.787 per cent. bonds due 31 March 2023 issued by the Issuer (of which €469,500,000 are currently outstanding) (ISIN: FR0012332203) (the "**Existing Bonds**"), by exercising the make-whole call option provided in Condition 5(c)(ii) of the terms and conditions of the Existing Bonds, and (ii) funding the concurrent capped Tender Offer of the €300,000,000 4.625 per cent. bonds due 7 July 2027 (of which €300,000,000 are currently outstanding) (ISIN: FR0013522091).

DESCRIPTION OF THE ISSUER

The description of the Issuer and its activities is set out in the 2020 Universal Registration Document of the Issuer incorporated by reference herein (see "*Documents Incorporated by Reference*", on pages 32 to 34 of this Prospectus).

RECENT DEVELOPMENTS

On 14 February 2022, the Issuer published the following press release:

Paris, February 14, 2022

2021 full-year results

- **Very sound balance sheet enabling the Company to position itself for new investments.** Mercialys has continued moving forward with its divestment strategy, with Euro 110 million of sales and preliminary sales agreements at end-2021. The Company has continued to scale back its exposure to its primary tenant and further consolidated its balance sheet, which shows a very optimized loan to value ratio excluding transfer taxes of 36.7%. These developments are enabling Mercialys **to relaunch a strategy for growth**, built around four major pillars over the medium term: developing services (particularly digital), capitalizing on client knowledge, capitalizing on all spaces, implementing its development pipeline alongside opportunities for targeted and accretive acquisitions.
- **Resilient portfolio value confirmed once again through asset divestments.** Limited contraction in the portfolio value including transfer taxes, with -0.6% like-for-like over six months. EPRA NDV of Euro 17.60 per share, down -4.5% over the year, but up +2.5% in the second half of the year.
- **Level of retailer sales returning to the normalized level from 2019** and footfall representing 86% of the 2019 basis, highlighting the outstanding resilience of the sites, despite major operating constraints during the periods when they were open. The marked improvement in the current financial vacancy rate, from 3.8% at end-2020 to 3.2% at end-2021, also illustrates the performance achieved by the assets.
- **Organic rental growth of +3.0%** in 2021, reflecting the contrasting impacts of the health crisis. **Very strong turnaround in the EBITDA margin**, up from 74.8% in 2020 to 84.0% in 2021.
- **Funds from operations (FFO) are up +6.5% (+5.0% per share), significantly higher than the target** to be at least stable versus 2020.
- **Sustained yield level, with a proposed dividend of Euro 0.92 per share** for 2021, representing 85% of FFO for the year and a yield of 10.7% on the closing share price from end-2021.
- **2022 objectives:** excluding the health situation's potential impacts on operations, Mercialys is targeting growth of at least +2.0% in funds from operations (FFO) per share, with the dividend to range from 85% to 95% of 2022 FFO.

	Dec 31, 2020	Dec 31, 2021	Change (%)
Organic growth in invoiced rents including indexation	-7.0%	+3.0%	-
EBITDA (€m)	131.2	144.7	+10.3%
EBITDA margin	*74.8%*	*84.0%*	-
Funds from operations, FFO (€m)	**95.5**	**101.8**	**+6.5%**
ICR (EBITDA / net finance costs)	5.0x	5.1x	-
LTV (excluding transfer taxes)	38.1%	36.7%	-
LTV (including transfer taxes)	35.8%	34.4%	-
Portfolio value including transfer taxes (€m)	3,258.3	3,138.2	-2.8% (-0.6% H2) [5]
EPRA NRV (€/share)	21.18	20.51	-3.2%
EPRA NTA (€/share)	19.04	18.39	-3.4%
EPRA NDV (€/share)	18.42	17.60	-4.5%
Dividend (€/share)	**0.43**	**0.92[6]**	**-**

[5] Like-for-like change
[6] Subject to approval by the General Meeting on April 28, 2022

I. Contrasting impacts of the health crisis in Mercialys' accounts for 2021

As in 2020, the shopping center sector was significantly affected in 2021 by the health crisis and the measures put in place by the French government. From January 31, retailers classed as "non-essential" in shopping centers initially with a gross leasable area of over 20,000 sq.m, then 10,000 sq.m (from March 6) and finally all shopping centers (from April 3) were ordered to close until May 19, 2021. Alongside this, sit-down restaurants, which had been closed since the fourth quarter of 2020, were only able to open again without specific restrictions from June 30, 2021. In addition, the level of operational activity for nine Mercialys shopping centers was negatively affected for several weeks during the third quarter of 2021, primarily in August, due to the French State's introduction of a requirement to show a "health pass" to access certain sites.

These constraints affected the profitability of retailers that had already been impacted by these same measures in 2020, and affected all of the collections for rent, charges and work for 2021. However, the French government made a public commitment to put in place support packages, in addition to the solidarity fund, for retailers that were ordered to close during the first half of 2021. A decree was published on November 16, 2021, introducing support for rent or fees and charges for certain retail and service activities that were forbidden from welcoming members of the public with a view to preventing the spread of the Covid-19 epidemic. These measures are expected to benefit the collection rate for retail property companies.

Impacts of the support measures granted to tenants by Mercialys for the two lockdowns in 2020 on the accounts at end-December 2021

The continued health crisis in 2021 impacted the operational indicators and the accounts for the year.

Firstly, the retailer support measures rolled out by Mercialys for the two lockdown phases in 2020.

On the one hand, Mercialys had set a maximum support budget of **Euro 13.5 million** to help its tenants faced with the economic impacts of the **first lockdown in 2020** (March 15 to May 11). At end-December 2020, the negotiations with retailers relating to the first lockdown led to agreements being signed for a total of Euro 9.4 million. The accounts at end-December 2021 reflect the progress made with these negotiations as follows:

- **Euro 2.0 million** of new relief granted and to be awarded, with 100% recognized in the accounts at December 31, 2021 under invoiced rents. As these relief measures relate to doubtful receivables covered by provisions in Mercialys' accounts at end-December 2020, they have resulted in reversals of provisions for doubtful receivables for the corresponding amounts. As a result, these rent relief measures are neutral in terms of the Company's results. The balance of the Euro 13.5 million support budget for the first lockdown, with Euro 2.1 million recorded in the 2020 accounts under the impairment of doubtful receivables, may be subject to the same treatment if negotiations with the remaining retailers are finalized;
- **Euro 1.5 million** impact for items being spread in the accounts, recognized under invoiced rents, in connection with the negotiations completed in 2020. For reference, Euro 6.4 million of negotiations from 2020 with arrangements negotiated in exchange were spread in the accounts over the remaining firm term of the leases, with Euro 1.1 million already recognized in the accounts at end-December 2020. The recognition of the remaining Euro 3.8 million will be spread over 2022 to 2026, with Euro 1.4 million, Euro 1.3 million, Euro 0.6 million, Euro 0.3 million and Euro 0.1 million respectively.

On the other hand, negotiations have continued moving forward with retailers in connection with the **second lockdown in 2020** (October 30 to November 28):

- In line with the French government's recommendations, Mercialys had offered to waive part of their 2020 fourth-quarter rent for the retailers affected by the second lockdown in 2020. The impact of this measure was estimated at **Euro 6.3 million** and recognized in full in the accounts at end-December 2020 under invoiced rents as provisions for relief to be granted. During 2021, the negotiations with retailers resulted in an effective amount of relief granted or to be awarded of Euro 4.8 million, lower than initially estimated by Mercialys. The reversal of provisions for relief to be granted therefore led to **Euro 1.5 million** of net income under invoiced rents at end-December 2021 for the section of these provisions that were no longer applicable;
- As it is not in a position to quantify the specific support measures for sit-down restaurants, Mercialys' end-December 2020 accounts also included **Euro 0.5 million** of provisions for the impairment of doubtful receivables associated with this segment's arrears for the month of November 2020. The total amount of support granted within this framework during 2021 came to Euro 0.3 million, once again resulting in net income for the amount of the **Euro 0.2 million** differential that was no longer applicable, when reversing the provisions for the impairment of doubtful receivables;
- Lastly, a tax credit mechanism was introduced by the French government in 2020 for the relief granted by landlords in connection with the second lockdown, with various restrictions for each type of tenant and requirements for tenants to provide specific information. Mercialys had not recognized any impact for this mechanism in its accounts at December 31, 2020. In view of the aforementioned support measures put in place during 2021 for the second lockdown in 2020, the Company recorded **Euro 1.4 million** of income reflecting this tax credit under net rental income in its accounts at December 31, 2021.

In addition, to cover any residual risk concerning arrears (rent and charges) from the second and third quarters of 2020, Mercialys recorded Euro 13.2 million of exceptional provisions at end-December 2020, including the Euro
4.1 million balance from the support budget not yet awarded at the time in connection with the first lockdown.

In 2021, Mercialys continued moving forward with negotiations with its retailers and its collection actions for rent and charges billed for the second and third quarters of 2020. The resolution of these arrears made it possible to generate income linked to the reversal of provisions for the impairment of doubtful receivables concerning the Euro 13.2 million of exceptional provisions recorded at end-December 2020, with **Euro 7.2 million** in the accounts at end-December 2021. The remaining amount of these exceptional provisions came to Euro 4.0 million at end-2021.

The collection rate for 2020 is broken down for each quarter in the following table. It is presented based on the full amount of rent and charges excluding tax billed to tenants ("gross" rate), while also taking into account the amounts of rent relief already granted or still to be awarded to retailers, in addition to provisions for the impairment of doubtful receivables.

	Gross collection rate		Collection rate including the rent relief already granted or still to be awarded	Collection rate including the rent relief already granted or still to be awarded and the provisions for impairment of doubtful receivables
	Dec 31, 2020	Dec 31, 2021	Dec 31, 2021	Dec 31, 2021
1st quarter of 2020	97.4%	98.2%	99.5%	99.5%
2nd quarter of 2020	63.9%	73.6%	90.5%	100.0%
3rd quarter of 2020	93.4%	96.9%	96.9%	100.0%
4th quarter of 2020	86.2%	91.2%	98.6%	100.0%
2020 full year	**85.3%**	**90.1%**	**96.3%**	**99.9%**

Exceptional provision for 2021 to mitigate the residual risk linked to the health situation in 2021

Lastly, as mentioned above, in view of the government arrangements intended to enable eligible retailers to specifically pay their rent and charges for the periods when they were ordered to close in 2021, Mercialys has not determined any additional support measures.

However, with the ongoing health crisis and its potential impacts weakening retailers, the Company considered it prudent to record an exceptional provision for arrears (rent and charges) for the whole of 2021. This provision aims to cover potential defaults, which could notably be seen if the various public support measures were discontinued and is not intended to grant relief measures to retailers or specific categories of retailers. Its total amount of Euro 7.8 million represents around one month of rent billed for 60% of the rental base, with this rate corresponding to the base of retailers closed during the lockdown periods.

The collection rate for 2021 is broken down for each quarter in the following table. As Mercialys has not granted any rent relief to its tenants for this period, this represents a “gross” collection rate, as defined previously. The residual risk concerning the 2021 receivables not covered by the exceptional provision and by the standard provisions for doubtful receivables totaled Euro 13.1 million at December 31, 2021.

	Gross collection rate	Residual arrears for rent and charges excluding tax (€m)
	Dec 31, 2021	Dec 31, 2021 (excluding provisions)
1st quarter of 2021	86.7%	7.2
2nd quarter of 2021	80.9%	9.9
3rd quarter of 2021	95.3%	2.5
4th quarter of 2021	92.2%	4.3
2021 full year	**88.8%**	**24.0**

Since December 31, 2021, the closing date for these annual financial statements, an additional Euro 4.4 million of rent and charges have been collected, taking the total collection rate for 2021 up to 91.0%.

The **overall** impacts of the health crisis can be broken down as follows:

Impacts	Period concerned	Profit and loss heading	Amount before potential deferral (€m)	Treatment in profit and loss (€m)
Negotiations finalized	1st lockdown	Invoiced rents	-2.0	-3.5 [a]
Negotiations finalized associated with the documentation to be received from tenants	2nd lockdown	Invoiced rents	+1.1	+1.1 [b]
Subtotal			**-0.9**	**-2.4**
Arrears relating to the 2nd and 3rd quarters	1st lockdown	Provisions for doubtful receivables	+9.2	+9.2 [c]
Arrears for November relating to sit-down restaurants	2nd lockdown	Provisions for doubtful receivables	+0.5	+0.5 [d]
Subtotal			**+9.7**	**+9.7**
Tax credit	2nd lockdown	Net rental income	+1.4	+1.4 [e]
Exceptional provision	2021	Provisions for doubtful receivables	-7.8	-7.8
Total			**+2.4**	**+1.0**

a) Euro -3.5 million comprising Euro -2.0 million for new relief granted, with 100% recognized in the accounts at December 31, 2021 for the first lockdown from 2020, and Euro -1.5 million for amounts spread in the accounts for the 2020 negotiations relating to the same lockdown;
b) Euro +1.1 million comprising Euro -4.8 million for relief granted for the negotiations concerning the second lockdown, Euro +6.3 million for the reversal of provisions for relief to be granted as a result of this (therefore generating Euro +1.5 million of net income for the section that was no longer applicable) and Euro -0.3 million for the relief granted and to be awarded for the month of November 2020 for sit-down restaurants;
c) Euro +9.2 million comprising Euro +2.0 million for the reversal of provisions for doubtful receivables resulting from the new relief granted for the first lockdown in 2020, and Euro +7.2 million for the reversal of provisions for doubtful receivables relating to the additional collection for 2020;
d) Euro +0.5 million for the reversal of provisions for doubtful receivables relating to rent for the month of November 2020 for sit-down restaurants (therefore generating Euro +0.2 million of net income for the section that was no longer applicable);
e) Euro +1.4 million for the tax credit recognized to date in connection with the documentation to be provided by retailers that benefited from rent relief for the second lockdown in 2020.

II. 2021 business and results

Mercialys' shopping centers once again demonstrated their strong positions in 2021, illustrated by the change in footfall and retailer sales, which were both close to their standard levels from 2019.

In 2021, **footfall** at Mercialys shopping centers came to **86%** of the normalized level for 2019, which represents an excellent performance by Mercialys' sites considering the major operating constraints in place during the periods when they were open:

- curfew (from 6pm from January 2 to March 20, then 7pm through to May 19, then 9pm until June 9 and, lastly, 11pm until June 20),
- deferral of the sales period (from the beginning to the end of January 2021, continuing through February, when many shopping centers were closed),
- rollout of the "health pass" in August 2021.

Footfall, excluding the periods of government-ordered closures, for the year to end-December 2021 represented **94%** of the footfall for its portfolio that was open in 2020.
The factors behind this contraction include an unfavorable base effect, resulting from the very strong upturn in visits after centers reopened following each of the two lockdowns in 2020, as well as the negative impact of the "health pass" in 2021.

It is important to note that the analysis of this indicator is complex as the government-ordered closures of "non-essential" stores concerned different periods and different categories of shopping centers in 2020 and 2021.
That is why the change in footfall has been analyzed over the same weeks that were open for the three years (2019, standard year, 2020 and 2021).

The national Quantaflow panel shows that 2021 footfall, based on the same parameters, represented around **84%** of the footfall from 2019 and 99% of 2020 footfall, while noting that the basis for comparison with 2020 was marked by the deferred reopening of large shopping centers.

Change in shopping center footfall in 2021[7] (source: Mercialys, Quantaflow)

	2021 vs. 2020	2020 vs. 2019	2021 vs. 2019
Change over 7 months open[8]	-6.2%	-8.5%	-14.2%
Change over 12 months[9]	-4.4%	-20.7%	-24.2%

In 2021, **full-year retailer sales** across Mercialys' portfolio came to nearly **99%** of the normalized level from 2019 over the comparable opening periods. Retailer sales contracted slightly by -2.8% versus 2020, with a less favorable trend than the national panel (CNCC), which recorded an increase of +1.9%. Once again, the deferred reopenings for the different categories of shopping centers in 2020 must be taken into consideration.

Across Mercialys' assets, purchases are driven primarily by satisfying utilitarian needs, with the health crisis leading to a stronger focus on efficiency and practicality, which accounts for part of the positive differential between the level of retailer sales and footfall compared with the normalized level from 2019.

[7] 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
[8] Scope including the weekly change concerning the months of operations without shopping center closures in 2019, 2020 and 2021: January, June, July, August, September, October and December
[9] Scope including 12 months of operations for 2019, 2020 and 2021

Change in retailer sales for Mercialys' portfolio in 2021[10]

	2021 vs. 2020	2020 vs. 2019	2021 vs. 2019
Change over 7 months open[11]	-2.8%	+1.4%	-1.4%
Change over 12 months[12]	-3.3%	-17.8%	-20.5%

The analysis of the **occupancy cost ratio**[13] is subject to the same limitations as the sales analysis due to the periods when stores were ordered to close. Furthermore, as certain retailers' activities may show strong seasonality during the year, especially in the fourth quarter, any analysis for periods of less than one year is more complex and potentially not relevant. At December 31, 2019, this ratio showed a very moderate level of 10.4%.

The **current financial vacancy rate**[14] came to 3.2%, significantly lower than at end-December 2020 (3.8%), end-June 2021 (4.0%) and end-September 2021 (3.4%), highlighting the appeal of the Company's portfolio of assets.

Invoiced rents came to Euro 170.4 million, down -1.5% on a current basis, but up +3.0% like-for-like. These changes reflect the following elements:

	Year to end-December 2020		Year to end-December 2021	
Indexation	+1.6 pp	+€2.9m	+0.3 pp	+€0.4m
Contribution by Casual Leasing	-0.8 pp	-€1.5m	+0.2 pp	€+0.4m
Contribution by variable rents	-0.9 pp	-€1.8m	+0.05 pp	+€0.1m
Actions carried out on the portfolio	-1.3 pp	-€2.5m	-2.1 pp	-€3.7m
Accounting impact of "Covid-19 rent relief" granted to retailers	-5.5 pp	-€10.4m	+4.6 pp	+€8.0m
Like-for-like growth	**-7.0 pp**	**-€13.2m**	**+3.0 pp**	**+€5.3m**
Asset acquisitions and sales	-1.3 pp	-€2.4m	-4.5 pp	-€7.7m
Other effects	-0.2 pp	-€0.3m	-0.1 pp	-€0.1m
Growth on a current basis	**-8.4 pp**	**-€15.9m**	**-1.5 pp**	**-€2.6m**

The turnaround in organic growth in 2021, from -6.0% at end-March to -4.0% at end-June, -2.9% at end-September and +3.0% at end-December, reflects the robust level of letting activity despite "non-essential" stores being closed for 3.5 months during the first half of the year, as well as base effects concerning the impacts of the health crisis, particularly in relation to the fourth quarter of 2020. These elements, presented in detail in section I of this press release, came to Euro -10.4 million in invoiced rents in 2020 and Euro -2.4 million in 2021, with a Euro +8.0 million change reflected in organic growth.

Rental revenues came to Euro 172.2 million, down -1.8% from 2020, reflecting the change in invoiced rents, including the scope effects, and the drop in lease rights and despecialization indemnities.

Net rental income is up +8.6% to Euro 160.0 million. The change compared with end-2020 is linked to very significant base effects, with Euro 13.7 million of provisions recorded for the impairment of trade receivables

[10] 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
[11] Scope including the monthly change concerning the months of operations without shopping center closures in 2019, 2020 and 2021: January, June, July, August, September, October and December
[12] Scope including 12 months of operations for 2019, 2020 and 2021
[13] 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
[14] The occupancy rate, as with Mercialys' vacancy rate, does not include agreements relating to the Casual Leasing business

due to the impact of the health crisis in 2020. In 2021, Euro 9.7 million of these provisions from 2020 were reversed as a result of both the collection operations completed and the rent relief granted. Alongside this, an exceptional provision for Euro 7.8 million was recorded in the 2021 accounts concerning arrears for rent and charges for the year.

These various effects are presented in detail in section I of this press release. Lastly, Mercialys recorded Euro 1.4 million of income in 2021 relating to the tax credit for landlords that granted rent relief as recommended by the French government in relation to the second lockdown from 2020.

EBITDA totaled Euro 144.7 million, up +10.3% from 2020. The EBITDA margin came to 84.0% (vs. 74.8% for 2020), impacted by the effects of changes in net rental income. The Company has also made major efforts to manage its overheads effectively, despite the cost inflation resulting from the requirements involved with managing the effects of the health crisis, as well as initiatives to bring various functions back in-house.

The **net financial expenses** used to calculate funds from operations (FFO) came to Euro 32.8 million in 2021, significantly higher than 2020 (Euro 25.7 million), linked primarily to the full-year impact of the refinancing operation carried out in July 2020. These same impacts are reflected in the **real average cost of drawn debt**, which was 2.0% for the full year in 2021, virtually stable compared with end-June 2021 (1.9%) and up compared with end-2020 (1.4%[15]).

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro -1.4 million, stable compared with 2020, and primarily include the net impacts of provisions, as well as the impact of the Ocitô project.

Tax represents a Euro -0.8 million expense at end-December 2021, compared with Euro -2.0 million at end-December 2020. This amount corresponds primarily to a CVAE corporate value-added tax expense.

The **share of net income from associates and joint ventures** (excluding capital gains, amortization and impairment) came to Euro 3.6 million at December 31, 2021, compared with Euro 2.2 million at December 31, 2020. The change in this share over the period reflects the assets sold and acquired by SCI AMR at end-December 2020, and the dilution of Mercialys' interest in this company (from 39.9% to 25.0%), as well as the impact of rent relief granted by associates in connection with the health crisis.

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro -10.5 million for 2021, compared with Euro -9.9 million in 2020.

Funds from operations (FFO[16]) are up +6.5% to Euro 101.8 million. The Company's resilient operational performance enabled it to record Euro 1.10 of FFO per share[17], an increase of +5.0%, with this performance significantly exceeding the target set for FFO per share to be at least stable in 2021 versus 2020.

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
Invoiced rents	**172,911**	**170,352**	**-1.5%**
Lease rights and despecialization indemnities	2,529	1,879	-25.7%
Rental revenues	**175,440**	**172,232**	**-1.8%**

[15] This rate does not include the 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

[16] 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

[17] Calculated based on the average undiluted number of shares (basic), i.e. 92,839,729 shares

Non-recovered building service charges and property taxes and other net property operating expenses	-28,084	-12,188	-56.6%
Net rental income	**147,357**	**160,043**	**+8.6%**
Management, administrative and other activities income	3,035	2,801	-7.7%
Other income and expenses	-6,096	-3,394	-44.3%
Personnel expenses	-13,121	-14,763	+12.5%
EBITDA *EBITDA margin (% of rental revenues)*	**131,174** *74.8%*	**144,687** *84.0%*	**+10.3%** -
Net financial items (excluding non-recurring elements[18])	-25,748	-32,755	+27.2%
Reversals of / (Allowances for) provisions	1,343	-997	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-1,480	-1,419	-4.1%
Tax expense	-2,019	-848	-57.9%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	2,203	3,583	+62.6%
Non-controlling interests (excluding capital gains, amortization and impairment)	-9,932	-10,498	+5.7%
FFO	**95,541**	**101,754**	**+6.5%**
FFO per share [17] ***(in euros)***	***1.04***	***1.10***	***+5.0%***

III. Well positioned in a retail market that is evolving, but within which the physical format is still relevant, Mercialys will capitalize on four core pillars to drive its growth over the medium term

These operational results highlight, following two years of the health crisis, the model's robustness, while the balance between tenants and the Company does not appear to have seen any significant changes.

Mercialys is continuing to develop strong competitive positions in buoyant peripheral areas. During the last few years, the appeal of these out-of-town locations in French regional cities has notably been reflected in housing construction trends, which have generally been more favorable for the regions that Mercialys' portfolio is positioned around compared with the national average.

Within these vibrant communities, Mercialys' retail sites are deeply anchored in everyday consumption practices. The classification of around 40% of the Company's rental base as "essential retail" during the various lockdowns highlights this core characteristic of recurrent visits. A survey conducted with around 4,000 clients registered for Mercialys' loyalty program in January 2022 also confirmed the shopping centers' appeal despite a health environment that was favorable for online purchases at the expense of physical retail. 59% of the clients surveyed said that they prefer to buy in-store, while 13% have a 50:50 split between in-store and online. This interest in physical retail is supported by their need to see the product (35% of respondents), the notion of proximity (27%), the ability to benefit from advice (15%), the activities and events organized (10%), and the commercial offers available (11%).

Alongside this, the criteria that might encourage clients to buy online are the practicality of this experience (27%), the absence of any physical store in their living area (22%), the availability of products (21%) and the pricing applied (29%).

These answers highlight the human factor's core positioning in terms of the desirability of physical retail, as well as the need for a combination between physical and digital in order to meet their expectations for practicality and product availability. This accounts for the success of "phygital" retailers: the market share gain

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

seen for online sales by retailers, from 10% in 2019 to 13.4% in 2021[19], benefited from the restrictions linked to the health measures, as well as the ramping up of multichannel sales by traditional retailers. Online sales growth for traditional retailers significantly outpaced pure players on average (66% vs 18%) in 2021[20]. **These developments indicate that the future of retail will be hybrid, while ensuring the sustainability of the shopping center's role in the client journey.** They also show that it will be necessary to capitalize on client knowledge that is specific to retailers, as well as knowledge built up by the landlord, in order to ensure the continued appeal of sites and stores.
With a portfolio that has proven its resilience and a balance sheet that will enable it to move forward with investments again, Mercialys will continue to focus its efforts over the medium term on four key areas for development aimed at further strengthening the shopping centers' capabilities.

1. Developing services

Mercialys started to build its Ocitô service in 2019. This proprietary web and mobile marketplace enables consumers to buy food and non-food products online directly from their center's retailers. Mercialys shopping centers need to become, locally, a bridge between physical and digital retail.

In 2021, Mercialys continued to develop this service. 31 sites across the portfolio now offer Ocitô to their clients, with 308 retailers present. Mercialys will continue to bring more retailers on board in 2022 in order to further strengthen the appeal of the selection available.
Ocitô is designed to meet the need for hybrid retail among shopping center visitors in order to ramp up the capabilities of these sites and support retailers to develop a more extensive regional network, making it possible to optimize the spaces and their logistics, in addition to further strengthening the reversion potential for rents.

The operational feedback gained on Ocitô in 2020 and 2021 has made it possible to identify consumers' needs more effectively. On the one hand, the service is used in the vast majority of cases by clients from the catchment area, primarily through click and collect orders, with the proportion of home delivery requests remaining marginal. This trend is aligned with the fundamentals of physical retail at Mercialys centers: a practical aspect encouraging recurrent but short visits. On the other hand, orders shipped by post are in virtually all cases to destinations outside of the catchment area. Meeting this need through Ocitô enables retailers to access additional markets. The platform also provides access to e-commerce for independent retailers that have not developed this tool by themselves, while offering a channel that will generate additional traffic for retailers that have their own systems in place.

2. Capitalizing on client knowledge

The development of Ocitô, based on a series of local marketplaces, is being made possible without extensive advertising investment through access to 1.4 million clients from Mercialys' loyalty base, as well as the SEO work carried out for the Ocitô site with the main search engines.
The client data collected directly by Mercialys, in accordance with GDPR[21], is rich on account of its features (contact data, visits, personal data, purchases, etc.) and the levels of analysis that it makes possible (data for Mercialys' entire portfolio, per business sector, per retailer, per shopping center, etc.). This rich data is intended to:

- effectively satisfy visitors by identifying their needs, missing services or offers, and potential irritants;
- support retailers through more targeted and therefore more efficient and effective client communications, recommendations for locations and comparative performance analysis;

[19] FEVAD
[20] Knight Frank
[21] *General Data Protection Regulation*

- extend, over the medium term, the scope of this data, particularly in terms of clients preparing to make purchases, providing services and potentially monetizing certain aspects.

This data also makes it possible to optimize client transit times in shopping centers so that that they visit them more often, increasing both retailer sales and rental reversion potential.

3. Capitalizing on all spaces

Mercialys' multifunctionality strategy is focused on the digitalization of the retail offering across its sites, as well as capitalizing on all of their spaces, representing close to 815,000 sq.m. Efficient and effective use is a major challenge. The "Climate and Resilience Act" of August 22, 2021 aims to combat the proliferation of artificial ground cover and sets a target for "net zero artificialization" over time, which will support growth in the value of existing assets. Only projects with a sales area of less than 10,000 sq.m will be able to be carried out, subject to certain conditions (project's integration into regional regeneration or urban development sectors or development operations within an existing urban space, or offsetting with the transformation of artificial ground cover into non-artificial).

Restrictions concerning the potential for construction over the medium term will help develop the value of existing assets, which will need to offer a wider range of uses for their users, clients and retailers.
Building on the success of the first two Cap Cowork spaces in Angers and Grenoble, Mercialys continued to roll out this service in 2021 in Nîmes and Toulouse. Within three years, more than 5,000 sq.m of coworking offices will be opened across the portfolio, with expected revenues of Euro 1.5 million. They will be operated directly by Mercialys' teams, contributing to this activity's profitability.
Mercialys' development portfolio also includes healthcare centers, complementing the pharmacies that are already present at most of its shopping centers.

4. Implementing the development pipeline and positioning the Company on opportunities for targeted accretive acquisitions

Mercialys has financial flexibility in place that will enable it to resume an investment policy once the health situation has stabilized.

A growth strategy will be able to be rolled out through acquisitions or the development portfolio.

At end-December 2021, the Company's project portfolio represented Euro 493.8 million looking ahead to 2027, with around Euro 33.7 million of potential additional rental income, for a target average yield rate of 7%. This portfolio, which concerns 28 sites out of the 50 shopping centers held by Mercialys, includes retail space projects (redevelopments, extensions, retail parks), dining and leisure projects, and tertiary activity projects (housing, healthcare, coworking, etc.). This potential reconfiguration of sites will make it possible to ensure their continued appeal looking beyond purely convenience retail aspects, while ensuring the sustainability of their strong positioning in their catchment areas and their cash flow profile over the long term.

(In millions of euros)	Total investment	Investment still to be committed	Target net rental income	Target net yield on cost (%)	Completion date
COMMITTED PROJECTS[22]	**19.9**	**18.5**	**0.5**	**na**	**2022 / 2026**
Dining and leisure	2.1	1.2	0.1	6.5%	2022 / 2023
Tertiary activities	17.8	17.3	0.4	na	2026

[22] In the 2022 pipeline, the investments to be committed, for the dining and leisure section, correspond to the creation of two restaurants in the parking area at the Angers site and a food court at the Sainte-Marie site on Reunion Island. The tertiary activities primarily include the Saint-Denis mixed-use urban project, north of Paris, with an expected IRR of over 8%, as well as coworking spaces

CONTROLLED PROJECTS	**125.4**	**121.0**	**8.8**	**7%**	**2022 / 2025**
Retail	81.1	76.8	5.7	7%	2022 / 2025
Dining and leisure	0.1	0.1	0.0	7%	2022
Tertiary activities	44.3	44.2	3.1	7%	2022 / 2023
IDENTIFIED PROJECTS	**348.4**	**348.4**	**24.4**	**7%**	**2023 / 2027**
Retail	102.3	102.3	7.2	7%	2024 / 2026
Dining and leisure	35.0	35.0	2.5	7%	2025 / 2026
Tertiary activities	211.1	211.1	14.8	7%	2023 / 2027
Total[23]	**493.8**	**487.9**	**33.7**	**7%**	**2022 / 2027**

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

Mercialys' sound balance sheet could also enable it to carry out accretive external growth operations. These would be focused on retail property or related activities, including shopping centers, retail parks and hypermarkets. Lastly, Mercialys is capitalizing on its know-how by taking part in calls for tenders for mixed-use development projects organized by cities or local authorities looking to reposition their neighborhoods.

IV. Success of the divestment strategy, illustrating the assets' underlying value

In 2021, Mercialys sold Euro 28.0 million of assets and signed Euro 82.0 million of preliminary sales agreements

During the fourth quarter of 2021, Mercialys completed the sale of two assets: the Marseille Canebière Monoprix store and the Carré Duparc retail park in Sainte-Marie (Reunion Island). In addition, Mercialys sold various plots in jointly-owned properties at non-strategic and fragmented sites in 2021. The combined total of assets sold during the year came to Euro 28.0 million.

The Company also signed preliminary sales agreements without financing conditions for the Annecy and Saint-Etienne hypermarkets. These assets, acquired in 2014 and since subject to transformation work, illustrate Mercialys' value creation strategy.

These sales have also enabled Mercialys to continue reducing its exposure to its primary tenant, the Casino group (22.4% of Mercialys' total rental income at end-2021 and 20.7% proforma for these sales).

The Bordeaux Pessac shopping center, held by the OPCI fund UIR2, in which Mercialys has a 20% interest (this OPCI real estate investment fund is recorded in Mercialys' accounts under non-consolidated securities in non-current assets), was also subject to a preliminary sales agreement in 2021 and the corresponding condition precedent was lifted in January 2022.

Lastly, preliminary sales agreements were signed for various geographically dispersed assets in 2021.

These divestments represent a total volume of Euro 110 million including transfer taxes, with Euro 28.0 million of sales completed and Euro 82.0 million of preliminary sales agreements, with 94% no longer subject to conditions precedent to date.

[23] Excluding the impact of mixed-use high-street projects, which could also generate property development margins

Overall, the transaction values for the sales and preliminary sales agreements secured by Mercialys (excluding UIR2) are slightly higher than the end-June 2021 appraisals.

These divestments are in line with Mercialys' asset rotation strategy and the portfolio's realignment around sites with potential for growth in the medium term. They will enable Mercialys to further consolidate its balance sheet and give it financial flexibility with a view to capitalizing on value-creating investment opportunities outside of the Company's current scope.

V. Portfolio and financial structure

EPRA Net Disposal Value (NDV) up +2.5% over six months and down -4.5% over 12 months

Mercialys' **portfolio value** came to Euro 3,138.2 million including transfer taxes, down -1.5% over six months and
-3.7% over 12 months. Like-for-like[24], it is down -0.6% over six months and -2.8% over 12 months.
Excluding transfer taxes, the portfolio value was Euro 2,945.1 million, also down -1.7% over six months and -3.9% over 12 months. Like-for-like[24], it is also down -0.9% over six months and -3.1% over 12 months.

At end-December 2021, Mercialys' portfolio mainly comprised 50 shopping centers[25], with 25 large regional shopping centers and 25 leading local retail sites.

The **average appraisal yield rate** was 5.71% at December 31, 2021, compared with 5.74% at June 30, 2021 and 5.72% at December 31, 2020.

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

	EPRA NRV			EPRA NTA			EPRA NDV		
	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
€ / share	21.18	20.32	20.51	19.04	18.26	18.39	18.42	17.17	17.60
Change over 6 months	-3.7%	-4.1%	+1.0%	-3.3%	-4.1%	+0.7%	-7.4%	-6.8%	+2.5%
Change over 12 months	-7.4%	-7.6%	-3.2%	-7.1%	-7.2%	-3.4%	-7.9%	-13.7%	-4.5%

The **EPRA NDV** came to Euro 17.60 per share, up +2.5% over six months and down -4.5% over 12 months. The
Euro -0.82 per share change over 12 months takes into account the following impacts:

- dividend payment: Euro -0.42;
- funds from operations (FFO): Euro +1.09;
- 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 -0.98, including a yield effect for Euro -0.08, a rent effect for Euro -0.92 and other effects[26] for Euro +0.02;
- change in fair value of fixed-rate debt: Euro -0.33;
- change in fair value of other items: Euro +0.01;
- the capital increase in connection with the option for the 2021 dividend to be paid in shares, as well as the change in treasury shares: Euro -0.18.

[24] Sites on a constant scope and a constant surface area basis
[25] Added to these are three geographically dispersed assets with a total appraisal value including transfer taxes of Euro 8.5 million
[26] Including impact of revaluation of assets outside of organic scope, equity associates, maintenance capex and capital gains on asset disposals

Balance sheet with a very defensive profile, enabling Mercialys to position itself on new investments or acquisitions

Mercialys has continued to optimize the management of its bond maturities and, in 2021, redeemed Euro 99.2 million of the bond issue maturing in March 2023, reducing the outstanding nominal amount to Euro 469.5 million. These bonds were canceled in the Company's books. During the first quarter of 2022, Mercialys aims to complete the early refinancing of the bond issue due to mature in March 2023 by exercising its make-whole early redemption option, which would require new financing to be issued. The Company could also launch the refinancing of other bond maturities, including the July 2020 issue for a nominal total of Euro 300 million.

Alongside this, Mercialys has extended and further strengthened its undrawn liquidity arrangements. These arrangements, based on bilateral facilities and a revolving credit facility, were increased by Euro 75 million during the year, including a new Euro 50 million line set up, and the maturity of 92% of the available lines at end-2020 was extended in 2021. In addition, Mercialys began working in 2021 to set up environmentally responsible financing, with environmental clauses incorporated into four undrawn bilateral lines representing a combined total of Euro 165 million.
This development will enable the Company to extinguish various lines due to mature with a banking partner that now has only a limited presence in France for a total of Euro 75 million, and, from the first quarter of 2022, to terminate the current account advance made available by the Casino group for Euro 35 million before it was due to mature in December 2022.

At end-December 2021, **drawn debt** represented Euro 1,354.5 million, made up of three bond issues and a private placement, with a residual nominal amount of Euro 1,219.5 million, as well as commercial paper, with Euro 135 million outstanding at end-December 2021.

The **real average cost of drawn debt** was **2.0%**[27] for the full year in 2021, virtually stable compared with end-June 2021 (1.9%) and significantly higher than the full-year figure for 2020 (1.4%). This change primarily reflects the full-year impact of the bond refinancing operation carried out in July 2020.

The **average maturity of drawn debt** was 3.2 years at December 31, 2021, compared with 3.6 years at end-June 2021 and 3.5 years at end-December 2020.

Mercialys has a healthy financial structure, with an **LTV ratio excluding transfer taxes**[28] of 36.7% at December 31, 2021 (compared with 38.3% at June 30, 2021 and 38.1% at December 31, 2020) and an **LTV ratio including transfer taxes** of 34.4% on the same date (versus 36.0% at June 30, 2021 and 35.8% at December 31, 2020). The Company has significantly optimized its financial structure through the effective management of its investments and its active divestment policy, implemented under very satisfactory valuation conditions, despite an investment market that continued to be affected by the uncertain health context and a collection rate that did not yet seem to be fully normalized at end-2021.

The **ICR**[29] was 5.1x at December 31, 2021, compared with 5.6x at June 30, 2021 and 5.0x at December 31, 2020, reflecting the impacts of the health crisis on EBITDA and the impacts of the July 2020 bond refinancing on financial expenses.

[27] This rate does not include the net expense 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
[28] LTV (Loan To Value): net financial debt / (portfolio market value excluding transfer taxes + market value of investments in associates for Euro 55.8 million in 2021 and Euro 56.4 million in 2020, since the value of the portfolio held by associates is not included in the appraisal value)
[29] ICR (Interest Coverage Ratio): EBITDA / net finance costs

On May 19, 2021, Standard & Poor's confirmed its **BBB** rating for Mercialys, while its outlook was upgraded from negative to **stable** on September 13, 2021.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**, with a hedged or fixed-rate debt position (including commercial paper) representing 86% at end-December 2021, compared with 87% at end-June 2021 and 92% at end-December 2020.

VI. Outlook and dividend

Outlook for 2022

Excluding the health situation's potential impacts on its operations, Mercialys has set the following objectives for 2022:

- Growth in Funds From Operations (FFO) per share to reach at least +2% vs. 2021;
- Dividend to range from 85% to 95% of 2022 FFO.

Dividend for 2021

Mercialys' Board of Directors will submit a proposal at the General Meeting on April 28, 2022 for a dividend of **Euro 0.92 per share**, compared with a limited dividend of Euro 0.43 per share for 2020. The payout corresponds to 85% of 2021 FFO and offers a yield of 5.2% on the NDV of Euro 17.60 per share at end-2021 and 10.7% on the year's closing price.

This proposed dividend is based on the distribution requirement with the SIIC tax status concerning exempt profits from:

- property rental or sub-letting operations (including dividends paid by the subsidiaries subject to the SIIC system), i.e. Euro 0.39 per share;
- the distribution based on 70% of exempt profits for 2021 from the disposal of properties and investments in real estate companies, i.e. Euro 0.01 per share;
- the distribution based on 70% of exempt profits for 2020 from the disposal of properties and investments in real estate companies, i.e. Euro 0.38 per share;
- the distribution of exempt income recorded on the Company's balance sheet for Euro 0.14 per share.

The ex-dividend date is May 3, 2022, and the dividend will be paid on May 5, 2022.

* * *

APPENDIX TO THE PRESS RELEASE

Financial report

Financial report

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Mercialys Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and applicable at December 31, 2021. These standards are available on the European Commission website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en. The accounting policies set out below were applied consistently to all the periods presented in the consolidated financial statements, after taking into account, or with the exception of, the new standards and interpretations described below.

1. Financial statements

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

1.1. Consolidated income statement

(In thousands of euros)	December 31, 2021	December 31, 2020
Rental revenues	**172,232**	**175,440**
Service charges and property tax	(45,260)	(44,390)
Charges and taxes billed to tenants	38,476	38,555
Net property operating expenses	(5,403)	(22,248)
Net rental income	**160,043**	**147,357**
Management, administrative and other activities income	2,801	3,035
Other income	1,559	53
Other expenses	(4,953)	(6,150)
Personnel expenses	(14,763)	(13,121)
Depreciation and amortization	(39,157)	(40,777)
Reversals of / (Allowances for) provisions	(997)	1,343
Other operating income	28,760	242,125
Other operating expenses	(29,810)	(209,381)
Operating income	**103,484**	**124,484**
Income from cash and cash equivalents	177	61
Gross finance costs	(30,842)	(21,891)
(Expenses) / Income from net financial debt	**(30,665)**	**(21,830)**
Other financial income	296	233
Other financial expenses	(3,466)	(3,024)
Net financial items	**(33,835)**	**(24,621)**
Tax expense	(848)	(2,019)
Share of net income from associates and joint ventures	2,264	(3,695)
Consolidated net income	**71,065**	**94,148**
Attributable to non-controlling interests	8,882	8,316
Attributable to owners of the parent	62,183	85,833
Earnings per share[30]		
Net income attributable to owners of the parent (in euros)	0.67	0.94
Diluted net income attributable to owners of the parent (in euros)	0.67	0.94

[30] Based on the weighted average number of shares over the period adjusted for treasury shares
Undiluted weighted average number of shares in 2021 = 92,839,729 shares
Fully diluted weighted average number of shares in 2021 = 92,839,729 shares

1.2. Consolidated statement of financial position

ASSETS ***(in thousands of euros)***	**Dec 31, 2021**	**Dec 31, 2020**
Intangible assets	5,028	4,052
Property, plant and equipment other than investment property	6,922	1,605
Investment property	1,935,117	2,050,907
Right-of-use assets	8,590	8,902
Investments in associates	37,907	38,918
Other non-current assets	50,733	73,865
Deferred tax assets	1,346	1,728
Non-current assets	**2,045,642**	**2,179,976**
Trade receivables	36,865	38,217
Other current assets	34,595	40,660
Cash and cash equivalents	257,178	464,611
Investment property held for sale	60,086	111
Current assets	388,724	**543,599**
Total assets	**2,434,366**	**2,723,575**

EQUITY AND LIABILITIES (in thousands of euros)	**Dec 31, 2021**	**Dec 31, 2020**
Share capital	93,887	92,049
Additional paid-in capital, treasury shares and other reserves	649,231	600,875
Equity attributable to owners of the parent	743,118	692,925
Non-controlling interests	202,011	202,193
Equity	**945,129**	**895,118**
Non-current provisions	1,008	1,207
Non-current financial liabilities	1,237,101	1,355,914
Deposits and guarantees	23,003	22,295
Non-current lease liabilities	8,353	8,655
Other non-current liabilities	5,716	15,311
Non-current liabilities	**1,275,181**	**1,403,381**
Trade payables	16,477	15,394
Current financial liabilities	150,144	348,553
Current lease liabilities	1,030	985
Current provisions	11,443	9,942
Other current liabilities	34,826	50,193
Current tax liabilities	136	9
Current liabilities	**214,056**	**425,076**
Total equity and liabilities	**2,434,366**	**2,723,575**

1.3. Consolidated cash flow statement

(In thousands of euros)	Dec 31, 2021	Dec 31, 2020
Net income, attributable to owners of the parent	62,183	85,833
Non-controlling interests	8,882	8,316
Consolidated net income	**71,065**	**94,148**
Depreciation, amortization [(1)] and provisions, net of reversals	49,249	53,372
Calculated expenses/(income) relating to stock options and similar	(47)	24
Other calculated expenses/(income) [(2)]	(1,280)	(2,419)
Share of net income from associates and joint ventures	(2,264)	3,695
Dividends received from associates and joint ventures	3,014	6,234
Income from asset disposals	(8,962)	(47,542)
Expenses/(income) from net financial debt	30,665	21,830
Net financial interest in respect of lease agreements	295	334
Tax expense (including deferred tax)	848	2,019
Cash flow	**142,583**	**131,695**
Taxes received/(paid)	(409)	(3,298)
Change in working capital requirement relating to operations, excluding deposits and guarantees [(3)]	(7,141)	5,696
Change in deposits and guarantees	708	792
Net cash flow from operating activities	**135,742**	**134,885**
Cash payments on acquisitions of [(4)]:		
investment properties and other fixed assets	(15,913)	(61,593)
non-current financial assets	(115)	(1,833)
Cash receipts on disposals of [(4)]:		
investment properties and other fixed assets	30,746	188,386
non-current financial assets	5	-
Investments in associates and joint ventures	-	-
Impact of changes in scope with change of control	-	-
Change in loans and advances granted	-	1,799
Net cash flow from investing activities	**14,724**	**126,757**
Dividends paid to shareholders of the parent company (final)	(22,398)	(43,957)
Dividends paid to shareholders of the parent company (interim)	-	-
Dividends paid to non-controlling interests	(9,063)	(8,194)
Capital increase and reduction	-	(1)
Other transactions with shareholders	-	-
Changes in treasury shares	264	(1,825)
Increase in borrowings and financial debt	230,000	1,097,167
Decrease in borrowings and financial debt	(526,700)	(901,800)
Repayment of lease liabilities	(985)	(959)
Interest received	16,359	23,447
Interest paid	(45,474)	(32,933)
Net cash flow from financing activities	**(357,999)**	**130,947**
Change in cash position	**(207,529)**	**392,588**
Net cash at beginning of year	464,600	72,012
Net cash at end of year	257,071	464,600
of which cash and cash equivalents	257,178	464,611
of which bank overdrafts	(108)	(11)

(1) Depreciation and amortization exclude the impact of impairments on current assets

(2) Other calculated expenses and income mainly comprise:

- *discounting adjustments to construction leases*	*(318)*	*(340)*
- *lease rights received from tenants and spread over the firm term of the lease*	*(1,848)*	*(2,472)*
- *financial expenses spread out*	*697*	*434*
- *interest on non-cash loans*	*54*	*24*

(3) The change in working capital requirements breaks down as follows:

- *trade receivables*	*3,375*	*(31,420)*
- *trade payables*	*1,087*	*1,555*
- *other receivables and payables*	*(11,603)*	*35,561*
Total working capital requirements	***(7,141)***	***5,696***

(4) At December 31st, 2020, the cash payments on acquisitions and the cash receipts on disposals amounts are presented in gross values excluding the impact of the exchange between Mercialys and SCI AMR concerning the Gassin (sale), Montauban and Valence 2 (acquisitions) real estate assets, which led to the payment of a Euro 37 million balance to Mercialys

2. Key developments in 2021

Impacts relating to the Covid-19 pandemic

The shopping center sector in France was significantly affected, from January 2021, by the government measures relating to the health crisis. First of all, local curfews were set from January 2, then extended nationwide. From January 31, all non-food stores with over 20,000 sq.m of gross leasable area, as well as non-food stores in shopping centers with a gross leasable area of over 20,000 sq.m, were closed. In addition, shopping centers were not authorized to offer click and collect services from this date until the sites reopened. The closure restrictions were ramped up from March 6, in all French departments under stronger supervision measures, reducing the limit for gross leasable area authorized to open to 10,000 sq.m. Lastly, on April 3, the French government introduced a third national lockdown and also ordered the closure of all stores considered to be non-essential, regardless of their size.

This scope for closures was more restrictive than in 2020 and, combined with the asset sales completed at the end of 2020 by Mercialys, including the sale of four Monoprix stores, was reflected in an open annualized rental base of 36% for the Company's portfolio between April 3 and May 19, 2021, compared with 40% during the first lockdown from March to May 2020.

On May 19, the French government authorized the reopening of "non-essential" stores. Mercialys' shopping centers were able to once again welcome members of the public across their entire retail space (excluding indoor sit-down dining), in accordance with strict health protocols and restrictions on minimum space ratios. Indoor restaurants were able to reopen from June 9, subject to various health measures and minimum space ratios. These restrictions on minimum space ratios were lifted on June 30, 2021 for venues open to the public, and France has not been subject to any curfew measures since June 20, 2021. However, the level of operational activity for nine Mercialys shopping centers was negatively affected for several weeks during the third quarter of 2021, primarily in August, due to the French State's introduction of a requirement to show a "health pass" to access certain sites.

This latest order to close stores may have affected the profitability of retailers that were already impacted by these same measures in 2020, and affected the collection rate for rent, charges and work for the first half of 2021. However, the French government made a public commitment to put in place support packages, in addition to the solidarity fund, that will notably enable retailers that were ordered to close to honor their rent payments. A decree was published on November 16, 2021, introducing support for rent or fees and charges for certain retail and service activities that were forbidden from welcoming members of the public with a view to preventing the spread of the Covid-19 epidemic. These support measures aim to enable retailers to honor their payments for rent and charges for the period when shopping centers were closed during the first half of 2021, which will benefit the collection rate for retail property companies. As a result, Mercialys has not written off any receivables for the period of government-ordered closures.

Alongside this, Mercialys continued to formalize and put in place the support measures granted to its tenants in 2021 for the government-ordered closure periods in 2020.

Concerning the safety of the Company's employees, the arrangements for working from home, which had already been strengthened in 2020, were maintained in 2021 and adapted in line with changes in the health situation and the recommendations issued by the French Ministry of Labor, Employment and Economic Inclusion.

Company's financing and balance sheet

Mercialys has extended the maturity of its undrawn financing facilities. On the one hand, through the Euro 225 million revolving bank credit facility, with 80% extended to December 2024, compared with December 2022 previously. On the other hand, through the one-year extension of an undrawn Euro 25 million bilateral bank line. In addition, through the determination of new firm maturities of five years and three years respectively on one and two undrawn bilateral facilities, two of which saw their amounts increased, for a combined total of Euro 115 million, versus Euro 90 million previously. Lastly, through a new undrawn bilateral line set up for Euro 50 million. The Company launched work to set up a more environmentally responsible financing structure, with environmental clauses incorporated into four undrawn bilateral lines representing a combined total of Euro 165 million.

The Company's undrawn financial resources totaled Euro 480 million at December 31, 2021, compared with Euro 405 million at end-December 2020. This change will enable the Company to extinguish various lines due to mature with a banking partner that now has only a limited presence in France for a total of Euro 75 million, and, from the first quarter of 2022, to terminate the current account advance made available by the Casino group for Euro 35 million before it was due to mature in December 2022. The Company has also continued to optimize the management of its bond maturities and, in 2021, redeemed Euro 99.2 million of the bond issue maturing in March 2023. These bonds are canceled in the Company's books. The outstanding amount of the bond issue maturing in March 2023 therefore represented Euro 469.5 million at end-2021.

Lastly, to contribute to its strong balance sheet positions, Mercialys' General Shareholders' Meeting on April 22, 2021 decided to offer each shareholder an option for the full dividend of Euro 0.43 per share for the year ended December 31, 2020 to be paid in cash or in new Company shares. This operation enabled Mercialys to further strengthen its equity by Euro 17.1 million with the creation of 1,837,332 new ordinary shares, representing nearly 2% of the capital based on the capital at April 30, 2021. Following this operation, Mercialys' share capital on May 21, 2021 was increased to Euro 93,886,501, split into 93,886,501 ordinary shares with a par value of Euro 1, fully paid-up and all of the same category.

Following the exercising of this option for payment in shares, the Casino Group dropped below the threshold representing 20% of Mercialys' capital and voting rights, and indicated on May 31, 2021 that it held 18,559,506 Mercialys shares, representing 19.77% of the Company's capital and 19.82% of its voting rights. In December 2021, the Casino Group indicated that it had sold 3% of Mercialys' capital through a total return swap (TRS) maturing in March 2022, taking the Group's interest in Mercialys to 16.77% of the capital and 16.86% of voting rights.

Sales operations

During the fourth quarter of 2021, Mercialys completed the sale of two assets: the Marseille Canebière Monoprix store and the Carré Duparc retail park in Sainte-Marie (Reunion Island). The Company also signed preliminary sales agreements without financing conditions for the Annecy and Saint-Etienne hypermarkets. These assets illustrate Mercialys' value creation strategy. They had been transformed since their acquisition in 2014. In addition, Mercialys has sold or signed sales commitments for various plots at non-strategic and

fragmented sites. Lastly, the Bordeaux Pessac shopping center, held by the OPCI fund UIR2, in which Mercialys has a 20% interest (this OPCI real estate investment fund is recorded in Mercialys' accounts under non-consolidated securities in non-current assets), was also subject to a preliminary sales agreement in 2021 and the corresponding condition precedent was lifted in January 2022.

These divestments represent a total volume of Euro 110 million including transfer taxes, with Euro 28.0 million of sales completed and Euro 82.0 million of preliminary sales agreements, with 94% no longer subject to conditions precedent on this document's publication date.
Overall, the transaction values for the sales and preliminary sales agreements secured by Mercialys (excluding UIR2) are slightly higher than the end-June 2021 appraisals.

3. Summary of the main key indicators for the period

	Dec 31, 2021
Organic growth in invoiced rents	**+3.0%**
EBITDA[31]	**Euro 144.7 million**
EBITDA / rental revenues	*84.0%*
Funds from operations (FFO[32]**)**	**Euro 101.8 million**
Funds from operations[33] **(FFO) per share**	**Euro 1.10**
Fair value of the portfolio (including transfer taxes)	**Euro 3,138.2 million**
Change vs. Dec 31, 2020 (current basis)	*-3.7%*
Change vs. Dec 31, 2020 (like-for-like)	*-2.8%*
EPRA NDV per share	**Euro 17.60**
Change vs. Dec 31, 2020	*-4.5%*
Loan to Value (LTV) – excluding transfer taxes	**36.7%**

4. Review of activity

4.1. Main management indicators

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

At January 31, 2022	Number of leases	Annual MGR* + variable rents (€m)	Share of leases expiring (% annual MGR + variable)
Expired at December 31, 2021	328	18.1	10.7%
2022	159	8.3	4.9%
2023	110	7.8	4.6%
2024	150	9.2	5.5%
2025	129	7.6	4.5%
2026	196	20.7	12.2%
2027	218	38.2	22.6%
2028	211	14.9	8.8%
2029	183	11.2	6.6%

[31] Earnings before interest, taxes, depreciation, amortization and other operating income and expenses
[32] 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
[33] Calculated based on the average undiluted number of shares (basic), i.e. 92,839,729 shares

2030	262	23.2	13.7%
2031 and beyond	188	9.6	5.7%
Total	**2,134**	**168.8**	**100.0%**

** MGR: minimum guaranteed rent*

The stock of expired leases at end-2021 reflects the negotiations underway, refusals to renew leases with the payment of compensation for eviction, global negotiations for each retailer, tactical delays, etc.

Negotiations with the retailers continued to move forward in 2021 with a view to securing Mercialys' rental flows. Taking into account all of the lease renewals and relettings during the year, whereas at the end of 2020 the leases expired or due to expire at December 31, 2021 represented 20.9% of the Company's total rental base, they were down to just 10.7% at end-January 2022.

As part of the negotiations with retailers concerning the store closures and lockdown phases, in exchange for the rent relief granted, Mercialys was often able to obtain extensions of the firm term of leases (tenants waiving or deferring their next three-year break, renewing their lease early or signing a new lease), achieving an extension of the average firm term of leases across its portfolio by 9.1 months at December 31, 2021, ensuring the sustainability of its rental flows.

- The **collection rate** is still impacted by the health crisis. The shopping center sector in France was significantly affected, from January 2021, by the government measures relating to the health crisis. Meanwhile, the French government made a commitment to put in place support packages, in addition to the solidarity fund and the mechanism covering fixed costs, which should notably enable tenants that were ordered to close to honor their rent payments. Following the signing of the corresponding decree in November 2021, eligible retailers will receive compensation from the government in February 2022. The delays with rolling out these support measures impacted the collection rate for rent and charges for 2021. In view of the government arrangements intended to enable retailers to specifically pay their rent and charges for the periods when they were ordered to close in 2021, Mercialys has not determined any additional support measures. For all the rent and charges (excluding tax) billed by Mercialys, the collection rate came to 88.8% at end-December 2021.
  The gross collection rate for 2020 was 90.1% at end-December 2021. Restated for the rent relief already granted or to be awarded and provisions for doubtful receivables, this rate came to 99.9%.

- The **current financial vacancy rate** - which excludes "strategic" vacancies following decisions to facilitate the deployment of extension and redevelopment plans - came to 3.2%[34] at December 31, 2021, significantly lower than at end-December 2020 (3.8%), end-June 2021 (4.0%) and end-September 2021 (3.4%), highlighting the appeal of Mercialys' sites.

- The **total vacancy rate**[35] was 4.9% at December 31, 2021, once again showing a marked reduction compared with end-2020 (5.4%), end-June 2021 (5.7%) and end-September 2021 (5.0%).

- The **reversion** achieved on renewals and relettings came to an average of -3.0% (-1.8% excluding the retailer Camaïeu, which was subject to liquidation proceedings and a takeover by a new investor). This shows a significant sequential improvement compared with -6.5% for the year to end-June 2021 (-5.4% excluding Camaïeu) and -3.6% for the year to end-September 2021 (-2.0% excluding Camaïeu).

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

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

- The analysis of the **occupancy cost ratio**[36] is ineffective for the full year in 2021 due to the periods when stores were ordered to close. Furthermore, as certain retailers' activities may show strong seasonality during the year, especially in the fourth quarter, any analysis for periods of less than one year is even more complex and potentially not relevant. At December 31, 2019, this ratio showed a very moderate level of 10.4%.

The rents received by Mercialys come from a very diverse range of retailers: with the exception of retailers that are part of the Casino Group (details presented below) and H&M (2.5%), no other tenant represents more than 2% of total rental income.

Casino Group retailers accounted for 22.4% of total rental income at December 31, 2021, down slightly from June 30, 2021 (22.6%) and December 31, 2020 (22.7%). This change is linked in particular to the sale of the Marseille Monoprix store in the fourth quarter of 2021.
This consolidated accounting exposure is calculated factoring in all of the rent paid by Casino Group retailers. Adjusted downwards for the 49% minority interest held by BNP Paribas REIM in SAS Hyperthetis Participations and SAS Immosiris, which together own a total of 10 hypermarkets operating under the Géant Casino banner and adjusted upwards for Mercialys' 25% minority interest in SCI AMR, which holds three Monoprix stores and two hypermarkets operating under the Géant Casino banner, Mercialys' economic exposure to rent from retailers operated by the Casino Group is 19.6%.

Exposure to the Casino Group will continue to be scaled back in 2022 (20.7% proforma) through the completion of the sales of two hypermarkets (Saint Etienne and Annecy).

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

Schedule for key Casino group leases

Site	% held by Mercialys	Type	Lease start date	Lease end date	Lease characteristics
Grenoble	100%	Monoprix	02/2010	02/2022	3 - 6 - 9 - 12 commercial lease
Saint-Étienne	100%	Hypermarket	07/2014	06/2026	3 - 6 - 9 - 12 commercial lease
Quimper	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Annecy	100%	Hypermarket	12/2014	12/2026	3 - 6 - 9 - 12 commercial lease
Aix-en-Provence	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Marseille	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Brest	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Nîmes	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Angers	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Lanester	100%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Niort	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Fréjus	51%	Hypermarket	06/2015	06/2027	3 - 6 - 9 - 12 commercial lease
Narbonne	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Istres	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Le Puy	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Clermont-Ferrand	51%	Hypermarket	11/2015	11/2027	3 - 6 - 9 - 12 commercial lease
Annemasse	100%	Hypermarket	12/2015	12/2027	3 - 6 - 9 - 12 commercial lease
Ajaccio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Corte	60%	Supermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Furiani	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

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

Porto-Vecchio	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period
Toga	60%	Hypermarket	07/2018	06/2030	12-year commercial lease, 9-year firm period

H&M Group lease schedule

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

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

	Number of leases	Annual MGR* + variable rents (€m)	Percentage of rent (%)	
	Dec 31, 2021	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021
National and international retailers	1,454	108.4	64.6%	64.2%
Local retailers	629	22.6	12.7%	13.4%
Casino cafeterias / restaurants	2	0.2	0.6%	0.1%
Monoprix	1	1.2	1.0%	0.7%
Géant Casino and other entities	48	36.4	21.1%	21.6%
Total	**2,134**	**168.8**	**100.0%**	**100.0%**

** MGR: minimum guaranteed rent*

The **breakdown by business sector** (including large food stores) of Mercialys' rents is still highly diversified. Through its various divestment operations, especially concerning certain food retailers, and its relettings, the Company has further strengthened its strategy for balanced retail mixes, while continuing to scale back its exposure to textiles in favor of sectors such as large food stores, health and beauty, culture, gifts and sport, as well as more innovative activities:

	Percentage of rent (%)	
	Dec 31, 2020	Dec 31, 2021
Restaurants and catering	8.6%	8.4%
Health and beauty	12.3%	12.6%
Culture, gifts and sports	16.0%	16.3%
Personal items	31.5%	30.5%

Household equipment	6.9%	7.2%
Food-anchored tenants	21.5%	21.8%
Services	3.2%	3.2%
Total	**100.0%**	**100.0%**

The **rental income structure** at December 31, 2021 shows that the majority of leases, in terms of overall rental income, include a variable clause. However, the vast majority of leases include a guaranteed minimum rent or do not have a variable clause (98.0% in terms of overall rents):

	Number of leases	Annual MGR + variable (€m)	Percentage of rent (%)	
	Dec 31, 2021	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021
Leases with variable clause	1,293	97.0	59%	58%
- of which MGR		*93.7*	*56%*	*56%*
- of which variable rent with MGR		*0.6*	*1%*	*0%*
- of which variable rent without MGR		*2.8*	*2%*	*2%*
Leases without variable clause	841	71.7	41%	42%
Total	**2,134**	**168.8**	**100%**	**100%**

The rental income structure at December 31, 2021 shows a predominant share of leases indexed against the French retail rent index (ILC). For the vast majority of Mercialys' leases, indexation corresponds to the change in this index between the second quarters of N-2 and N-1 and the third quarters of N-2 and N-1.

	Number of leases	Annual MGR + variable (€m)	Percentage of rent (%)	
	Dec 31, 2021	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021
Leases index-linked to the retail rent index (ILC)	1,769	156.4	94%	95%
Leases index-linked to the construction cost index (ICC)	131	6.5	5%	4%
Leases index-linked to the tertiary activities rent index (ILAT) and non-adjustable leases	214	2.5	1%	2%
Total	**2,114**	**165.4**	**100%**	**100%**

5. Review of consolidated results

5.1. Invoiced rents, rental revenues and net rental income

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

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
Invoiced rents	172,911	170,352	-1.5%
Lease rights and despecialization indemnities	2,529	1,879	-25.7%
Rental revenues	**175,440**	**172,232**	**-1.8%**
Property taxes	-14,248	-13,570	-4.8%
Rebilling to tenants	12,684	11,606	-8.5%

Non-recovered property taxes	**-1,564**	**-1,964**	**+25.6%**
Service charges	-30,142	-31,690	+5.1%
Rebilling to tenants	25,871	26,870	+3.9%
Non-recovered service charges	**-4,271**	**-4,821**	**+12.9%**
Management fees	-5,860	-6,306	+7.6%
Rebilling to tenants	4,585	4,183	-8.8%
Losses on and impairment of receivables	-19,694	-2,205	-88.8%
Other expenses	-1,279	-1,076	-15.9%
Net property operating expenses	**-22,248**	**-5,403**	**-75.7%**
Net rental income	**147,357**	**160,043**	**+8.6%**

The **-1.5 point** change in invoiced rents primarily reflects the following factors:

- the impact of indexation for **+0.3 points**, representing Euro 0.4 million;
- the upturn in the contribution by Casual Leasing despite the major opening restrictions for **+0.2 points**, representing Euro +0.4 million;
- the virtually stable level of variable rents in the context of the same opening restrictions for Euro 0.1 million;
- the actions carried out on the portfolio, including the deferral of rental measures due to the lockdown, for **-2.1 points**, representing Euro -3.7 million;
- the accounting impact of the rent relief granted to retailers in connection with the health crisis for **4.6 points**, representing Euro +8.0 million;
- the asset acquisitions and sales completed in 2020 and 2021 for **-4.5 points**, representing Euro -7.7 million;
- other effects primarily including strategic vacancies linked to current redevelopment programs for **-0.1 points**, representing Euro -0.1 million.

Taking into account the effects presented above, organic growth in invoiced rents shows an increase of **3.0 points**.

The turnaround in organic growth in 2021, from -6.0% at end-March to -4.0% at end-June, -2.9% at end-September and +3.0% at end-December, reflects the robust level of letting activity despite more than 3.5 months of closures during the first half of the year, as well as base effects concerning the impacts of the health crisis, particularly in relation to the fourth quarter of 2020.
As detailed in section I, the Company recorded Euro 3.0 million of relief without arrangements negotiated in exchange in 2020, with 100% recognized in the accounts, as well as a Euro 1.1 million impact for the relief measures spread over the firm term of the corresponding leases. In 2021, Mercialys recorded Euro 2.0 million for new relief granted, with 100% recognized in the accounts for the first lockdown from 2020, and Euro 1.5 million for amounts spread in the accounts for the 2020 negotiations relating to the same lockdown.

In addition, in 2020, Mercialys recorded Euro 6.3 million of relief granted in connection with the second lockdown from 2020. In 2021, Mercialys revised this estimated amount down from Euro 6.3 million to Euro 4.8 million, generating Euro +1.5 million of net income in invoiced rents, and recognized Euro 0.3 million for relief granted to restaurants for the second 2020 lockdown.
While the impacts of the health crisis on invoiced rents represented Euro -10.4 million in 2020, these effects came to Euro -2.4 million in the accounts for 2021, with a Euro +8.0 million change reflected in organic growth.

Lease rights and despecialization indemnities[37] received over the period came to Euro 0.7 million at December 31, 2021, compared with Euro 0.9 million at December 31, 2020, with the following breakdown:

- Euro 0.7 million of lease rights linked to reletting activities (vs. Euro 0.9 million in 2020);
- a non-significant amount of despecialization indemnities, as in 2020.

After taking into account deferrals over the firm period of leases as required under IFRS, lease rights for 2021 totaled Euro 1.9 million, compared with Euro 2.5 million for 2020.

Rental revenues therefore came to Euro 172.2 million at December 31, 2021, down -1.8% from end-2020.

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

The costs included in the calculation of net rental income represent Euro 12.2 million for 2021, significantly lower than end-2020 (Euro 28.1 million), linked in particular to the impact of the reversal of provisions, resulting from relief measures granted to tenants as part of the health crisis support measures from 2020 that were finalized in 2021, as well as the reversal of provisions that were no longer applicable (see section I of this release).

Net rental income is up +8.6% to Euro 160.0 million. The change compared with end-2020 is linked to very significant base effects, with Euro 13.7 million of provisions recorded for the impairment of trade receivables due to the impact of the health crisis in 2020. In 2021, Euro 9.7 million of these provisions from 2020 were reversed as a result of both the collection operations completed and the rent relief granted.

Alongside this, an exceptional provision for Euro 7.8 million was recorded in the 2021 accounts concerning arrears for rent and charges for the year. These various effects are presented in detail in section I of this press release. Lastly, Mercialys recorded Euro 1.4 million of income in 2021 relating to the tax credit for landlords that granted rent relief as recommended by the French government in relation to the second lockdown from 2020. These various effects are presented in detail in section I of this press release.

5.2. Management income, operating costs and EBITDA

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
Net rental income	**147,357**	**160,043**	**+8.6%**
Management, administrative and other activities income	3,035	2,801	-7.7%
Other income and expenses	-6,096	-3,395	-44.3%
Personnel expenses	-13,121	-14,763	+12.5%
EBITDA	**131,174**	**144,687**	**+10.3%**
% rental revenues	***74.8%***	***84.0%***	***na***

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

[37] Compensation paid by a tenant to modify the purpose of their lease and be able to perform an activity other than that originally specified in the lease agreement

Fees charged in 2021 totaled Euro 2.8 million, compared with Euro 3.0 million for 2020.

No **property development margin** was recorded in 2021.

The Euro 1.6 million of **other current income** recognized in 2021 includes dividends received from the OPCI fund created in partnership with Union Investment in 2011. Ownership of this OPCI real estate investment fund is split between Union Investment (80%) and Mercialys (20%), and it is recorded in Mercialys' accounts under non-consolidated securities in non-current assets. Mercialys operates this fund and is in charge of asset management and letting. These dividends, similar to net rental revenues, are recognized as operating income. A compensation payment, concerning a guarantee that Mercialys was covered by for the Arles site, was also recorded in 2021.

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

For 2021, these expenses totaled Euro 5.0 million, compared with Euro 6.1 million in 2020. This change notably takes into account the changes in the services covered by the Services Agreement, some of which ended in 2021, as well as the Company's committed efforts to moderating operating costs.

Personnel expenses totaled Euro 14.8 million in 2021, compared with Euro 13.1 million in 2020. For reference, Mercialys is continuing to gradually bring back in-house support activities that were previously outsourced under the Services Agreement signed with the Casino Group. In 2020, the IT support, HR support and real estate management control activities were brought back in-house. At the end of 2021, the insurance management and corporate legal activities were also brought back in-house. In addition, work was carried out in 2021 to prepare to bring the accounting, cash management, rental management, and technical and administrative management functions back in-house. These changes led to an increase in Mercialys' payroll, alongside a gradual reduction in billing under the Agreement recognized in other current expenses.

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

As a result, **EBITDA**[38] came to Euro 144.7 million in 2021, compared with Euro 131.2 million in 2020, up +10.3%. The EBITDA margin also shows a significant increase to 84.0%, compared with 74.8% at December 31, 2020.

5.3. Net financial items

Net financial income totaled Euro 33.8 million at December 31, 2021, compared with Euro 24.6 million at December 31, 2020. Restated for the impact of non-recurring items (hedging ineffectiveness, banking default risk, bond redemption premium, bond redemption costs, proceeds from the unwinding of swaps and exceptional amortization relating to the partial redemption of the 2023 issue), which represented a Euro -1.1 million net expense at end-December 2021, versus Euro +1.1 million of net income at end-December 2020, net financial income taken into account to calculate funds from operations (FFO) came to Euro 32.8 million at

[38] Earnings before interest, tax, depreciation and amortization

end-2021, compared with Euro 25.7 million at end-2020. This change primarily reflects the impact of the refinancing operation carried out in July 2020.

The following table presents a breakdown of net financial items:

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
Income from cash and cash equivalents *(a)*	**61**	**177**	na
Cost of debt taken out *(b)*	-31,450	-36,872	+17.2%
Impact of hedging instruments *(c)*	7,698	9,023	+17.2%
Cost of property finance leases *(d)*	0	0	na
Gross finance costs excluding exceptional items	**-23,752**	**-27,849**	**+17.2%**
Exceptional amortization of costs relating to the early repayment of financial debt *(e)*	-2,544	-759	-70.2%
Gross finance costs *(f) = (b)+(c)+(d)+(e)*	**-26,296**	**-28,607**	**+8.8%**
Net finance costs *(g) = (a)+(f)* [39]	**-26,236**	**-28,431**	**+8.4%**
Cost of revolving credit facility and bilateral loans (undrawn) *(h)*	-2,724	-3,165	+16.2%
Other financial expenses *(i)*	-300	-300	-0.1%
Other financial expenses excluding exceptional items *(j) = (h)+(i)*	**-3,024**	**-3,465**	**+14.6%**
Non-recurring financial expenses (k)	**0**	**-2,235**	**na**
Other financial expenses *(l) = (j)+(k)*	**-3,024**	**-5,700**	**+88.5%**
Total financial expenses *(m) = (f)+(l)*	**-29,321**	**-34,307**	**+17.0%**
Income from associates	233	296	+27.8%
Other financial income	4,406	0	na
Other financial income *(n)*	**4,639**	**296**	**na**
TOTAL FINANCIAL INCOME *(o) = (a)+(n)*	**4,700**	**473**	**na**
NET FINANCIAL INCOME = *(m)+(o)*	**-24,621**	**-33,835**	**+37.4%**

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

5.4.1. Funds from operations (FFO)

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
EBITDA	**131,174**	**144,687**	**+10.3%**
Net financial income (excluding non-recurring items[40])	-25,748	-32,755	+27.2%
Reversals of / (Allowance for) provisions	1,343	-997	na
Other operating income and expenses (excluding capital gains on disposals and impairment)	-1,480	-1,419	-4.1%
Tax expense	-2,019	-848	-57.9%
Share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)	2,203	3,583	+62.6%
Non-controlling interests (excluding capital gains, amortization and impairment)	-9,932	-10,498	+5.7%
FFO	**95,541**	**101,754**	**+6.5%**
***FFO per share*[41]**	***1.04***	***1.10***	***+5.0%***

[39] Net finance costs in 2020 and 2021, in accordance with the conditions for calculation set by the covenants for the Company's bank lines, do not take into account the Euro 4.4 million of net income for 2020 and the Euro 2.2 million net expense for 2021 linked to the bond redemption premiums, the bond redemption costs and the proceeds from unwinding swaps

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

[41] Calculated based on the average undiluted number of shares (basic), i.e. 92,839,729 shares

Other operating income and expenses (excluding capital gains on disposals and impairment) came to Euro
-1.4 million (Euro -1.5 million at end-2020) and primarily include the net impacts of provisions, as well as the launch of the Ocitô and Cowork activities.

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 revenues and 70% of gains on the disposal of real estate assets are distributed to shareholders. The tax expenses recorded by Mercialys therefore concern the corporate value-added tax (CVAE), corporate income tax on activities that do not fall under the SIIC regime and deferred taxes.

2021 recorded a **tax expense** of Euro -0.8 million, primarily comprising the CVAE corporate value-added tax. At end-2020, the tax expense was Euro -2.0 million.

The **share of net income from associates and joint ventures (excluding capital gains, amortization and impairment)** came to Euro 3.6 million at December 31, 2021, compared with Euro 2.2 million at December 31, 2020. The companies consolidated under the equity method in Mercialys' consolidated financial statements are SCI AMR (created in partnership with Amundi Immobilier in 2013 and in which Mercialys has a 25% stake), SNC Aix2 (in which Mercialys acquired a 50% stake in December 2013, with Altarea Cogedim owning the other 50%), Corin Asset Management SAS (in which Mercialys has a 40% stake), SCI Rennes Anglet (in which Mercialys has a 30% stake), and SAS Saint-Denis Genin (in which Mercialys has a 30% stake). The change in this share over the period reflects the assets sold at the end of December 2020 to SCI AMR, as well as the impact of rent relief granted by associates in connection with the health crisis, in addition to the impact of the collection in 2021 of rent and charges billed in 2020.

Non-controlling interests (excluding capital gains, amortization and impairment) came to Euro -10.5 million at December 31, 2021, compared with Euro -9.9 million at December 31, 2020. They are linked to the 49% stake held by BNP Paribas REIM France in the companies Hypertethis Participations and Immosiris. As Mercialys retains exclusive control, these subsidiaries are fully consolidated.

In view of these items, **funds from operations (FFO)**, which correspond to net income before amortization, capital gains or losses on disposals net of associated costs, potential asset impairments and other non-recurring effects, came to Euro 101.8 million (versus Euro 95.5 million for 2020), up +6.5%. Considering the average number of shares (basic) at end-December, FFO represents Euro 1.10 per share at December 31, 2021, compared with Euro 1.04 per share at December 31, 2020, up +5.0%.

5.4.2. Net income attributable to owners of the parent

(In thousands of euros)	Dec 31, 2020	Dec 31, 2021	Change (%)
FFO	95,541	101,754	+6.5%
Depreciation and amortization	-40,777	-39,157	-4.0%
Other operating income and expenses	34,223	369	na
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	1,127	-1,080	na
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	-4,282	296	na
Net income attributable to owners of the parent	**85,833**	**62,183**	**-27.6%**

Depreciation and amortization came to Euro -39.2 million in 2021, down -4% from 2020 due to the assets sold, while investment remained at a very moderate level over the period.

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

Other operating income came to Euro 28.6 million at December 31, 2021, compared with Euro 240.7 million at December 31, 2020. This amount includes:
- income from asset sales completed over the period for Euro 27.7 million;
- income associated with reversals of provisions on assets sold for Euro 0.8 million.

Other operating expenses totaled Euro -28.2 million at December 31, 2021, compared with Euro 206.5 million at December 31, 2020. This amount mainly includes:
- the net book value of assets disposed of during 2021 and costs relating to these disposals for Euro -19.5 million;
- provisions recorded for the impairment of investment properties for Euro -8.7 million.

On this basis, the amount of net capital gains recorded in the consolidated financial statements at December 31, 2021 for asset disposals came to Euro 9.0 million (vs. Euro 47.5 million for 2020). Capital gains from asset disposals completed in 2021 and available for distribution at 70% with the SIIC status totaled Euro 8.5 million. As the sale that accounts for the majority of this capital gain was carried out by a Mercialys subsidiary, this subsidiary will pay a dividend to Mercialys in 2022 corresponding to this capital gain, which will in turn be distributed by Mercialys in 2023.

Net income attributable to owners of the parent, as defined by IFRS, came to Euro 62.2 million for 2021, compared with Euro 85.8 million for 2020.

5.5. Financial structure

5.5.1. Debt cost and structure

At December 31, 2021, Mercialys' **drawn debt** totaled Euro 1,354.5 million, with the following breakdown:

- a bond issue with a residual nominal amount of Euro 469.5 million, with a fixed coupon of 1.787%, maturing in March 2023;
- a bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 1.80%, maturing in February 2026;
- a bond issue for a nominal amount of Euro 300 million, with a fixed coupon of 4.625%, maturing in July 2027;
- a private bond placement for a nominal amount of Euro 150 million, with a fixed coupon of 2.00%, maturing in November 2027;
- Euro 135 million of outstanding commercial paper, with a slightly negative average rate.

Cash and cash equivalents came to Euro 257.1 million at December 31, 2021, compared with Euro 464.6 million at December 31, 2020. The main cash flows that impacted the change in Mercialys' cash position over the period were as follows:

- net cash flow from operating activities during the period: Euro +135.7 million;

- cash receipts / payments related to disposals / acquisitions of assets completed in 2021: Euro +14.7 million;
- dividend payments to parent company shareholders and non-controlling interests: Euro -31.5 million;
- issues and repayment of borrowings net of the change in outstanding commercial paper: Euro -296.7 million;
- net interest paid: Euro -29.1 million.

Net financial debt came to Euro 1,101.5 million at December 31, 2021, compared with Euro 1,188.8 million at December 31, 2020.

The **real average cost of drawn debt** at December 31, 2021 was 2.0%[42], virtually stable compared with end-June 2021 (1.9%) and significantly higher than the rate recorded in 2020 (1.4%[43]). This change primarily reflects the full-year impact of the refinancing operation carried out in July 2020.

Alongside this, Mercialys has maintained a high level of **hedging for its debt**, with a hedged or fixed-rate debt position (including commercial paper) representing 86% at end-December 2021, compared with 87% at end-June 2021 and 92% at end-December 2020.

5.5.2. Debt maturity and liquidity

The **average maturity of drawn debt** was 3.2 years at December 31, 2021, compared with 3.6 years at end-June 2021.

Mercialys also has Euro 480 million of **undrawn financial resources**, enabling it to benefit from a satisfactory level of liquidity:

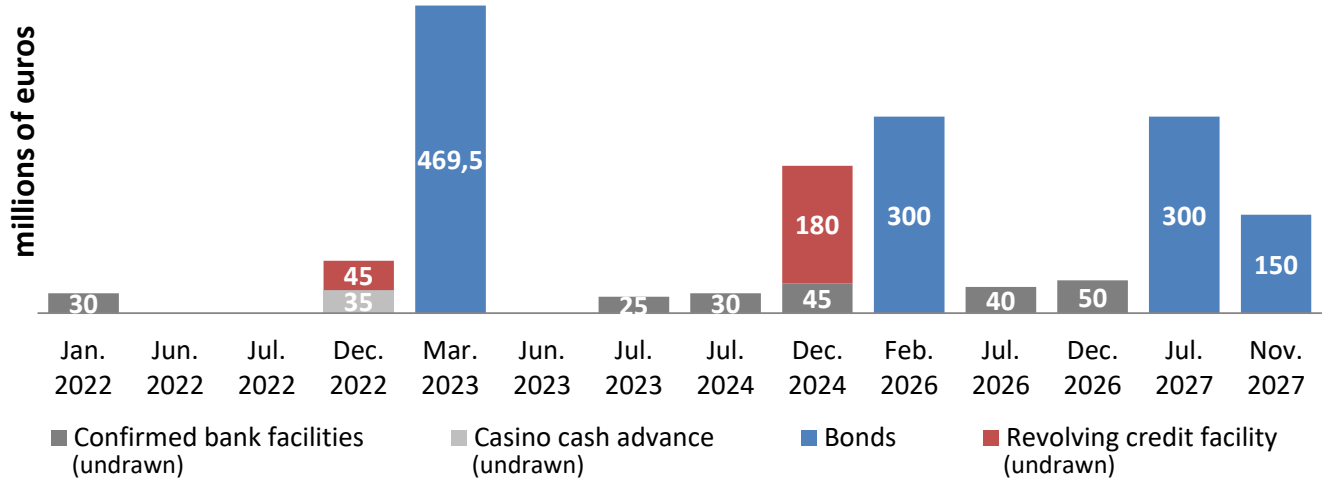
- a Euro 225 million revolving bank credit facility, with 20% due in December 2022 and 80% in December 2024. The Euribor margin is 125 basis points (for a BBB rating); if undrawn, this facility is subject to payment of a non-use fee representing 40% of the margin;
- six bilateral confirmed bank facilities for a total amount of Euro 220 million, maturing between January 2022 and December 2026. The Euribor margins are 150 basis points or lower (for a BBB rating) or fixed rate; if undrawn, these facilities are subject to payment of a non-use fee representing up to 40% of the margins;
- a Casino current account advance for up to Euro 35 million, maturing at December 31, 2022. The Euribor margin is progressive; if undrawn, this facility is subject to payment of a non-use fee representing 40% of the margin.

The bilateral facility maturing in January 2022 and 20% of the RCF, representing a total of Euro 75 million, will not be renewed. In addition, during the first quarter of 2022, the current account advance made available by the Casino group for Euro 35 million was terminated ahead of schedule before it was due to mature in December 2022.

Mercialys also has a Euro 500 million commercial paper program, set up during the second half of 2012. It has been used for Euro 135 million (outstanding at December 31, 2021).

[42] This rate does not include the net expense 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.
[43] This rate does not include the 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

The following chart presents Mercialys' **bond debt maturity schedule and undrawn financial resources** (excluding commercial paper) at December 31, 2021:



5.5.3. Bank covenants and credit rating

Mercialys' financial position at December 31, 2021 satisfied all the various covenants included in the different credit agreements.

The **loan to value (LTV) ratio** excluding transfer taxes came to 36.7% at end-December 2021, compared with 38.1% at end-December 2020, well below the contractual covenants. An LTV covenant of less than 55% applies to 72% of the confirmed bank lines, with an LTV covenant of less than 50% for the other 28% of these facilities. The Company has improved its very balanced financial structure, with its management of liabilities and sales more than offsetting the effects of the economic and health crisis, which were reflected in a collection rate that had not yet normalized in 2021, as well as pressure on site appraisal values.

The LTV including transfer taxes was 34.4% at end-December 2021, compared with 36.0% at June 30, 2020 and 35.8% at end-December 2020.

	Dec 31, 2020	Dec 31, 2021
Net financial debt (in millions of euros)	1,188.8	1,101.5
Appraisal value excluding transfer taxes (in millions of euros)[44]	3,122.0	3,000.9
Loan to value (LTV) - excluding transfer taxes	**38.1%**	**36.7%**

Similarly, the **interest coverage ratio (ICR)** was 5.1x at end-December 2021, significantly higher than the contractual covenant (ICR > 2x), compared with 5.0x at end-December 2020.

	Dec 31, 2020	Dec 31, 2021
EBITDA (in millions of euros)	131.2	144.7
Net finance costs (in millions of euros)[45]	-26.2	-28.2

[44] Including the market value of investments in associates for Euro 55.8 million for 2021 and Euro 56.4 million for 2020, since the value of the portfolio held by associates is not included in the appraisal value

[45] Net finance costs in 2020 and 2021, in accordance with the conditions for calculation set by the covenants for the Company's bank lines, do not take into account the Euro 4.4 million of net income for 2020 and the Euro 2.2 million net expense for 2021 linked to the bond redemption premiums, the bond redemption costs and the proceeds from unwinding swaps

Interest coverage ratio (ICR)	**5.0x**	**5.1x**

The two other contractual covenants are also met:
- the **fair value of assets excluding transfer taxes** at December 31, 2021 was Euro 2.9 billion, which sets a fair value of investment properties excluding transfer taxes of over Euro 1 billion);
- zero **pledged debt** at December 31, 2021 (below the covenant, which caps the pledged debt to fair value ratio excluding transfer taxes at 20%).

On May 19, 2021, Standard & Poor's confirmed its **BBB rating** for Mercialys, while its outlook was upgraded from negative to **stable** on September 13, 2021.

5.6. Equity and ownership structure

Consolidated equity totaled Euro 945.1 million at December 31, 2021, compared with Euro 895.1 million at December 31, 2020.

The main changes that affected consolidated equity during the year were as follows:
- net income for 2021: Euro +71.1 million;
- payment of the dividend for 2020 of Euro 0.43 per share (including an option for payment in shares) and dividends paid to non-controlling interests: Euro -48.6 million;
- capital increase following the option for the dividend to be paid in shares: Euro +17.1 million;
- transactions on treasury shares: Euro +0.3 million;
- change in fair value of financial assets and derivatives: Euro +10.1 million.

The **number of outstanding shares** at December 31, 2021 was 93,886,501, compared with 92,049,169 at December 31, 2020.

	2019	2020	2021
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	93,886,501
Average number of shares outstanding	92,049,169	92,049,169	93,179,835
Average number of shares (basic)	**91,789,610**	**91,532,357**	**92,839,729**
Average number of shares (diluted)	**91,789,610**	**91,532,357**	**92,839,729**

At December 31, 2021, Mercialys' shareholding structure had the following breakdown: Casino Group (16.77%), Generali Group (7.85%), treasury stock (0.52%), other shareholders (74.85%).

5.7. Distribution

Mercialys' Board of Directors will submit a proposal at the General Meeting on April 28, 2022 for a dividend of **Euro 0.92 per share**, compared with Euro 0.43 per share for 2020. The payout corresponds to 85% of 2021 FFO and offers a yield of 5.2% on the NDV of Euro 17.60 per share at end-2021 and 10.7% on the year's closing price.

This proposed dividend is based on the distribution requirement with the SIIC tax status concerning exempt profits from:

- property rental or sub-letting operations (including dividends paid by the subsidiaries subject to the SIIC system), i.e. Euro 0.39 per share;
- the distribution based on 70% of exempt profits for 2021 from the disposal of properties and investments in real estate companies, i.e. Euro 0.01 per share;
- the distribution based on 70% of exempt profits for 2020 from the disposal of properties and investments in real estate companies, i.e. Euro 0.38 per share;
- the distribution of exempt income recorded on the Company's balance sheet for Euro 0.14 per share.

The ex-dividend date is May 3, 2022, and the dividend will be paid on May 5, 2022.

6. Changes in scope and valuation of the asset portfolio

6.1. Asset acquisitions

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

6.2. Completion of extension or requalification projects

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

6.3. Asset disposals

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

6.4. Appraisal valuations and changes in scope

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

At December 31, 2021, BNP Real Estate Valuation, Catella Valuation, Cushman & Wakefield, CBRE and Galtier updated their valuation of Mercialys' portfolio:

- BNP Real Estate Valuation conducted the appraisal of 35 sites at December 31, 2021, based on an on-site inspection of one site during the second half of 2021 and an update of the June 30, 2021 appraisals for the other sites. 11 on-site inspections were carried out during the first half of 2021;
- Catella Valuation conducted the appraisal of 15 sites at December 31, 2021, based on an on-site inspection of four sites during the second half of 2021 and an update of the June 30, 2021 appraisals for the other sites;
- Cushman & Wakefield conducted the appraisal of nine sites at December 31, 2021, based on an update of the appraisals carried out at June 30, 2021;
- CBRE conducted the appraisal of one site at December 31, 2021, based on an update of the appraisal carried out at June 30, 2021;
- Galtier performed the appraisal for Mercialys' remaining sites, i.e. two sites, at December 31, 2021, based on an update of the appraisals carried out at June 30, 2021.

On this basis, the **portfolio value** was Euro 3,138.2 million including transfer taxes at December 31, 2021, compared with Euro 3,258.3 million at December 31, 2020. Excluding transfer taxes, this value was Euro 2,945.1 million at end-2021, compared with Euro 3,065.6 million at end-2020.

The portfolio value including transfer taxes is therefore down -3.7% over 12 months (-2.8% like-for-like[46]) and -1.5% over six months (-0.6% like-for-like). The change in the portfolio value excluding transfer taxes is consistent with the same proportions (-1.7% over six months and -0.9% like-for-like).

The **average appraisal yield rate** was 5.71% at December 31, 2021, compared with 5.74% at June 30, 2021 and 5.72% at December 31, 2020.

Type of property	Average yield rate Dec 31, 2020	Average yield rate Jun 30, 2021	Average yield rate Dec 31, 2021
Regional and large shopping centers	5.44%	5.44%	5.43%
Neighborhood shopping centers	7.31%	7.45%	7.33%
Total portfolio [47]	**5.72%**	**5.74%**	**5.71%**

The following table presents the breakdown of Mercialys' portfolio by fair value and gross leasable area (GLA) by type of property at December 31, 2021, as well as the corresponding appraised rental income:

Type of property	Number of assets Dec 31, 2021	Appraisal value (excl. transfer taxes) Dec 31, 2021		Appraisal value (incl. transfer taxes) Dec 31, 2021		Gross leasable area Dec 31, 2021		Appraised potential net rental income	
		(€m)	(%)	(€m)	(%)	(sq.m)	(%)	(€m)	(%)
Regional and large shopping centers	25	2,499.7	84.9%	2,662.1	84.8%	640,783	78.8%	144.6	80.7%
Neighborhood shopping centers	25	437.4	14.9%	467.6	14.9%	171,133	21.0%	34.3	19.1%
Subtotal	**50**	**2,937.1**	**99.7%**	**3,129.7**	**99.7%**	**811,916**	**99.8%**	**178.9**	**99.8%**
Other sites [48]	3	8.0	0.3%	8.5	0.3%	1,414	0.2%	0.3	0.2%
Total	**53**	**2,945.1**	**100.0%**	**3,138.2**	**100.0 %**	**813,330**	**100.0%**	**179.2**	**100.0%**

7. Outlook

Excluding the health situation's potential impacts on its operations, Mercialys has set the following objectives for 2022:

- Growth in Funds From Operations (FFO) per share to reach at least +2% vs. 2021;
- Dividend to range from 85% to 95% of 2022 FFO.

8. Subsequent events

In January 2022, Mercialys canceled, ahead of schedule, the current account advance granted by the Casino Group (this line had never been drawn down) for a total of Euro 35 million.

[46] Sites on a constant scope and a constant surface area basis
[47] Including other assets (independent cafeterias and other standalone sites).
[48] Including other assets (independent cafeterias and other standalone sites)

9. EPRA performance measurements

Mercialys applies the EPRA[49] recommendations for the indicators provided below. EPRA is the representative organization for listed real estate companies in Europe and issues recommendations on performance indicators to improve the comparability of financial statements published by the various companies.

In its half-year financial report and its Universal Registration Document, Mercialys publishes all the EPRA indicators defined by the Best Practices Recommendations, which can be found on EPRA's website. The following table summarizes the EPRA indicators at end-December 2021, end-June 2021 and end-December 2020:

	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
EPRA earnings - Euros per share	1.04	0.60	1.10
EPRA NRV - Euros per share	21.18	20.32	20.51
EPRA NTA - Euros per share	19.04	18.26	18.39
EPRA NDV - Euros per share	18.42	17.17	17.60
EPRA net initial yield - %	5.28%	5.26%	5.24%
EPRA topped-up net initial yield - %	5.33%	5.32%	5.32%
EPRA vacancy rate - %	5.4%	5.7%	4.9%
EPRA cost ratio (including direct vacancy costs) - %	27.0%	11.7%	18.5%
EPRA cost ratio (excluding direct vacancy costs) - %	25.6%	9.8%	16.6%
EPRA capital expenditure - In millions of euros	61.6	6.6	15.9

9.1. EPRA earnings and earnings per share

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

(In millions of euros)	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
Net income attributable to owners of the parent	**85.8**	**31.4**	**62.2**
Share of net income from associates, joint ventures and non-controlling interests (amortization, depreciation and capital gains)	4.3	-0.1	-0.3
Hedging ineffectiveness, banking default risk and impact of partial redemption of the 2023 issue	-1.1	-0.7	1.1
Other operating income and expenses	-34.2	5.6	-0.4
Depreciation and amortization	40.8	19.6	39.2
EPRA earnings	**95.5**	**55.7**	**101.8**
Average number of shares (basic)	91,532,357	92,136,487	92,839,729
EPRA earnings per share (in euros)	**1.04**	**0.60**	**1.10**

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

[49] European Public Real Estate Association

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

(In millions of euros)	Dec 31, 2020 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**692.9**	**692.9**	**692.9**
Includes [50] / Excludes [51]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**692.9**	**692.9**	**692.9**
Includes [50]:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	1,021.9	1,021.9	1,021.9
ii.b) Revaluation of IPUC [52] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [53]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases [54]	0.0	0.0	0.0
iv) Revaluation of trading properties [55]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,732.3**	**1,732.3**	**1,732.3**
Excludes [51]:			
v) Deferred tax in relation to fair value gains of IP [56]	0.0	0.0	
vi) Fair value of financial instruments	14.1	14.1	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-4.1	
Includes [50]:			
ix) Fair value of fixed interest rate debt			-45.9
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [57]	192.7	0.0	
NAV	**1,939.0**	**1,742.3**	**1,686.4**
Fully diluted number of shares	91,532,357	91,532,357	91,532,357
NAV per share (in euros)	**21.18**	**19.04**	**18.42**

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

(In millions of euros)	Jun 30, 2021 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**708.4**	**708.4**	**708.4**
Includes[58] / Excludes[59]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**708.4**	**708.4**	**708.4**
Includes [58]:			
Ii.a) Revaluation of IP (if IAS 40 cost option is used)	974.3	974.3	974.3
ii.b) Revaluation of IPUC [60] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments[61]	17.5	17.5	17.5
iii) Revaluation of tenant leases held as finance leases[62]	0.0	0.0	0.0
iv) Revaluation of trading properties[63]	0.0	0.0	0.0
EPRA diluted NAV at fair value	**1,700.2**	**1,700.2**	**1,700.2**
Excludes [59]:			
v) Deferred tax in relation to fair value gains of IP [64]	0.0	0.0	
vi) Fair value of financial instruments	13.3	13.3	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-4.0	
Includes [58]:			
ix) Fair value of fixed interest rate debt			-92.1
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax[65]	189.0	0.0	
NAV	**1,902.6**	**1,709.6**	**1,608.1**
Fully diluted number of shares at end of period	93,636,064	93,636,064	93,636,064
NAV per share (in euros)	**20.32**	**18.26**	**17.17**

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

(In millions of euros)	Dec 31, 2021 EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to shareholders	**743.1**	**743.1**	**743.1**
Includes [66] / Excludes [67]:			
i) Hybrid instruments	0.0	0.0	0.0
Diluted EPRA NAV	**743.1**	**743.1**	**743.1**
Includes [66]:			
Ii.a) Revaluation of IP (if IAS 40 cost option is used)	957.5	957.5	957.5
ii.b) Revaluation of IPUC [68] (if IAS 40 cost option is used)	0.0	0.0	0.0
ii.c) Revaluation of other non-current investments [69]	17.9	17.9	17.9
iii) Revaluation of tenant leases held as finance leases [70]	0.0	0.0	0.0
iv) Revaluation of trading properties [71]	2.1	2.1	2.1
EPRA diluted NAV at fair value	**1,720.6**	**1,720.6**	**1,720.6**
Excludes [67]:			
v) Deferred tax in relation to fair value gains of IP [72]	0.0	0.0	
vi) Fair value of financial instruments	2.2	2.2	
vii) Goodwill as a result of deferred tax	0.0	0.0	0.0
viii.a) Goodwill as per the IFRS balance sheet		0.0	0.0
viii.b) Intangibles as per the IFRS balance sheet		-5.0	
Includes [66]:			
ix) Fair value of fixed interest rate debt			-76.5
x) Revaluation of intangibles to fair value	0.0		
xi) Real estate transfer tax [73]	193.1	0.0	
NAV	**1,916.0**	**1,717.8**	**1,644.1**
Fully diluted number of shares	93,394,908	93,394,908	93,394,908
NAV per share (in euros)	**20.51**	**18.39**	**17.60**

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

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

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

(In million euros)	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
Investment property – wholly owned	3,065.6	2,996.6	2,945.1
Assets under development (-)	0.0	0.0	0.0
Completed property portfolio excluding transfer taxes	**3,065.6**	**2,996.6**	**2,945.1**
Transfer taxes	192.7	189.0	193.1
Completed property portfolio including transfer taxes	**3,258.3**	**3,185.6**	**3,138.2**
Annualized rental revenues [74]	178.5	174.2	171.2
Non-recoverable expenses (-)	-6.4	-6.6	-6.8
Annualized net rents	**172.1**	**167.6**	**164.4**
Notional gain relating to expiration of step-up rents, rent-free periods or other lease incentives	1.7	1.9	2.5
Topped-up net annualized rent	**173.8**	**169.5**	**166.9**
EPRA Net Initial Yield	**5.28%**	**5.26%**	**5.24%**
EPRA "Topped-up" Net Initial Yield	**5.33%**	**5.32%**	**5.32%**

9.4. EPRA vacancy rate

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

The EPRA vacancy rate was 4.9% at end-December 2021, significantly lower than the level from end-June 2021 (5.7%) and end-December 2020 (5.4%). "Strategic" vacancies following decisions to facilitate extension or redevelopment plans represent 170bp within this vacancy rate.

(In million euros)	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021
Rental value of vacant units	10.0	10.3	8.7
Rental value of the entire portfolio	183.9	180.6	179.3
EPRA vacancy rate	**5.4%**	**5.7%**	**4.9%**

[74] In 2020, annualized rental revenues included a normalized view of the Casual Leasing business, which was exceptionally affected by the health crisis. In 2021, the Casual Leasing business was affected by the shopping centers being closed for more than 3.5 months; however, the annualized rental revenues included in the NYI calculation correspond to the amounts recorded in the accounts

9.5. EPRA cost ratios

(In million euros)	Dec 31, 2020	Jun 30, 2021	Dec 31, 2021	Comments
Administrative and operating expense line per IFRS income statement[75]	-19.2	-9.2	-19.7	Personnel expenses and other costs
Net service charge costs / fees	-5.8	-4.2	-6.8	Property taxes and non-recovered service charges (including vacancy costs)
Rental management fees	-1.3	-0.5	-2.1	Rental management fees
Other income and expenses[76]	-21.0	4.1	-3.3	Other property operating income and expenses excluding management fees
Share of joint venture administrative and operating expenses	0.0	0.0	0.0	
Total	**-47.3**	**-9.9**	**-31.9**	
Adjustments to calculate the EPRA cost ratio exclude (if included above):				
- Depreciation and amortization	0.0	0.0	0.0	Depreciation and provisions for fixed assets
- Ground rent costs	0.0	0.0	0.0	Non-group rents paid
- Service charges recovered through comprehensive invoicing (with rent)	0.0	0.0	0.0	
EPRA costs (including vacancy costs) (A)	**-47.3**	**-9.9**	**-31.9**	**A**
Direct vacancy costs [77]	**2.5**	**1.6**	**3.3**	
EPRA costs (excluding vacancy costs) (B)	**-44.8**	**-8.3**	**-28.6**	**B**
Gross rental revenues less ground rent costs [78]	175.4	84.7	172.2	Less costs relating to construction leases and long-term ground leases
Less: service fee and service charge cost components of gross rental revenues	0.0	0.0	0.0	
Plus: share of joint ventures' gross rental revenues (less ground rent costs)	0.0	0.0	0.0	
Rental revenues (C)	**175.4**	**84.7**	**172.2**	**C**
EPRA cost ratio including direct vacancy costs	**-27.0%**	**-11.7%**	**-18.5%**	**A / C**
EPRA cost ratio excluding direct vacancy costs	**-25.6%**	**-9.8%**	**-16.6%**	**B / C**

[75] The administrative and operating expense line per IFRS income statement does not include personnel costs that are capitalized for projects or allocated to sales, for Euro 2.4 million at December 31, 2021, Euro 1.3 million at June 30, 2021 and Euro 1.4 million at December 31, 2020

[76] Other income and expenses for 2021 include various non-recurring impacts linked to the health crisis, as presented in section I of this press release

[77] The EPRA cost ratio deducts all vacancy costs for assets undergoing development / refurbishment if they have been expensed. The costs that can be excluded are property taxes, service charges, contributions to marketing costs, insurance premiums, carbon tax, and any other costs directly related to the property

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

9.6. EPRA capital expenditure

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

(In millions of euros)	Dec 31, 2020			Jun 30, 2021			Dec 31, 2021		
	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total	Group (excluding joint ventures)	Joint ventures (proportionate share)	Group total
Acquisitions	44.8	0.0	44.8	0.4	0.0	0.4	1.5	0	1.5
Developments	7.8	0.0	7.8	0.3	0.0	0.3	2.8	0	2.8
Investment properties	8.0	0.0	8.0	5.8	0.0	5.8	9.4	0	9.4
Incremental lettable space	*3.3*	*0.0*	*3.3*	*1.8*	*0.0*	*1.8*	2.0	0	2.0
No incremental lettable space	*3.0*	*0.0*	*3.0*	*1.9*	*0.0*	*1.9*	4.1	0	4.1
Tenant incentives	*0.1*	*0.0*	*0.1*	*0.5*	*0.0*	*0.5*	1.2	0	1.2
Other material non-allocated types of expenditure	*1.6*	*0.0*	*1.6*	*1.6*	*0.0*	*1.6*	*2.0*	*0*	*2.0*
Capitalized interest (if applicable)	1.0	0.0	1.0	0.0	0.0	0.0	1.8	0	1.8
Total Capex	**61.6**	**0.0**	**61.6**	**6.5**	**0.0**	**6.5**	**15.5**	**0**	**15.5**
Conversion from accrual to cash basis	0.0	0.0	0.0	0.2	0.0	0.2	0.4	0	0.4
Total Capex on cash basis	**61.6**	**0.0**	**61.6**	**6.6**	**0.0**	**6.6**	**15.9**	**0**	**15.9**

Development capital expenditure notably concerns the development of strategic projects (Ocitô and coworking).

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

- Under “incremental lettable space”, primarily work relating to the traditional project portfolio (shopping center transformations, mixed-use urban projects);
- Under “no incremental lettable space”, primarily maintenance capex;
- Under “other material non-allocated types of expenditure”, expenditure relating to the Company’s IT, its marketing and digital ecosystem, and its CSR approach.

SUBSCRIPTION AND SALE

Subscription Agreement

BNP Paribas and Natixis (the "**Global Coordinators**") and Crédit Agricole Corporate and Investment Bank, Crédit Industriel et Commercial S.A., La Banque Postale and Société Générale (together with the Global Coordinators, the "**Joint Bookrunners**") have, pursuant to a subscription agreement dated 24 February 2022 (the "**Subscription Agreement**"), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Bonds at an issue price equal to 99.399 per cent. of the principal amount of the Bonds, less any applicable commission. In addition, the Issuer will pay certain costs incurred by it and the Joint Bookrunners in connection with the issue of the Bonds.

The Joint Bookrunners are entitled to terminate the Subscription Agreement in certain limited circumstances prior to the issue of the Bonds. The Issuer has agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the offer and sale of the Bonds.

General Selling Restrictions

Each of the Joint Bookrunners has agreed to observe all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver Bonds or have in its possession or distribute this Prospectus or any other offering material relating to the Bonds. No action has been, or will be, taken in any country or jurisdiction that would, to the best of each Joint Bookrunner's knowledge, permit a public offering of the Bonds, or the possession or distribution of this Prospectus or any other offering material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Bonds may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Bonds by it will be made on the same terms.

Prohibition of Sales to European Economic Area Retail Investors

Each of the Joint Bookrunners has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

United Kingdom

Each of the Joint Bookrunners has represented and agreed that:

  (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it

in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of sales to United Kingdom Retail Investors

Each of the Joint Bookrunners has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available and Bonds to any retail investor in the United Kingdom ("**UK**"). For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA;

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Singapore

Each Joint Bookrunner has represented and agreed that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Bookrunner has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.

United States

The Bonds have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States of America or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or such state securities laws. The Bonds are being offered and sold only outside of the United States to non-U.S. persons in reliance on Regulation S.

Each of the Joint Bookrunners has represented and agreed that it has not offered or sold, and will not offer or sell, the Bonds (a) as part of their distribution at any time or (b) otherwise until 40 calendar days after the later of the commencement of the offering and the issue date of the Bonds, within the United States or to, or for the account or benefit of, U.S. persons and, it will have sent to each distributor or dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this paragraph and not otherwise defined in this Prospectus have the meanings given to them in Regulation S.

In addition, until 40 calendar days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Switzerland

The offering of the Bonds in Switzerland is exempt from requirement to prepare or publish a prospectus under the Swiss Financial Services Act ("**FinSA**"). This Prospectus does not constitute a prospectus pursuant to the FinSA and no such prospectus has been or will be prepared in connection with the offering of the Bonds.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear France, Clearstream and Euroclear. The International Securities Identification Number (ISIN) for the Bonds is FR0014008JQ4. The Common Code number for the Bonds is 244756662.

2. The address of Euroclear France is 66, rue de la Victoire, 75009 Paris, France. The address of Euroclear is 1 boulevard du Roi Albert II, 1210 Bruxelles, Belgium and the address of Clearstream is 42 avenue John Fitzgerald Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg.

3. This Prospectus has been approved by the AMF in France in its capacity as competent authority pursuant to the Prospectus Regulation and received the approval no. 22-045 dated 24 February 2022. The AMF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Bonds that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds.

   This Prospectus will be valid until the date of admission of the Bonds to trading on Euronext Paris (i.e. 28 February 2022). The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Prospectus is no longer valid.

4. Application has been made to Euronext Paris for the Bonds to be admitted to trading on Euronext Paris on the Issue Date.

5. The issue of the Bonds was authorised by resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 14 February 2022 and a decision of Elizabeth Blaise, *Directrice Générale Déléguée* of the Issuer, dated 17 February 2022.

6. Copies of:

   (i) the *statuts* of the Issuer;

   (ii) this Prospectus; and

   (iii) the documents incorporated by reference in this Prospectus,

   will be available for inspection during the usual business hours on any week day (except Saturdays and public holidays) at the registered office of the Issuer.

   This Prospectus and all the documents incorporated by reference in this Prospectus have been published on the websites of (i) save for the 2021 Half-Year Report, the AMF (www.amf-france.org) and (ii) the Issuer (www.mercialys.fr).

7. Except as disclosed in this Prospectus on page 88, there has been no significant change in the financial position or financial performance of the Issuer or of the Group since 31 December 2021 and there has been no material adverse change in the prospects of the Issuer since 31 December 2020.

8. Except as disclosed in the item 11.3 of the cross-reference table on page 34 of this Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer or the Group's financial position or profitability.

9. Ernst & Young et Autres and KPMG S.A. are the statutory auditors of the Issuer. Ernst & Young et Autres and KPMG S.A. have audited, and rendered unqualified reports on, the consolidated financial statements of the Issuer as at, and for the two years ended, 31 December 2019 and 31 December 2020, and have reviewed and rendered a review report on the unaudited condensed consolidated financial statements of the Issuer for the six-months

period ended 30 June 2021. Ernst & Young et Autres and KPMG S.A. are registered as *Commissaires aux Comptes* (members of the *Compagnie Régionale de Versailles et du Centre*) and are regulated by the *Haut Conseil du Commissariat aux Comptes*.

10. The estimated costs for the admission to trading are €13,700 (including AMF fees).

11. The yield to maturity in respect of the Bonds is 2.595 per cent. *per annum* and is calculated on the basis of the issue price of the Bonds. It is not an indication of future yield.

12. As far as the Issuer is aware, no person involved in the issue of the Bonds has an interest material to the issue.

13. The Legal Entity Identifier number of the Issuer is 969500081CGAXB7YS433.

14. The Bonds have been assigned a rating of BBB by S&P Global Ratings Europe Limited ("**S&P**"). The long-term debt of the Issuer has been assigned a rating of BBB (stable outlook) by S&P. A rating is not a recommendation to buy, sell or hold Bonds and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. The credit ratings included or referred to in this Prospectus have been issued by S&P, which is established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit ratings agencies, as amended (the "**CRA Regulation**"), and included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) as of the date of this Prospectus.

15. In connection with the issue of the Bonds, Natixis (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 calendar days after the Issue Date and 60 calendar days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) to the extent and in accordance with all applicable laws and regulations.

16. The website of the Issuer is "www.mercialys.fr". The information on such website does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

17. This Prospectus contains certain statements that are forward-looking including statements with respect to the Issuer's and the Group's business strategies, expansion and growth of operations, trends in the business, competitive advantage, and technological and regulatory changes, information on exchange rate risk and generally includes all statements preceded by, followed by or that include the words "believe", "expect", "project", "anticipate", "seek", "estimate" or similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

18. In this Prospectus, unless otherwise specified, references to a "Member State" are references to a Member State of the European Economic Area, references to "EUR" or "euro" or "€" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS

I hereby certify that, to the best of my knowledge, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Paris, on 24 February 2022

Mercialys
16/18 rue du Quatre-Septembre
75002 Paris
France

Duly represented by:
Elizabeth Blaise
Deputy Chief Executive Officer of the Issuer

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This Prospectus has been approved by the AMF, in its capacity as competent authority under Regulation (EU) 2017/1129. The AMF has approved this Prospectus after having verified that the information it contains is complete, coherent and comprehensible within the meaning of Regulation (EU) 2017/1129.

This approval is not a favourable opinion on the Issuer and on the quality of the Bonds described in this Prospectus. Investors should make their own assessment of the opportunity to invest in such Bonds.

This Prospectus has been approved on 24 February 2022 and is valid until the date of admission of the Bonds to trading on Euronext Paris and shall, during this period and in accordance with the provisions of article 23 of the Regulation (EU) 2017/1129, be completed by a supplement to the Prospectus in the event of new material facts or substantial errors or inaccuracies.

This Prospectus obtained the following approval number: 22-045.

REGISTERED OFFICE OF MERCIALYS

16/18 rue du Quatre-Septembre

75002 Paris

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