

1.2.9.7 EPRA investments

The table below shows the investments made over the period:

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

Investments relate to companies fully consolidated by Mercialys.

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

Investments linked to the **portfolio at constant scope** notably include work relating to the project portfolio, but also to strategic projects implemented on various sites (coworking, "farmhouse" to sell local products, fit-outs), construction

work for the health center in Furiani and improvements to the site (installation of optic fiber in several centers) and tenants' facilities.

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

1.3 Real estate portfolio

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

1.3.1.1 Experts and methodology

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

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

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

- first, the capitalization of income method, which consists in taking the rental income generated by the asset and dividing it by a yield rate for similar assets, taking into account the actual rent level versus market levels;

- second, the discounted cash-flow (DCF) method, which takes account of expected annual changes in rental incomes, vacancies, and other factors such as expected letting periods and the investment expenses borne by the lessor.

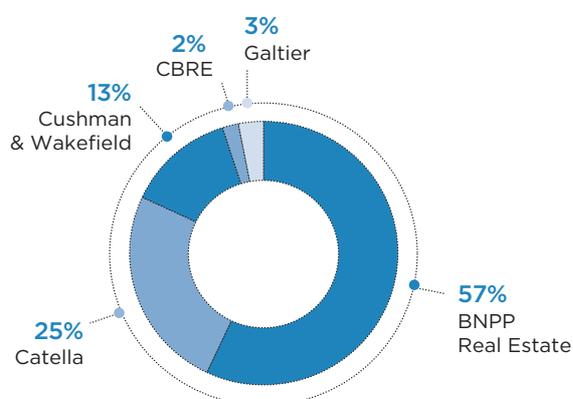
The discount rate used takes into account the market risk-free rate (TEC 10-year OAT), plus a risk premium and a real estate market liquidity premium, as well as any risk premiums for obsolescence and rental risk.

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

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

BREAKDOWN OF VALUATIONS PER EXPERT

(in % of the number of assets valued)



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

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

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

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

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

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

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

1.3.1.2 Real estate appraisal report prepared by Mercialys' independent valuers

Introduction

At December 31, 2019, Mercialys entrusted to:

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

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

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

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

Real estate appraisal report prepared by Mercialys' independent valuers

General background to the appraisal

Background and instructions

In accordance with the instructions given by Mercialys (the "Company"), set out in the valuation contracts signed between Mercialys and the Appraisers, we have estimated the value of the assets owned by the Company reflecting the manner in which they are owned (full ownership, construction lease, etc.). This condensed report, which summarizes the conditions of our work, has been written in order to be included in the Company's Registration Document. The appraisals were

conducted locally by our expert teams and were reviewed by the pan-European teams of Appraisers. To determine the market value for each asset, we considered real estate transactions at the European level, as well as domestic transactions. We confirm that our opinion of market value has been revised in the light of other appraisals carried out in Europe, so as to ensure a consistent approach and to take into account all transactions and information available on the market. The valuations are based on the discounted cash flow method or the yield method, which are regularly used for assets of this kind.

Our values were set at December 31, 2019.

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

Standards and general principles

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

Target value

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

Conditions

Information

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

Surface area of assets

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

Environmental analyses and soil conditions

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

Urban planning

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

Land titles and rental status

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

Condition of the assets

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

Taxation

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

Confidentiality and publication

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



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

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

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

The major regional and large shopping centers and the leading neighborhood shopping centers are made up of shopping centers and adjacent large specialty stores. high-street retail assets are comprised of Monoprix and Leader Price supermarkets. other sites include individual

units, including two cafeterias, two fast food outlets and a land reserve.

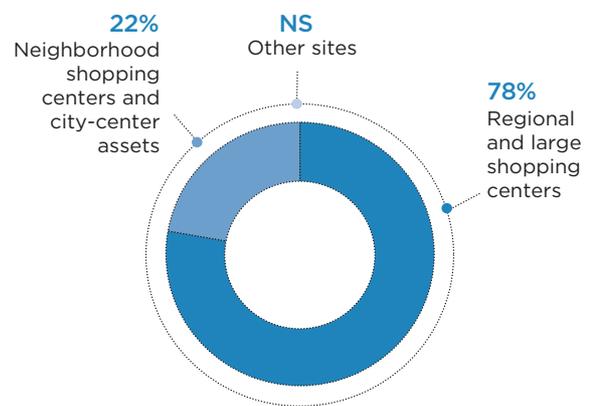
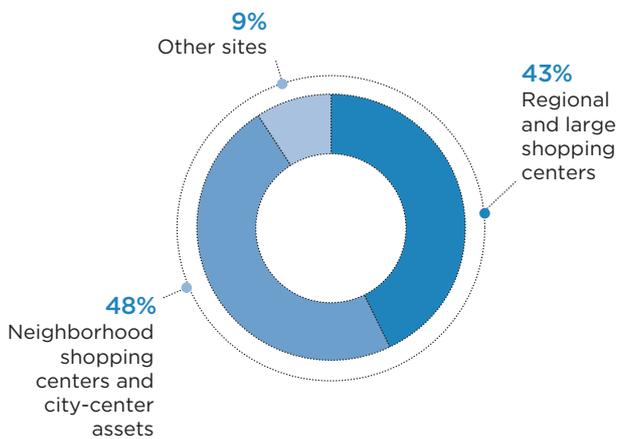
At December 31, 2019, Mercialys' portfolio was made up of 58 assets, including four large regional centers, 21 large shopping centers, 22 neighborhood shopping centers, six high-street retail assets and five other sites, representing a total gross leasable area of 843,848 sq.m.

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

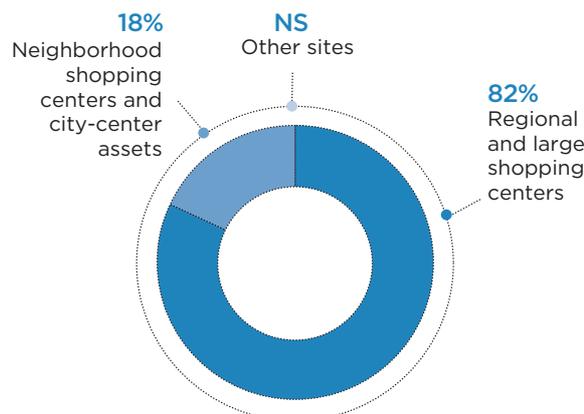
BREAKDOWN BY TYPE OF ASSETS HELD BY MERCIALYS

(in number)

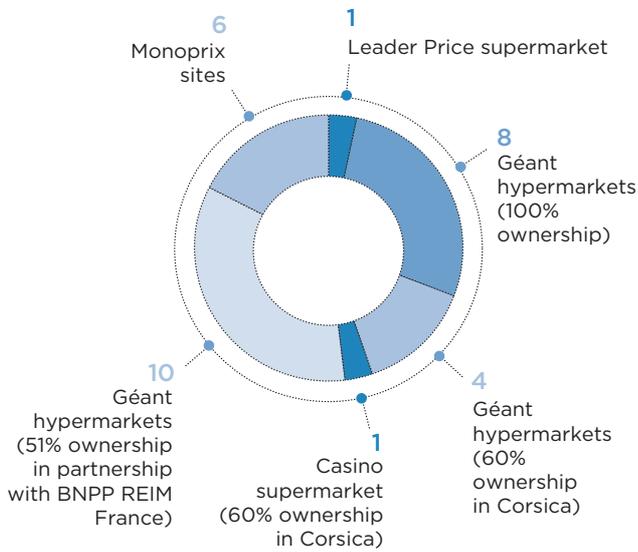
(in sq.m)



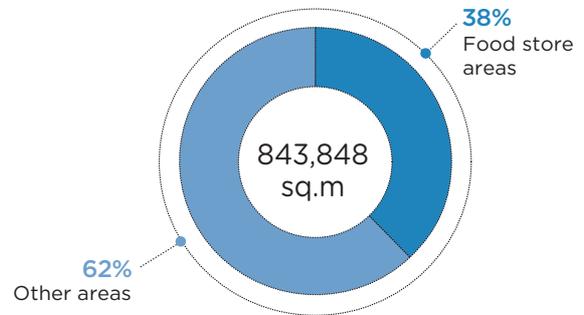
(in appraisal value, including transfer taxes)



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



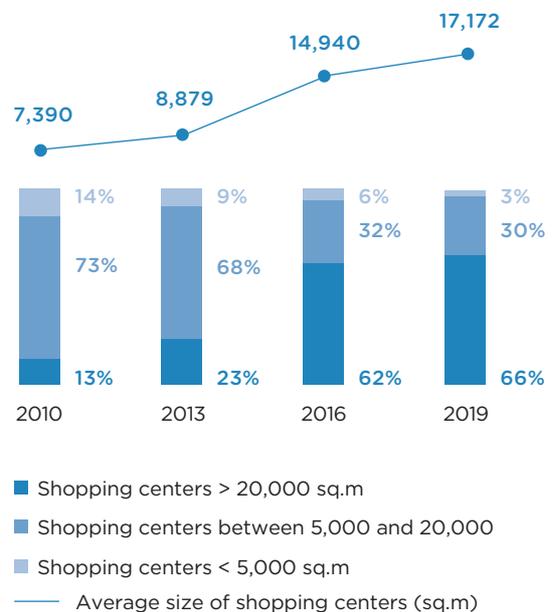
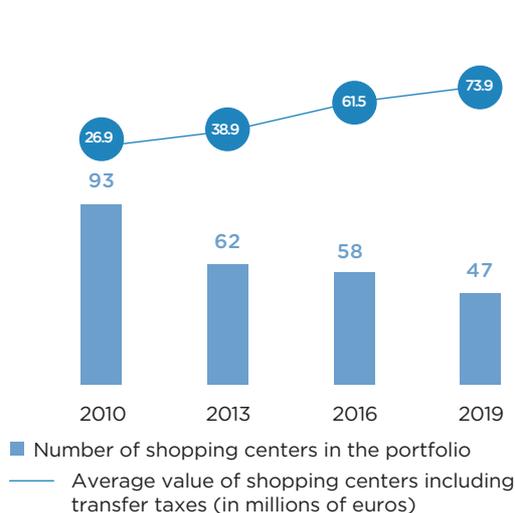
BREAKDOWN OF MERCIALYS' GROSS LEASABLE AREAS



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

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

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



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

Historically located in eastern-central France (Saint-Étienne), the Casino group, from which Mercialys originated, gradually

expanded its operations into neighboring regions (Loire, Haute-Loire, Rhône, etc.) and then, following merger and network takeover transactions, into geographical areas with high development potential, such as the coastal regions of the South-East, West and Brittany.

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

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

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

1.3.2.3 Detail of the portfolio at December 31, 2019

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

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

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

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